

How to Buy and Store Gold Bullion Offshore

By Peter Macfarlane

This edition prepared specially for readers of Expat Wealth.

© 2009 Noticias Globales, S.A.

<http://www.expatwealth.com>

The publishers do not have any connection with any third party investment providers mentioned in this report. Q Wealth Limited is a publishing company and does not provide any type of individual investment advice. We always advise you to carry out satisfactory due diligence to your own satisfaction prior to investing monies.

TABLE OF CONTENTS

Introduction by Peter Macfarlane
4

Chapter One: Why Gold?
6

Chapter Two: Why Gold Bullion?
11

Chapter Three: How to Buy Gold Bullion
14

Chapter Four: How and Where to Store Your Gold Bullion
21

Introduction

“What’s in it for me?” That’s the first thing you should ask when presented with a new report or ebook to read. Everybody and his dog are now offering free e-books as a way to get you to read their advertising material. It’s sometimes hard to tell the difference between a real, informative, well-researched report, and advertising material disguised as a report.

So let me tell you what’s in it for you. Why you should read this report through carefully several times rather than just skimming it.

This report is aimed at anyone who is interested in holding gold - preferably physical gold bullion. I’m assuming you are interested enough to have bought and started reading this report, so you probably know a little about gold already. I’m also assuming you are not a professional commodities trader, but rather somebody who is looking to protect your assets from the numerous financial threats out there right now. So I’ll explain all about gold from the bottom up, as concisely as possible.

I originally carried out this research for my high net worth consulting clients. Any private banker these days will tell you that the super rich are demanding gold - physical gold. Some people have paid thousands of dollars for this information in private consulting sessions. They were happy with this, because they made money with it. You can too.

Followers of my blog will know that after reaching a certain point in my financial services career, dealing with these ultra-rich guys, I decided to reach out to help more middle-class investors who nonetheless seek the security of investing offshore.

My ultra-high-net-worth clients don’t trust banks any more. You shouldn’t either. And it’s not just my clients. It is clients of more mainstream financial institutions, like for example Merrill Lynch - see my blog entry on [Why The Rich are Running To Gold Bullion...](#)

I’ve restricted this report to the most important information you need. Some writers like to pad out their e-books with lots of fluff, thinking that more pages mean the book is worth a higher price tag. I believe in the opposite. Savvy investors know that time is money, so they would never pay more money for more pages without caring about the quality of the information. Your time is valuable and I respect that. We need to cut straight to the facts. I will do that in the following pages.

In this report you will learn specifically:

- Why you need Gold for purchasing power, asset protection and wealth creation.
- Why you should buy physical gold bullion rather ‘electronic’ or ‘paper’ gold such as ETFs or digital currencies.
- How and where to buy gold bullion, whether you want to buy a few hundred dollars worth or a few million dollars worth. (I will also tell you how to buy gold at a discount - yes, you read that right, most people expect to pay a premium above spot price but there is a way you can buy at a discount, and of course you can re-sell at a profit)
- How and where to store gold bullion - offshore.

If you're not sure yet about how much of your portfolio to keep in gold bullion, start here at the beginning of the report. If you are 100% convinced and just want the facts and contacts - undoubtedly the most valuable part of this report - then you can safely skip ahead to Chapter 2.

So does that answer your question? Hopefully yes. But if you need it spelled out, what's in this report for you is a way not just to preserve what you've got, but also to **watch your wealth grow offshore!**

A reminder: After reading this report, you might have some questions or need a little help in figuring out the best way to apply this information to your personal situation. As an Expat Wealth reader you are entitled to an individual consultation session with Peter - details at his [Signature Consulting Services](#) page.

Chapter One: Why Gold?

Gold is a currency. But unlike dollars, pounds or euros that are backed by little more than hot air and words from politicians, gold is the ultimate measure and store of value. Gold has been treasured for centuries.

Throughout history gold has been proven / been held as a key store of wealth. Today, in India, the Middle East and Asia (where the bulk of the world's wealth lies), people hold their wealth in GOLD. It is just North America, the UK and some of mainland Europe where, with the boom of the past decade being fuelled by fiat currency, we have temporarily forgotten the usefulness of gold as a store of wealth.

As for the demand now, certain governments are buying, while others are selling.

Iran, for example, is going to add 15 tons of gold reserves to its already existing stockpile by March 2009. That is a lot of gold. Venezuela has announced plans to nationalize a gold mining company called Crystallex International Corp that has 31,000,000 ounces of gold core with a current market value of some \$35,000,000,000. So Venezuela wants its gold reserves to increase. They are no longer comfortable relying on their monetary and oil reserves.

China is announcing plans to move some of their monetary reserves into gold. The USA has 8,133 tons of gold. China now has 600 tons. China plans to increase their gold holdings to 3,000 or 4,000 tons. They see gold at the current price range (still under \$1000 at the time of writing) as a good entry point. Maybe we should listen to them?

Quite simply, to protect your asset base, to protect your purchasing power, to rebuild your asset base, to have an alternative money supply, and to hedge against the **continuing falling value of fiat currencies - the solution is gold**. I'll explain that term more in a minute for those who are not familiar with it, but for now you can assume that by fiat currencies I mean dollars, pounds, and euros.

Why Gold Now?

The investment markets are yielding to the fact that the global economy will remain weak for the next few years. **This is a key reason why gold demand is consistently outstripping supply**. Investors will always seek safe havens in turbulent times. Gold is the ultimate safe haven.

Now if gold demand is outstripping supply, why does the price not keep rising?

Well, actually it does keep rising - but not nearly as fast as we might expect. That's because there is a further hidden factor in the game: The Gold and Banking Cartel. Just because low-level bankers often discourage individuals from investing in gold bullion, doesn't mean they have forgotten the advantages of gold. Gold is central to today's financial system. And bankers are busy **manipulating** the gold price all the time. They have developed some very sophisticated tools for doing this - and the biggest tool they have is what I call "virtual gold" - in other words, convincing people that they own gold when really they don't. By reducing gold holdings to electrons trading on stock markets, or complex derivatives that people don't really understand, they can manipulate the gold price just as any other stock price can be manipulated.

The good thing is that real gold bullion can still be held outside the control of the cartel. Today, gold pricing is almost like black market currency trading. There is an official price for 'spot gold' and a completely different price if you actually want to buy the stuff, hold it and touch it. This report will focus on how to acquire REAL physical gold bullion - and some interesting ways you can focus on price arbitrage between the 'official' price and the real 'free market' price. In other words, you can play the banking cartel at their own game!

Gold Protects Your Assets against a threat you may not have noticed...

Traditional asset protection lawyers concentrate on keeping the same number of dollars, pounds or euros in your bank account. They try to protect you against taxes, or creditors, or unjust lawsuits. I'm not saying that's not important - it certainly is - but if you finish the year with the same number of dollars you started it with, you have already suffered a big loss.

Why would the government and the bankers waste their efforts trying to extract money from the population through unpopular methods like taxes, when there is a much simpler way?

Have your wages / income gone up 60% in the last 5 years? If not, unfortunately, you have fallen behind financially in your purchasing power, never mind what you may have experienced in terms of asset losses in the recent meltdown.

For those that have gold in their asset base... In the past five years, with only 50% of your portfolio in precious metals, you could have fully retained your significant purchasing power!

Losses through taxes, arbitrary seizures, unjust lawsuits or prickly ex-spouses affect the unlucky few. But the loss of purchasing power above has quite simply affected everybody who owns fiat currency.

So to repeat it is NOT so much that gold has gone up... but that the value of the "paper" fiat currency has gone down... otherwise known as devaluation. Evidence? Has your cost of food, housing, clothing, etc, etc, etc gone up? Or down?

So, if one stays fully invested in "fiat currency", would it be highly likely that one will continue to be worst off ... especially with the massive deficit spending underway? With the huge bailouts going on right now?

As I write the dollar is supposedly going up, against other major world currencies. The dollar rising makes no sense at a superficial level, because the United States is effectively bankrupt. The problem is, Europe is just as bad. There is even talk that Switzerland could be bankrupted because of their own sub-prime crisis - property loans in Swiss Francs to countries like Poland and Hungary that have suffered major currency devaluations of their own in the past year or so.

But when you compare the dollar to the price of gold, gold is becoming more expensive. In other words, gold being up means the dollar is going down. Gold is up even more against the Euro, Pound or Swiss Franc. Or the Aussie or Canadian dollar.

I believe we should seriously consider the possibility that things will get a lot worse before they get better. We may even see major countries like the USA or Switzerland declaring bankruptcy, defaulting on their debts and reintroducing exchange controls. Ecuador just did it. Bigger, more important players might follow.

I'm not saying this will necessarily happen. But even if you see a possibility of it happening, hedging your portfolio by investing part of it in gold is a great idea. And if you are prepared to play the markets actively, I believe you can actually get ahead financially by trading gold over the medium term.

Let us see what Alan Greenspan, the former chairman of the US Federal Reserve (now head of BIS), told lawmakers in Washington almost a decade ago...

“Fiat money, in extremis, is accepted by nobody... Gold is always accepted”

“Gold [is] the ultimate form of payment”

What is Fiat Currency?

I've already mentioned this expression quite a few times, and I understand that many readers may not be familiar with it. You should be!

No, it has nothing to do with Italian motor cars. The only Italian connection is the Latin language, from which the word fiat - meaning command, decree or order - is derived. My Chambers dictionary defines fiat currency as follows:

Money (paper or coin) made legal tender and assigned a value by government decree, with a commodity value lower than its face value, not convertible into any other specie of equivalent value, and generally with a lower purchasing power than nominally equivalent specie...

In other words, it is a currency whose usefulness results not from any intrinsic value or guarantee that it can be converted into gold or another hard asset, but instead from a government's order (fiat) that it should be accepted as a means of payment.

While the government has control of the financial system, fiat currency works. If people lose economic confidence in the government, fiat currency goes down the drain. It's only value is a government order that it be accepted as 'legal tender.'

In the case of the US dollar, the currency is not backed by gold, nor anything else for that matter - other than the world's confidence in the US economy.

Now imagine if your business had a client - let's call him Sam - who had always appeared wealthy and had been a reliable payer over time. So you always extended him all the credit he wanted. But little by little, you see he is getting further and further into debt, and you start hearing rumors elsewhere that things are not going to well for Sam, economically speaking. You will grow increasingly concerned, right?

At some point, you are going to start putting limits on Sam's credit line. And that's what is happening in the rest of the world these days to the 'full faith and credit of the US government' which is what backs the US dollar.

The US dollar is subject to the order of the US government , which in turn has delegated running the currency to the various Federal Reserve banks making up the Federal Reserve System (do you remember how on older dollar bills, you could see which of the Federal Reserve Banks emitted that specific bill - but newer bills just say 'United States Federal Reserve System'? The Federal Reserve Banks are private corporations owned by a secretive group of bankers. (Google can tell you more if you want to explore this - I won't go into it more here, although it's a fascinating topic...)

Around the world, fiat currency is owned by its creators, the Central Banks. The Federal Reserve, the Bank of England, the European Central Bank and so on. It may be encumbered by its creators. That means they may use it as security to borrow more money.

Gold bullion is owned by its Holder, YOU, and not encumbered unless YOU choose it to be. The last thing any government wants to see is a return to money consisting only of gold and silver coins. Why? Because **no government can control the world supply and demand of bullion coins**. Governments are scared of losing control of the financial system because - well - money is power!

A Solution for Living in Unprecedented Times?

Of course, you need cash for day to day living. It's hard to pay with a gold bar at the supermarket checkout, right?

So you need to retain some Fiat money (cash) for your daily living expenses. For practical reasons, you probably need to keep some of your fiat money in bank accounts too. That gives you the convenience of credit cards, online banking and so on. Choose your banks carefully - see my [Practical Offshore Banking Guide 2009](#) for more on this topic.

You probably also want to keep some investments in stocks, funds, fiat currencies etc for diversification. If you stay smart, watch your investments and are ready to take your profits and get out at the right time, of course you can make a lot of money in fiat currencies. But they should be considered just like that - a short term speculation, not a long term store of wealth.

Fiat Money is effectively a giant ponzi scheme. Just like ponzi schemes such as Madoff's, you can make good money from them, provided you take your profits and pull out at the right time. If you have your money in dollars and pull out at the right time, you might make great real purchasing power gains. But you are doing so at the expense of others who get in after you.

The solution? Allocate a good portion of your portfolio to precious metals - like gold and silver - to protect your asset values, as a safe haven, as a hedge against the falling USD, and most of all as a purchasing power protection. I won't mention much about silver in this report, but it's something you should also consider as part of your portfolio, besides gold. From time to time I write articles on Silver at my [blog page](#).

What portion of your assets should be in Gold or Silver? In normal years, many in the market have suggested 10% to 15% of one's total assets. Today, many in the market are suggesting 50%. Some, known as 'gold bugs', would say 100%. But it's your money - the final decision rests with you.

Chapter Two: Why Gold Bullion?

OK, in the last chapter I explained precisely why I believe investing in gold is a great idea.

Don't get me wrong. Not everything about gold glistens. Gold is heavy and so hard to transport. It triggers metal detectors. If you sell gold ingots or bars it is common for the buyer to want to assay the gold before closing on the transaction. (Assaying means checking the weight, size of the ingot and extracting a small sample of the metal to test for purity.) In many countries any sale or purchase of gold in amounts of \$10,000 or more using dealers needs to be reported. In some countries, ownership of gold in bullion form is totally prohibited!

Keeping gold around your home can represent a major security risk. But more on gold storage methods in Chapter 4.

So, ask your banker or broker about buying gold. 99% of bankers will advise you to buy gold through one of a multitude of much 'easier' ways to invest in gold. They will advise you not to buy real gold, but to buy 'virtual' gold. Although your banker may be well meaning, what they are trying to sell you is basically a scam, because they are not offering you real gold. They are offering you 'virtual gold.'

For short term speculation on the gold price, 'virtual' gold make sense, so I don't write the following methods off completely. Before the financial crisis really started biting, I used to recommend these strategies to my clients who wanted to invest in gold. Now I don't any longer. In fact I believe they are positively dangerous, and doubly so because they are slickly marketed as 'safe haven' solutions.

I'm referring here principally to four 'virtual' ways of investing in gold:

- ETFs (Exchange Traded Funds). Most of you will be familiar with ETFs. You can buy them through regular online brokerage accounts. Funds like GLD and others allow you to buy gold (kind of) and keep it in your brokerage account as if it were a stock - which, legally speaking, it is. You are actually buying stocks in a company that invests in gold. ETFs track the quoted spot gold price.
- Digital Gold: Here I'm talking about systems like BullionVault.com, e-gold, and GoldMoney that are not stock-exchange based, but allow you to create accounts on their system that function, to vastly over-simplify, rather like bank savings accounts but denominated in gold rather than fiat currency. Got that? You can deposit and withdraw at current rates. The Gold itself doesn't move - it stays put in a vault somewhere. You simply transfer beneficial ownership of it by buying and selling online. It's a smart system for making small value online payments.

- **Gold Accounts:** Some banks, mainly in Switzerland, offer these accounts to their clients. Gold is kept in the bank vaults, but accounted for on behalf of individual owners who are the account holders. Gold may be either allocated (you own specific bars in the vault) or unallocated/pooled - which means you own a certain number of ounces of the gold in the vault, but all the gold in the pool is interchangeable. Another similar option is the **Perth Mint Certificate Program**, a hugely successful system whereby the government of Western Australia will hold your gold in their vaults, issuing a certificate in return which entitles you to the gold and which can be bought or sold at spot price (plus brokerage fees of course).
- **Gold Mining Stocks:** many bankers will try to convince you to invest in shares in gold mining companies. Here, you are not buying directly in gold, but logically the value of these shares basically goes up and down more or less with the price of gold. It's a good way of gaining exposure to the profits and losses of the gold industry. And as gold carries on upwards, this industry will certainly become more and more profitable.

Now let me say clearly again that there is nothing necessarily wrong with any of these four systems, or any similar 'virtual' gold systems. If you want to play the markets and benefit from short term hikes in the official spot price of gold, any of these systems work. I've used them all in the past for my own personal funds and may do so again in the future. Out of all four, the ETFs are definitely easiest if you already have a brokerage account.

There are two major, and I mean really major, problems with all these options, however:

- The first problem is that you do not directly hold the gold. They all rely on the banking system. **Which, when you think about, kind of defeats the whole rationale for owning gold that we outlined in the previous chapter.**

In the case of ETFs, for example, you are actually buying shares in a company that owns gold. Those shares are managed by a Custodian - Barclays iShares in the case of GLD, the biggest ETF. Those shares are then registered in the name of a nominee, then allocated to your brokerage account. What you have is not gold at all - just electrons and promises!

Right there in the example above are at least three financial institutions that could fail and affect your investment. In reality, the chain of ownership is even more complicated than that and may well involve many third party contractors and the like in various jurisdictions. If just *one* of those entities goes down, and gets bailed out, you will probably get your assets back after some time, though that is by no means sure. You might, for example, find your gold suddenly gets frozen in USD for a few months just at the wrong time. That is exactly what happened to many account holders in e-gold when the US government froze the system, had the gold sold and the accounting kept in USD.

More worrying however, is that in the event of a complete systemic meltdown, you will be left with nothing except those electrons and promises from a bankrupt financial system. So if you are looking at gold as a safe haven, your protection against

a possible collapse of the financial system, you quite obviously don't want to hold your gold through ETFs that rely on that same unstable financial system.

- There is the risk of government seizure.... making Private Ownership of Gold illegal . Private ownership of gold in the past has been illegal in certain countries, most notably the USA in the years following the last Great Depression. In the future some of the more oppressive high-tax regimes (not naming names) may well resort to this tactic again, in a desperate attempt to prop up the value of their fiat currencies. It would enable them to buy up a lot of gold at bargain prices (the 'official' exchange rate) as people rush to sell it in desperation before the deadline date of lawful ownership. Any gold you own through bank and brokerage type setups will be completely visible to governments, and is already subject to reporting requirements imposed in the name of the war on money laundering. You are likely even required to report it yourself.

The only solution is to hold real gold yourself, hide it somewhere secure, and tell no-one about it. There's no way that electrons and promises from the cartel can serve as adequate substitutes for the base metal itself. Keep physical gold bullion - not necessarily at home, but in places that are not exposed to the financial system. I'll outline some of these in the next chapter.

At the moment, **ownership of physical gold is not subject to reporting requirements in any major country.** Gold bullion (unlike ETFs) is not subject to laws regarding securities or bank accounts. As an American or Brit, for example, you can completely legally own all the gold you want situated anywhere in the world and there is no legal obligation to tell a soul about it. Which can only be good for your freedom, wealth and privacy!

Chapter Three:

How to Buy Gold Bullion

One way is to go down to your local gold dealer and buy government minted gold coins, or - if your investment is big enough - bars. Gold dealers can be found in all major cities.

Most banks worldwide can also sell you gold, but with a few notable exceptions, such bank transactions will be neither cheap nor private.

There are three problems with this:

- The premiums charged by local gold dealers or banks are sometimes huge. (Remember banks also typically charge for secure delivery to the branch, insurance etc which is all an added cost you will have to bear) You will finally be paying a large premium over the official spot price. Granted, some of that is accounted for by the difference between the 'official' price and the real 'free market' price that I've already talked about. But there are several smart ways you can buy gold at the official price or even less, then take delivery of physical gold bullion that you too can sell at a premium 'free market' price (and believe me it will not be hard to find buyers at the 'free market' price)
- If you are seeking the maximum protection by buying gold to hold and store outside your home country, you want to find a way to sidestep any reporting requirements - legally of course. You and only you (or chosen trusted family members or associates) should know about the gold. You don't want the gold dealer to file a government report on you. Most bullion and coin dealers worldwide are required to file reports on transactions they carry out, typically over \$10,000.
- An additional problem is that some countries tax gold bullion. Some European countries like France charge VAT on gold. This is obviously equivalent to a huge premium.

Let's assume that your requirements are more sophisticated than simply purchasing a few gold coins through your local dealer or bank. In this chapter, I'm going to explain three methods of buying physical gold bullion that avoid these problems, to a greater or lesser extent. Each method has a different level of complexity, cost, anonymity and - yes - risk. Whichever you choose, if any, will depend on you. You need to weigh up the respective advantages and disadvantages as they are applicable to your own personal situation. For example, if you want to put aside \$1000 a month in gold out of your regular income, your requirements will be very different from someone who wants to purchase \$1,000,000 worth of gold bullion in one fell swoop.

If you are smart, with a little thought you can mix and match some of these ideas. In business there are a few hard and fast rules. In buying and selling gold, you can always negotiate and ask for what you want.

If you need any help with any of this, you should seek professional advice.

Method 1 - Using Offshore Lawyers as Nominees

The first method is for big time players, who want to get large quantities of gold quickly and store it somewhere safely offshore.

This method requires a law firm somewhere offshore. It was proposed to us by one in Panama. It should go without saying that this should be a very respectable and reputable law firm on which you have done adequate due diligence.

First you have the law firm form a Panama foundation for you. I will at least use the example of Panama Foundations here, but any regular offshore corporation could be used in a similar manner. The important difference to remember is that legally speaking, Corporations have owners whereas Foundations do not. The wealthy don't own real wealth, they just control it. Big difference, but not one I will get into here.

The Foundation will be used to purchase the gold. The legal representative of the foundation will be the lawyer, acting as trustee. He is the signatory on the transaction, which means your name need not appear anywhere on the gold purchase transaction. You simply control the Foundation. You don't own it, because as I said foundations don't have owners. You could, however, be a beneficiary. Or your family members could be beneficiaries for example.

The basic idea is that ***your name never gets involved in the transaction*** and does not appear in any of the documents. However, if you want your name to appear on the transaction this could be arranged as an option if it makes you feel more secure. You would be giving up some privacy, but nonetheless your name would still only appear in an unrelated country (not Panama) where the gold is purchased.

The transaction can be accommodated, according to our friends at DoBusinessinPanama.com, *not* in Panama but in other countries in Latin America where the lawyer can be the legal representative operating under a strictly limited power of attorney. The lawyer is never listed as the beneficial owner. The beneficial owner is the Foundation. Not all gold dealers or banks will accept this arrangement, but some will.

You can control the beneficial interest in the Foundation and have a general power of attorney if you wish - although you should be aware that signatory powers may trigger reporting requirements in your home country.

What about the Money Trail? The funds would first have to be wired to the Attorney Client Trust Account. Then the law firm can wire the funds on to the country where the gold is being purchased by the Foundation. An escrow contract is set up in the bank in the country the gold is coming from. The escrow will close typically in 12 to 24 hours. When the gold is delivered the money is paid from the escrow. Now you have the gold.

The payment was made to a law firm in another country from where the transaction is taking place. The law firm does not send the funds over from the same bank account you wired the money into. No one knows why the money was sent to the law firm. It is attorney client privileged information, well protected by law in the countries selected for this transaction.

Can attorneys handle investments for clients? Of course, that is a large part of what attorneys do. Gold is just an investment in precious metals.

Trying to pierce attorney client trust bank accounts in places like Panama is something far from simple. Actual hard evidence of the funds being the fruit of criminal activity would be required. A court date would be set in Panama. The other side's prosecuting attorneys would need to come to Panama and retain local counsel. They would be required to present hard evidence that the money was the fruit of a crime that would also be a crime in Panama. No fishing trips, speculations or innuendo as is common these days in the USA or the UK. The Panama courts would require real, hard evidence.

You are further protected by an International Trust Agreement clearly stating what the law firm is supposed to do once it receives your money - in other words go and buy your gold as clearly and as specifically stated in the International Trust Agreement. The country where the Foundation will be buying the Gold in does not require details of the beneficial owners of the Foundation. This is a key ingredient in making the whole deal work. There are actually three countries that can be used to conduct these transactions with the desired degree of anonymity. They are Brazil, Peru and Uruguay.

A similar set-up is also now available in Europe. For example, in the past I have written at length about [Rietumu Bank in Latvia](#) They recently announced a new service regarding the sale of gold bullion. The bank's press release states as follows:

... The Bank's customers can purchase triple nine (999.9) - gold bullions of the Austrian Mint of any weight, as well as gold coins "Austrian Philharmoniker" carrying weights of 1, 0.5, 0.25 or 0.1 ounce of gold and coins of other countries upon special request. A customer pays the current market price for every gold purchase deal based upon the object weight; the physical form (bullions or coins) has no influence on the price.

Having purchased the gold bullions or coins through Rietumu Bank, customers can then manage them and store in any location at their discretion, including the Bank's depository, which is located in our new H.Q. Rietumu Capital Centre in Riga on 7 Vesetas street.

The tariff on purchase of gold bullions and coins and delivery to the Bank's depository will account for 1.5% of the transaction amount (the minimum fee - USD 10 000). The tariff comes into force on 3 February 2009.

You can obtain more detailed information on gold purchase in Rietumu Bank's Securities and Financial Markets Department via phone +371 6700 5525.

Method 2: Going Long on COMEX

Now for something completely different. This second method offers less anonymity, but the costs and complexities are less, and it is worthwhile at smaller amounts. In fact, with this little-known method you can buy physical gold at spot - no premium to pay, just a few fixed costs related to assay and delivery.

It is also great for anyone who would like to take delivery of their gold in North America, through more 'household name' type institutions, as opposed to jetting around Latin America James Bond style with briefcases full of gold bars. The following information is based on an article by Casey Research (publishers of [Big Gold](#)) that originally appeared here:

<http://www.petermacfarlane.net/2009/01/22/how-to-buy-physical-gold-bullion-on-the-comex/>

(For more specific information on the mechanics, please refer to the original article.)

To buy on the COMEX, the minimum purchase is one hundred ounces. As Big Gold's editors say, "You can elect to play with the big boys and get your 100-ounce bar on the COMEX, where the bullion banks and giant funds do their trading."

What is the COMEX? It's a place where speculators make and trade contracts future delivery. It's really a money game - 99.9% of those contracts get settled bank-to-bank in fiat money and as such are closed out before the contracted delivery date. Very little physical gold changes hands on the COMEX. But every participant who 'goes long' does have the right to pay in full at the end of the contract, and insist on actual physical delivery of the gold.

There have been some questions about whether all the gold traded on the COMEX really exists. I wouldn't frankly be surprised to find it didn't all exist. But, while most trades are settled on paper, they are certainly not going to risk rocking the boat by refusing to honour physical delivery on the 0.1% of transactions where it is actually requested.

If you decide to proceed with the idea of buying on the COMEX, you will first need an account with a futures broker. This could be a US futures broker, as referred to in the original Big Gold article.

You might equally choose, however, to trade through any international broker that has access to US futures trading. This is where it gets more interesting from a privacy perspective. Again, one could take a Panama Foundation, open a brokerage account at an offshore brokerage such as [Thales Securities](#), then go ahead and buy the futures contracts through that brokerage account. We talked to Thales and they confirmed that this strategy would work through their offshore brokerage system.

You won't get the gold immediately, because remember you have to wait for the contract to reach its maturity. The good thing, however, is that you don't have to pay for it immediately either - you can buy it on margin. The minimum margin required varies and is set at the exchange's discretion. For a single gold contract, at the moment, it would be about 7% of the contract's value.

Speculators play the market game that way, with as little up front cash as possible. But if you are not going to watch the trade every day, be careful. As the Casey Researchers warn, "That won't be a problem if the price of gold rises, since the broker will be crediting a matching amount of cash to your account on a daily basis. But you have to be careful if the price of gold falls, because the broker will then charge your account for a matching amount of money

day by day - and to keep the balance from going below the minimum margin requirement, he'll send you a margin call, insisting that you deposit more cash. If you fail to do so, the broker will enter a sale order for you, and you'll be out of the market."

Once your contract matures, it's time to start thinking about how to take delivery of the physical gold - assuming that is your aim. On the agreed settlement date, your brokerage account will be debited an amount equal to the settlement price multiplied by the exact weight of the particular bar that's been assigned to you (different bars may have slightly different weights).

What happens then is that the COMEX will hand your broker a warehouse receipt with the details of your specific bar (hallmark, serial number, and weight to one-thousandth of an ounce). The broker can either hold the receipt in your account or hand it over to you. If you take possession, don't lose it! It is a bearer instrument that cannot be replaced.

Next, of course, you will want to trade that piece of paper in as soon as possible for the real physical gold bar which you wanted from the very start. The bar itself will be in one of four designated COMEX depositories, all of which are either in or close to New York City. If you want to take the bar home, you can either show up at the specified depository and pick it up, or arrange for third-party delivery. There is a fee for handling the withdrawal of the bar - estimated at \$150. You might plan to hand-carry your gold, but remember it is pretty heavy stuff so you might want to budget in some costs for secure transport too.

The only other cost you might incur is reassaying of the bar when you wish to sell it (this applies equally, of course, to any physical gold you sell) This is to check you haven't secretly melted down the bar at home and removed some of the gold content. As part of a prospective buyer's due diligence, they will likely want a professional certification that it was genuine to begin with and hasn't been tampered with while in your possession. The COMEX provides a list of approved assayers on its website. The one Big Gold contacted, Ledoux and Co., quoted them \$300 per bar for the service.

So that, in short, is how an Offshore Corporation or Foundation can **buy physical gold at no premium** for delivery in the USA.

Method 3: A Sustainable, 'Green' Gold Option For Smaller Investors

Gold at up to a 20% Discount to the Market? This must be worthy of a look. It is an interesting strategy for acquiring gold direct from producers in South America (predominantly Peru), bypassing completely the cartel and the middlemen, and at the same time helping to finance sustainable gold mining - or, as this company says, "Mining Wealth Responsibly."

It relies on similar financing methods to the COMEX but completely cuts out the involvement of bankers and brokerage houses. Some people will see this as an advantage (lower costs, deal direct) others as a disadvantage (no guarantee from a big US bank or brokerage, and SEC rules prohibit small individual investors from taking this kind of risk). It all depends on you and your goals as an investor.

This third method is a variation on the two previous methods. The interesting thing here is a chance to buy physical gold offshore direct from the producer. There are three things I like about this opportunity:

- There is no direct exposure to banks or financial markets. You simply make a contract to buy physical gold direct from the company that owns the actual mines and they will ship the gold to you worldwide.
- This method of purchase is open to much smaller investors. Rather than having to buy a whole bar, you can buy gold ingots with an investment of \$10,000 or possibly even less if they see you are serious about building up your savings over time.
- The seller is an offshore corporation and the entire transaction can be done offshore.

Commodis Corporation (“CC”) is a company organized to provide stakeholders and investors a **private and direct investment in gold**, on a preferential pricing basis, and to serve as a funding vehicle for gaining additional interests in gold resource properties. In other words, a win-win situation for you and the gold producer.

CC is currently offering qualified participants (by which they basically mean offshore companies, or individual onshore investors who have gone through a certification process as sophisticated investors) a direct investment in ounces of gold at up to a **20% discount to the market pricing**. Participants do so by purchasing a minimum of five (5) Units for a minimum investment of \$10,000 in US funds or Euros. Additional Units may be purchased on an incremental basis of one unit.

Each Unit has a face value of \$2,000 (or 2000 euros) and such Units are repayable in gold ounces. The first repayment delivery begins in approximately 9 months from receipt of funds and 10 equal quarterly installments thereafter fully maturing in 3 years. This, of course, is the reason that you are getting a hefty discount on spot price - you are basically buying gold that is still in the ground, and over this time you are actually financing the operations to get the gold out of the ground and refine it. This is a privately-held mining company that has specifically chosen not to go down the traditional stock-market route of raising working capital for their operations.

By participating in CC’s plan, you gain a direct investment in physical gold ingots at up to a 20% discount to current market pricing. This provides the participant with up to an immediate 25% unrealized market gain above the price it acquires its gold. Further, the participant / Unit holder then of course **enjoys the full benefit of any price increase above their discounted purchase price.**

Security of Investment

The first and most obvious question is regarding the security of your investment. It is not a simple buy-sell gold transaction. You are taking some exposure to risk, in terms of financing a mining company. To advantage the participant, therefore, the Units will be secured against the available resource and tangible assets of Commodis.

Nothing, of course, is without risk. But we have talked at length to the management of this company. The team consists of a well seasoned team of professionals with extensive experience in mining, legal and investment banking. The team is headed up by **Linda Dixon**,

a Canadian Chartered Accountant and Investment Banker who has been writing in the Q Wealth Report for close on a decade. Mining engineer William Guzman, a man with many successful business interests in Peru, is in charge of technical matters and is supported by an extensive team of professionals based in South America.

Smaller Investors

To the extent a Subscriber is unable to participate with the minimum \$10,000 offering upfront, Commodis is prepared to negotiate installment plans for qualified participants to participate sooner than would otherwise be available to them!

How the Price is Calculated

The exact number of ounces will be calculated based on the London Metals Exchange Fix price for Gold Fixing, as applicable, discounted by 20%, with a minimum equivalent price per ounce of gold set at \$650.00 per ounce. The fixing date and price is set based on the average of the month in which the monies are received by Commodis.

Once the debenture matures, the participant can either take physical delivery of 0.999 fine gold, or have it sold at current spot price in order to realize the gain and receive payment in dollars or any other currency.

Business Model

Commodis' overall strategy involves undertaking activities which provide for profitable operations in the mining sector, particularly in Peru, but also elsewhere in the Americas where its business model may be effectively executed. This strategy involves the identification, securing, funding and / or operating of producing or previously producing or near cash advanced-development resource properties.

It also involves entering into direct contracts with small miners to purchase existing production or where appropriate, provide working capital and / or equipment to increase production of such miners in return for an interest in such production. This involves, for example, the purchasing, processing and / or refining of ore, as well as the sourcing, arranging, installing and servicing of equipment for the respective mining operations to secure and expand production.

The strategy also involves the setting up of milling operations again, in order to increase production of mines or tailings intended to be milled through such milling operations. Commodis' current focus is on small to mid-size mining opportunities and situations for the following reasons:

- Previously demonstrated resources often either have mining facilities on site and/or may be brought back into production in a relative short time line to provide short term returns

- Previously sluggish commodity pricing led to many mines closing, but the recent surge in commodity prices, caused to a large degree by strong demand, have created a significant opportunity to bring these sites back into production or to expand existing production in a quick and profitable manner
- The past 10 years have seen an unprecedented amalgamation of mining companies creating large conglomerates which are typically not interested in smaller type properties.
- The Company's keen interest in mining property reclamation and in providing positive economic contribution to local economies in a responsible profitable manner.

If you think this opportunity could interest you, the best thing you can do is talk to Linda or one of her colleagues and check it out for yourself. Commodis Corporation can be reached via e-mail: bullion01@gold-economy.com

Chapter Four:

How and Where to Store Your Gold Bullion

OK, so we've established the need to buy gold bullion, and why it's a good idea to diversify your holdings out of the traditional financial system, to hedge against catastrophic events like a meltdown of banks and brokerage houses, or government imposing restrictions on private ownership of gold. How, then, should you look after the gold? And perhaps more importantly, where? In this chapter, we will address these points by firstly covering secure home storage, and then looking at various safe deposit options around the world where you can physically - and in many cases anonymously - stash your bullion.

The Panamanian lawyers we mentioned earlier suggested you load your gold aboard a chartered jet and fly off into the sunset with it. As long as you make any customs declarations that may or may not be required, in theory you should be fine. This would further remove and obscure any residual money trail to the point of being non-existent. Once the gold gets on the jet that is it. The pilot can even be told to change his flight plan after departure to make sure the country of departure does not even know what country the gold went to. Of course the gold would be transferred to the name of another corporation or foundation at this point.

If like me you are regrettably not yet at the level of flying around your gold on chartered jets, there are other, cheaper and more straightforward options. In principle you have two choices: hide your gold at home, or entrust it to a third party safe deposit facility for safe keeping. Each has its own advantages and disadvantages.

Keep Your Gold Bullion Safely at Home

Keeping large amounts of gold bullion at home is generally not advisable. There are some people, however, who live in safe places, and who have enough confidence in the security of their homes, to go for this option. At the very least, you might want to consider home storage for at least part of your holdings.

These days, we consider ourselves more sophisticated than our ancestors who used to bury treasure in the garden. Burying however is really still one of the more secure ways, provided no-one else knows where it is.

You could also purchase a home safe and put the gold in the safe. Before you do this, however, you should understand a little about safes. Most home safes can be opened relatively easily - by crowbar, power saw, axes, drills etc. The majority of safes do offer reasonable fire protection however. This is important because gold melts at a relatively low temperature.

If you get a UL Laboratory rated safe with a 15 minute rating for theft and one hour fire on all six sides you should be reasonably well protected. A 30-minute rating is more secure. Most banks and jewelers will only use a 30-minute rated safe or higher. They go up to 60 minutes rated with an additional explosive protection rating. Expect to pay \$3500 and up for one of these safes plus installation and delivery. Larger ones can be \$10,000 or more.

The highest rating is 60 minutes for tools and explosives. Sixty minute rated safes can be very heavy and require a crane to install so they do not crush the flooring when moving them around into place. You could put one in a garage on a concrete floor, for example. But most condos will not have elevators that can handle such a load.

Probably for most people, a 30 minute safe is enough. Any 30-minute safe is going to take a decent blast to open. The intruders have to risk a lot using an explosive, and if they don't know what they are doing they might well blow themselves up instead of the safe. Another risk for them is that they might render the safe inoperable. Safes have strike plates that break if one attempts to drill them and a good blast would probably break the striker plate. This would cause pins to move in place and render the safe door inoperable. This makes opening the safe much more difficult still.

You should, of course, bolt the safe into the walls and floor. Consider building a room around the safe, using a saw-proof cement with rebar to build a wall around the safe exposing only the door of the safe, which is normally the strongest surface of the safe.

Please bear in mind if you suffer a home invasion and the intruders find the safe, they will force you to open it at gunpoint, so the safe is best well hidden. For example, build a dummy back to your closet (false wall) and put it in there. At a minimum put it inside a closet with a deadbolt lock. You can cover it up with clothes and blankets so workmen do not see it when coming to the house.

Many people choose to have two or more safes. Use one as an easy-to-find decoy. Keep a few hundred dollars in there and some important looking papers that you can afford to lose.

Another important thing to consider is the lock on your safes. There are two types: push-button digital and turn-the-dial manual. Manual dials should be avoided as they are much more easily defeated. There are some very sophisticated ones, but still I think digital locks are better.

There are *electronic safe dialers*. These are laptop computers that hook up to a safe manual dialer and try all the combinations. They take about 3 days to open a safe. There are also x-ray type machines that can look into the safe and can see the dial and the grooves on the dials and thus get the combination that way. Then there are x-ray proof dials made out of plastic that defeat the x-ray attack. Then there are dial locks that have a digital display.

Do not use the Sergeant and Greenleaf entry-level locks. Always use an upgrade level lock that costs more. Most safes are sold with low-level digital locks, so always upgrade. They have more combination possibilities and are harder to defeat. The good ones no longer use batteries; one just spins a dial to charge them up.

Another advantage of digital locks is that it's easy to reset a digital lock yourself, unlike resetting a manual combination lock that requires a locksmith - who then knows what the new combination is. With digital locks only you know the combination. After three to five bad attempts in a five-minute period the lock shuts down for 15 minutes or longer. This makes cracking the combination very difficult. You can also have master codes, codes for certain people that require the master code to be set first and other possibilities including logs of who opened the safe and when. So go digital but always upgrade from the cheapest model.

Using a Safe Deposit Facility

A safe deposit box, also known as a safety deposit box, is a type of safe usually located in groups inside a secure room known as a vault. The vault is typically located in a bank or a specialist depository. It usually holds important and valuable possessions such as important documents (wills or property deeds), currency and or precious metals that a person might be reluctant to leave at home due to fear of theft, fire, flood, tampering or other reasons. Typically, the renter pays the vault owner a fee for the use of the box, which can be opened only with production of the assigned key, a master key, the proper signature, or perhaps a code of some sort. Some vaults now use biometric security to complement the security procedures.

For most people, a better and more practical alternative to home storage is to use a vault facility, whether domestic (in your home country) or international. ***Choosing your vault is something you must do with a lot of thought, care and due diligence***, something that we will explore over the following pages.

Whatever deposit facility you choose, first of all there are some basic considerations. If you are storing large amounts of gold the box is going to be very heavy so get a waist high vault box, maybe three or four instead of one great big one. Transporting the gold to and from the vault is a serious security risk so be very careful. Taking a suitcase with wheels to the safe deposit box may be a little bit too conspicuous. So it's better to deposit and remove the gold in small quantities each time.

Domestic Bank Safe Deposit Boxes

Before looking at where to store bullion internationally, we must remember that there may be some who would rather stash their bullion closer to home. Local secure storage might be a good option for at least some of your gold. This may suit those with smaller amounts of gold bullion or for those 'who hope for the best but want to be prepared for the worst' and want to be ready in the event of a meltdown scenario - like currency collapse and hyperinflation. These investors might want to own real money, gold and silver, that will retain or increase in value. It is important to have at least some bullion in one's possession.

You might consider a small local branch of a state, municipal, local, national or even international bank providing the bank is highly solvent and or has a high credit rating from one of the international ratings agencies (which is not too many!). Knowing and trusting the local bank manager who controls access to the vault could also be very advantageous to your wealth.

It's worth remembering, though, that *in the event of a systemic crisis then deposit boxes in banks and financial institutions could well be sealed and the bullion confiscated*. This is exactly what happened in the USA under the Gold Confiscation Act of 1933 at the height of the last Great Depression. I believe we have not yet reached the height of the 2009 Great Depression. In the event of such a crisis many bullion dealers' pool accounts and depositories in the US would also likely have their gold confiscated and might have their assets nationalized.

So which options might still be good in the USA? Many of my clients have used the Delaware Depository (<http://www.delawaredepository.com/>) and some are beginning to use First State Depository Company (<http://www.firststatedepository.com/>)

In the UK, the 'Big 4' UK banks, Lloyds TSB, Barclays, HSBC and NatWest all offer safety deposit boxes to their clientele. As of late 2008 Lloyds TSB Bank plc was the only AAA rated bank. There are private safety deposit boxes in the UK but they are not secure. *In June 2008 officers from London's Metropolitan Police opened some 7,000 boxes at three different private safe facilities in London as part of a huge fishing expedition named 'Operation Rize.'* This, we believe, is simply a taste of things to come and a warning not to use onshore safety deposit facilities - particularly in countries like the UK and the USA. We consider it much less likely, though not impossible, that something like this could happen in 'offshore' privacy-oriented countries like Switzerland, Austria or Panama.

In the EU, Rabobank is one of the few banks in Europe that the world's leading rating agencies have awarded the AAA rating - the highest possible rating available. Indeed, Rabobank Group is ranked in the world's top three safest banks by *Global Finance* magazine. It has offices internationally but in the US it only has local offices in California where clients can "store important documents and valuables in the security of Rabobank's vault storage boxes."

In Switzerland, Rabobank took over Bank Sarasin, which was founded in 1841 and one of Switzerland's leading private banking institutions and largest private banks. Sarasin's clients can use their safety deposit boxes.

There are, of course, many other secure Swiss banks which as a matter of course provide safety deposit box facilities to their clientele. But it does require you to have a bank account, which is something you may want to avoid in order to keep your gold storage facility under the radar.

Storing Bullion Internationally

Once again the eggs in basket cliché is important. If you have built up a decent-sized portfolio of gold bullion, don't keep it all in the same place. We believe that for anybody, at least a part of your gold should be offshore - that is outside of any country where you live, do business or are a citizen.

Bank vaults have serious limitations regarding access, and it's worth repeating that there is a big risk factor if the bank gets closed down, even temporarily - almost an everyday

occurrence these days in a lot of countries in North America and Europe. ***Never let the bank people know what is in the vault box.***

Imagine today going to the police and filing a report that your gold was stolen from a vault box in a bankrupt bank. Of course, they would immediately see you as a person 'of interest'. They would ask questions like: Do you have receipts for the gold to prove it was bought with legal funds? How do we know the gold was really in there? How do we know you did not hide the gold elsewhere - can we search your home and vehicles? Why did you buy the gold? Did you pay taxes on this money?

European Storage Options

Some of the safety deposit boxes and specialist depositories used by our clientele in the EU include:

Austria: Das Safe, Vienna

<http://www.dassafe.com/>

Phone: +43-1-406 61 74, fax: +43-1-408 49 76 or e-mail: info@dassafe.com,

“There are always things that you shouldn't have at home” says Das Safe's website. I couldn't agree more. 1000 tons of reinforced concrete surround the vault which is protected by a high-tech electronic security system. In addition the building is guarded day and night.

Das Safe is located in the basement of a historic building, Palais Auersperg, very close to the Austrian parliament. The street address is Auerspergstrasse 1, at the corner of Lerchenfelder Strasse in 1080 Vienna.

Boxes available range from a height of 9 cm up to the size of a wardrobe in which person can stand. Extra services such as discreet boxes, copy machines, telephones and shredders are at your convenience and disposal.

The facility is open five days a week excluding public holidays. Opening hours: Monday - Friday 8:00 am - 8:00 pm. Saturday, Sunday and public holidays closed. Only you know your self selected password, which opens the first lock of your safe. And only you have the key to the second lock.

The best thing about Das Safe is that Austrian law (unique in Europe) still permits anonymous safes, so no ID is required in order to rent the box. The disadvantage, however, is the cost. The cheapest box costs EUR 50 per week. Compare that to USD 295 per year for a similar box in the Caribbean (see below)

Switzerland: ViaMAT International, Zurich Airport Tax-Free Zone

Switzerland remains the favorite for storing bullion internationally due to its tradition of non intrusive, non authoritarian, stable government, its combined benefits of privacy, strength and safety and its safe haven attributes. There are good reasons for this, although some argue

(I don't agree) that Swiss banking privacy has now been irreparably breached and this form of precious metals storage may be next to go.

Of all the bullion storage options in Switzerland - and we have researched them all for purposes of this report - we believe that the allocated accounts offered by VIA MAT International in the tax free zone of Zurich Airport are the most attractive in terms of cost and security.

VIA MAT INTERNATIONAL is part of Mat Securitas Express AG, of Switzerland, one of Europe's largest and oldest armored transport and storage companies. VIA MAT INTERNATIONAL specializes in the international valuables logistics and storage business. For 60 years they have transported, stored, insured and processed valuables with great efficiency and diligence.

At their Zurich Airport facility which is in a tax free zone before customs, besides storage they also offer door-to-door transport to and from all important financial centers

You can contact VIAMAT at Obstgartenstrasse 27, CH-8302 Kloten (Zurich Airport) tel +41 44 804 9292 info@viamat.com or visit them on the web at <http://www.viamat.com>

A Caribbean Storage Option

“Banker Trust” is a small office near Puerto Plata, Dominican Republic. It's a convenient option because the nearby airport has plenty of direct flights from both North America and Europe, and the country is primarily known as a beach vacation destination, meaning that trips there need not arouse attention or red flags.

It's also discreet. We have traveled all over Latin America and looked for non-bank safe deposit facilities. There are mighty few. Banker Trust is the best we have found.

One person works in the office - a lady named Brenda, who speaks English. She has a Dominican associate named Juan, who speaks English and Spanish and deals with all things Dominican to make sure they get done on time and properly. They will also provide tailor-made extra services, like an armed escort to and from the airport.

It is located across the street from one bank, and shares the same building with another bank. It is a secure building - Brenda told me it may not seem like it, but it is. I believed her.

It is very private. In the past year, she has had only 3 instances of more than one client wanting to access their boxes simultaneously. When this happens one of the clients just waits in the front office.

There is a partition between Brenda's desk, and the door to the vault. Behind the partition is a table with some chairs so you can deal with your things.

The interior of the vault is a comfortable size. The boxes are on one side, and in the corner is a table with two chairs so the client can handle their business.

The boxes are completely anonymous. New clients are handed two copies of the contract to sign. One is in English, the other is in Spanish. They are very simple straight forward documents. The client keeps the English copy, Banker Trust the Spanish version. Banker Trust does not disclose contracts or file reports to anyone. All clients must provide ID at the time of signing contract. A copy of the ID is kept with the file in the Banker Trust files. Anyone who goes into the vault must provide ID for copy and must be given permission by primary box holder.

The vault is dual key access. The client walks away with two copies of keys for their box. Banker Trust has a master key. Key Deposit? A one time fee of \$150 US. Deposit is refundable upon return of both keys. The keys cannot be duplicated - Banker Trust uses just one locksmith for all of their needs.

To access the vault: Once Brenda knows your face, you can access your box anytime, any day, as long as it is during normal business hours. Some of their local clients use the boxes like bank accounts. So once you are in there, Brenda will open the vault door. Then the client puts their key in their box and unlocks their half, then Brenda will unlock the master lock, open the door, slide out the box and then she leaves. She shuts the vault door behind her, so the client has complete privacy. On the table there is bell that you ding to be let out.

Boxes cannot be rented over the net, but they can be opened using a local power of attorney and payment by Western Union.

Banker Trust, S.A.

Pedro Clisante No. 25 Marina Walk Plaza No. 103 El Batey Sosua Dominican Republic
(809) 571-4622

Contact: Brenda BankerTrust@gmail.com