



# Investment Training Module

## Topic: Gold, Silver, and Inflation

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# Disclaimer

This presentation is for informational purposes only. It does not constitute nor imply investment advice in any way. Investing involves risk, including the risk of losing principle. An investor should consider their own investment objectives and risk tolerance before choosing any investment product.

# Why Invest In Gold and Silver?



Gold and silver have never been worthless. They are a store of value that has lasted for centuries.

Gold is the best hedge against inflation.

Protects a portfolio should one of the big banks collapse or if an economic crisis in China, US, or Europe occurs.

Protects your savings against currency devaluations.

Increasing demand and limited supply create a sustainable rising price trend.

Provides diversification compared to other traditional investments.

Gold and silver have been in an uptrend for the last 10 years, and “the trend is your friend.”

**Gold/silver doesn't produce dividends or any other value. Common theme is “protection.”**

# Does Gold/Silver Do What Is Intended?

- Claim: Gold is a *de facto* world currency standard

- Not an official standard for any country
- Not officially convertible to any currency

- Claim: Protection against currency fluctuations

- If US dollar falls relative to Euros? Wouldn't it be better to own Euros?
- Price of gold has fluctuated more than exchange rates, so holding gold creates more risk than holding foreign currencies.

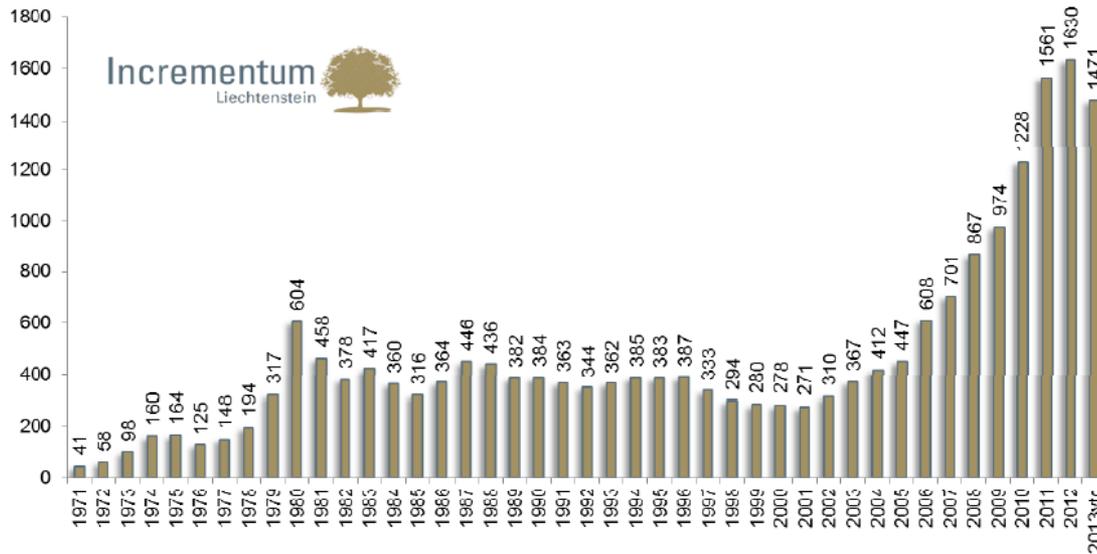
- Claim: Protection against inflation

- No correlation between gold price and unexpected inflation (short-term)
- Gold returns have fluctuated more than inflation over 10-year periods (long-term)
- Pay rate in gold for military under Emperor Augustus (27 B.C. – 14 A.D.) is almost exactly the same as today's pay in gold for the U.S. Army (very long-term)

**Gold works for “extremely long-term” inflation, but that’s not very relevant for investors.**



# Gold/Silver as an Investment



- Great run since 2001
  - 500% gain 2001 - 2012
  - 0% gain 1980 – 2006
- Need to be very careful of “recency bias”
  - Just as the 80’s and 90’s have skewed long-term averages for stock, the incredible gain over the last several years have skewed the long-term averages for gold

# What Is Gold/Silver Good For?

- Portfolios benefit from having non-correlated assets
  - Gold has low-correlation to stocks (0.23)
  - Gold has low-correlation to bonds (0.18)
- Analysis shows the optimum amount of gold vs. stocks is 30% (1971-2013)
  - Heavily influenced by last 13 years
  - Current short-term trend for gold is down
  - Is a 30% allocation to gold reasonable?
  - Better question: Is a 70% allocation to stocks reasonable?



**Gold may be a good addition as a non-correlated asset, along with other non-correlated assets.**

# How To Invest

- Gold and silver stocks/mutual funds
  - Higher volatility
  - Gold miners under a lot of price pressure
- Gold or silver ETF (GLD/SLV)
  - Largest holder of gold in the world
  - Taxed as a collectible (28% long-term rates)
  - Not exchangeable for gold/silver
- Physical gold or silver
  - Real asset
  - Difficult to store; subject to theft; problem of “slippage”
- Futures
  - Available in Managed Futures funds (typically small percentage)
  - Part of commodity portfolio
  - Seeks to take advantage of trends (up or down)



# Gold Storage – Gold Bullion International

- GBI buys & sells gold, silver, palladium and platinum (institutional pricing), and stores it for you
  - Transportation and insurance of physical metal is included
  - Institutional pricing means less slippage and less chance of fraud
- Stored in vaults in New York, Salt Lake City, Zurich, London and Singapore, and subject to regular audits
- VFM can create, trade and monitor accounts with GBI



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