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MONEY METALS INSIDER

An Insider Report for Clients of Money Metals Exchange

Top 3 Reasons to Buy and Hold Gold Now

By Stefan Gleason
President, Money Metals

In the current environment of rising inflation and loose monetary policies, the value of gold could potentially go sharply higher from current levels.

Unlike many traders out there, the successful gold investor has learned to "see the forest through the trees."

Put simply, gold investors understand that the shiny, yellow metal is not likely to go straight up in price. It can, however, be expected to trend higher over time, eventually moving well beyond all-time highs.

Typical investors, who have grown accustomed to the free-for-all that is the stock market, often find themselves asking why they ought to buy and hold gold. Savvy investors, on the other hand, understand that you cannot afford *not* to own gold bullion.

Below are three highlighted reasons to buy and hold physical gold. Ignore them at your peril!

Money Metals has ample supply of the newly redesigned gold American Eagle.

Inside This Issue:

Inflation Is Surging

The threat of rising consumer prices has been the topic of financial news media for several months now.

The cost of everyday goods and services has without question risen sharply in recent months.

Even with the prices of goods and services on the rise, the Federal Reserve and other global central banks have voiced their intent to keep their feet on the monetary gas pedal, maintaining rates at or near zero while also continuing to purchase bonds in Quantitative Easing (QE) programs.

As the Fed maintains its status quo, the value of the Federal Reserve Note "dollar" is likely to decline, perhaps much farther. Recent declines may only be the tip of the iceberg.

Gold Is More Than a Promise

In the modern world of fiat money, nations no longer back their currencies by anything more than a promise.

The United States, for example, does not back the Federal Reserve Note by anything except its "full faith and credit" since the nation was taken off the gold/dollar peg. This makes every dollar nothing more than a promise to pay.

As the confidence in these promises declines, so does the amount of goods and services they can buy.

As it takes more dollars to buy goods and services –

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think everyday items such as milk, bread, gasoline, or healthcare – the real disposable income of dollar holders declines as well.

The effects of price inflation are readily felt in the economy.

Having to cough up more to cover the essential bases, people are far less likely to purchase items such as vacations, new cars, and other such products, preferring to focus on the staples. This can slow economic activity and even put the economy into a full-blown recession.

As the country continues to borrow, borrow, borrow and spend, spend, spend, NOW is the time to take action to protect yourself from what could be coming down the road.

One-ounce gold bars from MoneyMetals.com are a cost-effective way to acquire gold.

Gold Is Traded and Valued All Over the World

There is, perhaps, no other asset class that is as valued and recognized the world over as physical gold. This makes gold, many would argue, the only true form of money left on the planet.

Paper money has shown again and again that it tends to fail with the passage of time, and the U.S. dollar should be no different. The current downtrend in our fiat currency would seemingly point to an eventual worthless status.

Gold is a physical asset that can be felt and put into your hand. The value of a gold bullion coin is derived almost entirely from its intrinsic metal content rather than a promise to pay or other features.

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Congressman Presses Secretary Yellen for Disclosure of U.S. Gold Activities

As foreign governments reportedly accumulate gold and de-dollarize their sovereign wealth funds, a Republican congressman is asking tough questions of the U.S. Treasury about its secretive gold activities.

Rep. Alex Mooney (R-WV) – sponsor of the Gold Reserve Transparency Act of 2021 (H.R. 3526) to require the first true audit of America's gold in decades – is demanding Treasury Secretary Janet Yellen provide details about the U.S. gold holdings delegated to the Federal Reserve and the International Monetary Fund and is also posing other questions.

From Rep. Mooney's letter:

U.S. Congressman Alex Mooney (R-WV)

1. According to testimony in 2011 by Mr. Gary Engel, the Director of Financial Management and Assurance at the Government Accountability Office, about 5 percent of the U.S. gold holdings were stored at the time at the Federal Reserve Bank of New York.

   He also stated that this gold is not considered "audited" and that no assaying or inventorying of that gold had occurred since at least 1986.

   At the current time, what amount of U.S. gold holdings is vaulted at the Federal Reserve Bank of New York (or by the Federal Reserve using other depositories)? Also, has this gold been recently audited, assayed, and/or inventoried? If so, please provide me with a copy of any relevant reports.

2. For what purpose(s) is United States gold bullion stored at the Federal Reserve?
3. According to testimony by Mr. Engel, the Federal Reserve Bank of New York holds gold for other nations as well. Is the U.S.-owned gold stored at the Federal Reserve held in a physically segregated manner from the holdings of other nations?
4. During the 2011 hearing, Rep. Luetkemeyer referenced a report that 261 million ounces in U.S.-owned gold were part of the IMF's reserves.

   At present, how many ounces of U.S.-owned gold are in the possession of the IMF or pledged to the IMF – and where is that gold kept? Also, please describe the purpose and nature of this arrangement as well as what oversight procedures are in place.
5. How much U.S.-owned gold is in the possession of and/or used by the Exchange Stabilization Fund as part of its activities? What is the purpose and nature of the ESF's gold activities?
6. Please provide details as to what U.S.-owned gold is currently pledged, swapped, leased, or otherwise encumbered – and for what purposes – including, but not limited to, arrangements

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When you buy gold bullion, you know what you are getting and what it is valued at. You know that gold can be exchanged or traded anywhere in the world for other assets, paper money, or tangible goods. Gold is also a highly liquid market, making it simple and convenient to sell your gold at any time to dealers or other investors.

As the United States and other developed countries enter what could be a very dangerous financial period, now is the time to think about your future and to protect your wealth.

Given its long history as a reliable store of value and protector of wealth, there is no better asset class to turn to than physical gold.

Frequently Asked Questions
About Gold and Silver Investing

With gold bouncing above and below $1,800/oz and silver supplies strained, investors are eagerly anticipating the next moves in precious metals markets.

The technical, fundamental, and monetary (debasement) backdrops are setting up bullishly for the metals. But much uncertainty still lies ahead.

Here we will answer a few of the most pressing questions currently on the minds of precious metals investors.

QUESTION: Is there a silver shortage? And if so, how will it be resolved?

ANSWER: In some segments of the retail silver market, yes. A shortage of available silver persists in the supply chain that extends from mines to refineries to mints to dealers.

The U.S. Mint recently acknowledged that it is failing to meet its statutory obligation to produce Silver Eagles and other coins in sufficient quantities to meet retail demand. Mint officials cited the global silver shortage but quickly "clarified" their comments, blaming the Mint's suppliers for not producing enough silver blanks.

Excuses, excuses. We've heard plenty from the U.S. Mint since the COVID lockdowns began last year, temporarily shutting some coin minting facilities and causing retail premiums to surge.

Eventually, the shortage will be resolved – assuming markets are allowed to function. Either demand will wane or supply will rise to meet demand. But it may take much higher spot prices to incentivize miners, refiners, and private mints to ramp up production.

In a free market, shortages beget higher prices. These price signals, in turn, tend to bring supply and demand back into balance.

That's why the global derivative market for silver, which has enabled an explosion in paper silver supply, presents a problem, as there is evidence these mechanisms are interfering with true price discovery.

If the perceived ample supply of silver depresses prices, new mine production is delayed and supply and demand imbalances persist.

QUESTION: What would a "digital dollar" mean for inflation?

ANSWER: In recent months, Federal Reserve officials have openly pontificated on the possibility of introducing a digital currency.

It has been dubbed by some observers as "FedCoin."

The Fed is reacting to the perceived threat posed by decentralized cryptocurrencies as well as the possibility of being beaten to the chase by a digital Chinese yuan.

Other central bankers around the world share similar concerns and may coordinate the launch of a global digital fiat currency.

Going digital would set the stage for the abolition of physical cash. It would bring with it the risk of having negative interest rates, taxes, or other penalties automatically deducted from one's digital wallet.

It would also permit federal bureaucrats to track transactions in real time and even punish disfavored activity almost instantly.

As for inflation, the currency supply is already being inflated digitally every time the Fed makes bond purchases or facilitates new borrowing at artificially low rates. Trillions of dollars in transactions like these occur every month through nothing more than computer entries.

Perhaps the complete elimination of paper Federal Reserve Notes would be of psychological significance, though. It may wake up more Americans to the risks of inflation and accelerate the decline in confidence in the U.S. currency.

QUESTION: Are there any situations when the "face value" of a gold or silver coin might matter?

ANSWER: In theory, it could. In practice, it almost certainly won't.

Some government-issued coins, including gold and silver

Frequently Asked Questions *(continued)*

Eagles, have face values attached to them. But the face values are a small fraction of the market values for these coins. For example, a one-ounce gold Eagle has a face value of “50 dollars,” and a silver Eagle just “one dollar.”

There is historic, Constitutional significance in defining a dollar as a specific weight in silver. But today this value is practically meaningless. Nobody but a fool would exchange an ounce of silver for $1.

Having a government legal tender value attached to a coin presumably guarantees it will never be worth less than that – whereas a privately minted round provides no such guarantee.

But if you’re worried about gold prices crashing below $50 or silver below $1, then you’re probably not in the market for precious metals to begin with!

The U.S. Mint has just redesigned the reverse side of American Eagle silver coins.

QUESTION: What are the advantages of silver over gold?

ANSWER: Silver’s advantages include large and growing industrial demand from the technology sector, especially green energy technologies including solar power and electric vehicles.

Gold plating is used in some computer and high-tech applications, but its demand profile is more concentrated in jewelry, coins, and bullion bars held by large investors and central banks.

Silver is often referred to as “the poor man’s gold.”

A person of modest means can accumulate silver one ounce at a time much more easily than with gold.

Silver prices tend to be more volatile than gold prices – which can be an advantage or disadvantage depending on your outlook and time horizon. It’s an advantage if you have strong stomach and are willing to ride out the precious metals bull market to see silver hit new all-time highs.

Silver usually outperforms during uptrends, and it has performed well since last year’s COVID panic lows made silver historically cheap versus gold.

QUESTION: Who is behind the Sound Money Defense League?

ANSWER: The Sound Money Defense League is a special project of Money Metals fighting to reduce discriminatory taxation of precious metals investors while promoting policies that comport with sound money principles rooted in the U.S Constitution.

This project is directly responsible for several notable legislative victories in recent years. By doing business with Money Metals, customers are inherently supporting these important efforts. Donations are also accepted at SoundMoneyDefense.org!

Ohio and Arkansas End Sales Taxes on Gold and Silver

Prodded by Money Metals Exchange and the Sound Money Defense League, Governor Mike DeWine and the Ohio state legislature have officially ended sales taxation of gold, silver, platinum, and palladium bullion and coins, enabling the Buckeye State to join Arkansas as the two states having canceled taxation of the monetary metals so far this year.

"These efforts are common sense," said state Rep. Kris Jordan, lead sponsor of the Ohio sales tax repeal. "We should not be taxing money."

"This form of double taxation discourages Ohioans from buying precious metals in the state and drives their business elsewhere. Ohio precious metal dealers [can now] better compete with our neighboring states as well, as on the online marketplace. This exemption will also allow Ohio to attract coin shows, which generate significant amounts of economic activity," Jordan explained.

The Ohio and Arkansas sales tax exemptions both go into effect October 1, 2021.

Jp Cortez (right) leads Money Metals' public policy project to defend sound money.

Testifying before House and Senate committees in Ohio during May hearings, Sound Money Defense League Policy Director Jp Cortez explained why 40 states had already removed some or all sales taxes from gold and silver. For example:

- **Taxing precious metals is unfair to certain savers and investors.** Gold and silver are held as forms of savings and investment. States do not tax the purchase of stocks, bonds, ETFs, currencies, and other financial instruments, so it makes no sense to tax monetary metals.
- **Levying sales taxes on precious metals is illogical because gold and silver are inherently held for resale.** Sales taxes are typically levied on final consumer goods. Precious metals are inherently held for resale, not "consumption," making the application of sales taxes on precious metals illogical and especially inappropriate.
- **Taxing gold and silver harms in-state businesses.** It's a competitive marketplace, so buyers in states with precious-metals sales taxes often take their business to neighboring states that have eliminated or reduced sales tax on precious metals. Investors can easily avoid paying $136.50 in sales taxes, for example, on a $1,950 purchase of a one-ounce gold bar.

  Therefore, levying sales tax on precious metals harms in-state businesses, who will lose business to out-of-state precious metals dealers. Coin conventions also tend to avoid the sales tax states.
- **Taxing precious metals is harmful to citizens attempting to protect their assets.** Purchasers of precious metals aren't fat-cat investors. Most who buy physical precious metals do so in small increments as a way of saving money.

  Precious-metals investors are purchasing precious metals to preserve their wealth against the damaging effects of inflation. Inflation especially harms "the little guy" – including pensioners, retirees on fixed incomes, wage-earners, and savers.

Cortez hailed the recent victories: "Ohio and Arkansas have ended the unfair practice of taxing citizens who are simply exchanging one form of money for another.

"The states that still tax the monetary metals are increasingly embarrassing themselves. The national tide has turned decisively against this foolish practice," Cortez continued.

Forty-one U.S. states now fully or partially exempt gold and silver from state sales taxes.

That leaves nine states – Vermont, New Jersey, Maine, Tennessee, Kentucky, Wisconsin, New Mexico, Mississippi, and Hawaii – and the District of Columbia as jurisdictions still harshly penalizing citizens acquiring the monetary metals to protect their savings against the serial devaluation of the Federal Reserve Note.

Condo Collapse a Fitting Metaphor for a Currency Collapse

By Keith Weiner

In late June, the Champlain Towers South condominium building fell, killing at least 96 people. The devastating collapse of this building provides a surprising number of insights into the collapse of a currency.

The following discussion is based on information that is emerging about the incident. Some of the particular details we cite may later prove to be wrong. Our focus is not to try to prescribe remedies for the construction or maintenance industries, but to shed light on problems in our monetary system.

The first take-away from this disaster is that problems can fester for a long time. Years, or even decades, can go by.

During this time, the parties responsible are surely telling themselves that "it works." By "work" they mean they are getting away with it.

It doesn't really work, but the consequences are postponed for a long time.

Two, the politicization of decision-making is an important factor. Especially where there is a long-term capital investment, and something like a fiduciary duty of care.

The condo board is not just a social club, deciding how to decorate the clubhouse for the Fourth of July. They have a duty to hire engineering firms to assess the health of their building, and to hire contractors to perform the maintenance recommended by the engineers.

Unfortunately, some people think that if the consequences are off in the future, they can squander time and money. They fail to realize that it's much easier to pay for maintenance, via a small charge every month, than it is to wait until there is a crisis and then assess a large amount. Maintenance deferred becomes more expensive.

Three, there is an element of dishonesty. No matter how nice the board members may have been, wishing everyone "good day" at the pool, they were dishonest in a sense.

By their actions, and their inactions, by their words, and by the words they did not say, they led the residents to think that the building was safe. Meanwhile, it was gradually decaying. And up until the moment when it fell, the board was getting away with it, while knowing that it cannot be concealed forever.

Short-Term Thinking Leads to Disastrous Consequences

Four, it seems likely there was a corrupt element. Cronyism.

We are not casting aspersions on the board of this particular building, but instead speaking in general to all situations of long-term neglect of maintenance required for safety.

From voting not to increase the assessment, out of deference to some residents who may have wanted to sell soon or who were old enough that they expected that any disaster would be after they were gone, to the choice of engineering firms and those contractors they hired, there is often a perverse incentive at work.

Board members will not gain any popularity if they vote for big assessments to spend on things that most people don't see. Conversely, those who say there's no need to spend now will win over most of the residents who vote for their reelection.

Five, this is a clear example of consumption of capital. While their building decayed, leading inexorably toward its collapse, the residents were spending more on Bimmers, boats, and benders to Vegas than they could really afford.

If, that is, they were paying for the necessary work to keep their tower standing.

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Currency Collapse

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By not paying upkeep on the capital, i.e. the building, they could consume more. It's a false economy, that seems to have been working for decades.

Six, this may be the most counterintuitive point about the monetary system. We hope that by seeing it in this analogous situation with a collapsed building, it becomes clearer.

The decay in value – and certainly market price – is not linear. We assume that the selling price of a condo in this building held steady up until June 23. Zillow shows one unit sold for $700K as late as June 17. On June 24, the price went to zero.

This is because it's not a problem of quantity, dilution, hidden tax, or a transfer of purchasing power. It is a problem of soundness. That is, the building slowly became unsound as the structure rotted. Then it failed, catastrophically. Such failures tend to be that way.

The U.S. was built on a foundation of gold and silver coinage. The $10 Liberty, pictured above, can still be purchased at MoneyMetals.com.

Finally, there are horrific consequences.

These are suffered by guilty and innocent alike. Whether one voted for or against spending to repair the building, one can be killed in the collapse. And the same is true about monetary collapse. Indeed, in a catastrophic failure, one may be lucky to get out alive.

In certain things, there are perverse incentives. Those in charge seek to cheat, neglect the capital, and conceal the consequences.

This dynamic is especially dangerous when the people are aggressively indifferent, when they eagerly look away because they feel it expedient to do so. On the surface, everything seems to be working, which is to say they're temporarily getting away with it.

But the structure that holds it up is degrading. This process can go for a long time, perhaps many decades.

Until it cannot.

Keith Weiner is founder of the Gold Standard Institute USA in Phoenix, Arizona, and CEO of precious metals investment company Monetary Metals.

Tough Questions for Secretary Yellen about U.S. Gold Activities

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involving the Bank for International Settlements (BIS), World Bank, IMF, and other financial institutions, foreign or domestic.

Rep. Mooney's inquiry comes shortly after he introduced H.R. 3526 to require the Comptroller General to conduct a full assay, inventory, and audit of the United States' gold reserves and repeat the process every five years.

There is evidence the U.S. Treasury may have sold, swapped, leased, or otherwise placed encumbrances upon some of America's gold over time.

However, federal government officials have strongly resisted disclosure of these activities for decades.

To address these concerns, H.R. 3526 also requires a full accounting of any and all sales, purchases, disbursements, or receipts, a full accounting of any and all encumbrances, including due to lease, swap, or similar transactions presently in existence or entered into in the past 15 years; and an analysis of the sufficiency of the measures taken to ensure the physical security of such reserves.

"Americans are rightly concerned about the state of our country's gold holdings," said Dan Novak, vault manager of Money Metals Depository in Eagle, Idaho.

"The lack of full transparency by the federal government has hobbled public confidence," Novak continued.

"Precious metals stored at Money Metals Depository are fully audited, insured, segregated, and free of any encumbrances. It's deeply concerning that the U.S. Bullion Depository and other U.S. vaults do not meet the same standards."