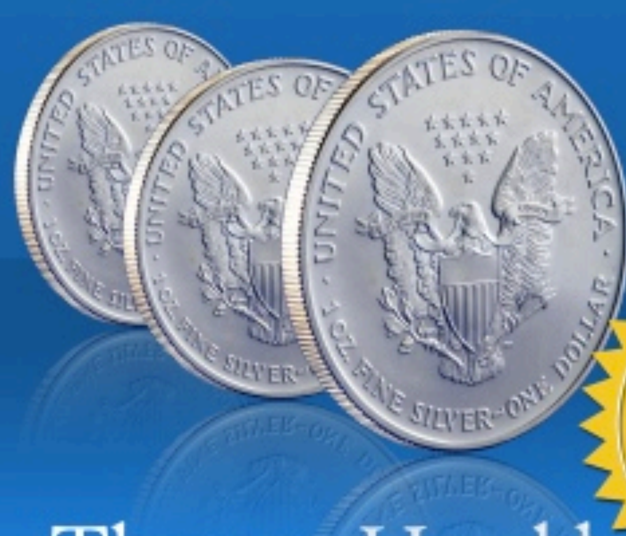
# BUILDING WEALTH WITH SILVER

## How to Profit from The Biggest Wealth Transfer in History



2012
Updated Edition
Includes
New Chapters

Thomas Herold

# The Silver Fortune Report

## How to Make Extraordinary Profits from the Silver Bull Market

Revision 1.4

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# Introduction

## Why Silver Is the New Golden Investment Opportunity

The global economy is a mess. I really don’t have to tell you that. Some people actually want us to believe that the recession is over. They are either joking or really have no idea what they are talking about.

The rumors of recession having actually ended may, in fact, be mere propaganda designed to keep this leaky balloon called our economy from releasing too much hot air too soon.

Don't get me wrong. The movers and shakers in this world have good reason to slow down or trying to prevent the balloon from bursting. An overblown dollar that pops too quickly can spell disaster for everyone, not just the movers and shakers.

If you own a business, especially in retail, you know that the recession is actually getting worse. You know your costs and your likely margins. You know that your competitors are scrambling just as much as you are. You know your customers.

There simply is not a lot of spending going on at any level. Multiply that by an entire nation, an entire global economy, and it spells real problems that cannot simply be smiled away by politicians and the talking heads on the six o'clock evening news.

On a personal level, it means that your financial security is in peril due to the changes – often catastrophic – that are rippling down from the world at large. Prepared or not, change is about to happen to everyone – big time.

## The Disaster of The Titanic - Only This Time on Global Scale

I will tell you this up front: in economic, social, environmental and many other terms, we are all in for the biggest ride in history. What you see right now is just the tip of the iceberg. You can compare some events in U.S. history with the Titanic. When she was built she was the biggest luxury cruise ship in the world.

***She was built with pride using the best materials available. She was touted as the safest, most luxurious vessel afloat.***

People were confident that she could take on the worst weather, push her way through the biggest icebergs and endure through any calamity the seas could throw at her. However, the Titanic was flawed from the very beginning, and it was that initial weakness in her design that ultimately led to her sinking.

Similarly to the story of the Titanic, very proud and intelligent persons in the U.S., along with some equally self-serving advice from their European banking counterparts, engineered a marvel of finance on a grand scale. In 1913 the Fed, which is nothing more than a cartel of private bankers that control the money supply, was sold to an unsuspecting public and their representatives.

An extension of the idea of centralized banking systems that had seen development in almost all western countries during the 18th and 19th centuries, the Fed was seen by many at the time as the stalwart captain at the helm of the ship of money and finance.

The Fed has now run into just the tip of an iceberg that will ultimately sink the U.S. economy and take other economies along with it. Like the Titanic, the Fed has a fatal flaw, possibly the biggest in the history of the United States.

Like the Titanic, the Fed's makers and captains have realized only too late the nature of their hubris around this flaw when it comes to navigating the behemoth U.S. economy to safe harbors around the world.

## Say Goodbye to Money - The Abandonment of The Gold Standard

A second flaw was created in our economy in 1974 when President Nixon convinced the senate to abandon the gold standard, and to push the rest of the world to make the dollar the global trading currency. Together, the creation of the Fed and the abandonment of the gold standard are the cornerstones of our current financial disaster. You will learn more about these two pivotal events in a following chapter.

In 1912 the world learned of the horrific tragedy of the Titanic's sinking, a disaster that claimed more than 1,500 lives. In 2008 we all were witness to how the olympian U.S. economy hit its own iceberg and began its startling descent, pulling hundreds of thousands of individuals and businesses into the vortex along with it.

The death toll for this disaster has yet to be fully determined. We now know that the U.S. economy had been perilously close to sinking for some time, by the estimates of some experts a matter of hours away from total bankruptcy, kept afloat only by 'lifeboats' of dollars printed out of nothing more substantial than air.

Like the dot com bubble before it, the housing bubble of 2006 had burst, this time with even more far-reaching consequences. The lifeboats can only go so far. Sooner, rather than later, the U.S. economy will ultimately lose its remaining buoyancy and nothing in the world can stop its plunge to the depths.

When the U.S. economy does sink it will negatively impact all major industrialized countries even more than before. The initial bump into the iceberg is just a hint of what is in store for the world at large. No one anywhere in the world will be immune from the tsunami created with so many economic vessels on their way to oblivion.

***There are no lifeboats large enough to withstand a wave of economic destruction on that scale.***

Nevertheless, readers of this book can benefit from the information found within no matter what their nationality or place of birth.

Never before in human history have we relied on the titanic structure of one economy to serve as the bellwether for the entire global market. It was only recently in relative terms that the global marketplace had begun to function as an interconnected whole rather than as a bucket of bolts.

Our global financial perspective was one of calm seas and clear skies, enabled by advances in electronic market reporting with billions of transactions taking place in just microseconds. Staggering amounts of money are landing in far-flung ports around the world with precision and certainty - much like cargo during our grandfathers' time made its way from one exotic locale to another around the world.

However, our grandfathers' markets were a different order of magnitude altogether. The effects of modern investment and banking vehicles, coupled with nearly instantaneous exchange of untold wealth, mean potentially great windfalls as well as disastrous shortfalls.

## A Sad Story - The Demise of The Dollar

The demise of the dollar will not be the first time that a currency has collapsed. When you thoroughly look into the historical record, currencies and money systems have always ultimately collapsed. In fact, this has happened every single time. The type of currency we have right now – called fiat money – is the same type that the overwhelming majority of the entire world has in one form or another.

***Fiat money has a 100 percent failure rate. Throughout history, in all cultures great and small, every fiat currency ends up with a real value of absolutely zero.***

Think of what that will mean to you and your family when all those hard-earned dollars you have in the bank are worthless and any dollars you earn tomorrow are likewise without value.

You will need a crash course in Economics 101 without the hyperbole and misdirection that are so prevalent in today's financial world. It is my hope that you will agree with me that investing in silver is an excellent way to stave off future economic uncertainty and protect your wealth.

If you're like me, you will want to dive in right now and start making money with silver. However, I strongly encourage you to read the first few chapters of this report to gain a better understanding of the world economy. With such knowledge you can move forward with confidence knowing that you have a solid foundation upon which to base your upcoming silver investment strategies.

## Why Silver is a Better Investment Than Gold

You will learn why silver is actually a much better investment than gold. Most individual investors and the financial press are biased toward gold while seeing silver as a secondary investment in precious metals. You will see why this is not the case and learn how to use silver's under-the-radar status to your advantage.

Next, you'll jump right into the physical metal itself and how it is quite likely that silver will become the first of our metals that become extinct. You will learn why silver is rarer than gold, and why it has not yet caught up with its real price value.

You will come to understand why most silver ends up in the land fill, why falling silver demand due to reduced photographic usage is a myth, and how silver is used in countless technical processes in all kinds of industries.

These technologies, in fact, have driven the demand for silver so high that we no longer have a large surplus of the metal available to help balance the market during times of scarcity.

***Being poor is a state of mind, being broke is only temporary.***

### In This Silver Fortune Report You Will Learn Two Major Things:

- Why silver is a fantastic investment instrument
- Silver investment tactics to make huge profits

I truly believe in you and your ability to use the financial education provided in this free report to protect your money, prosper and even make a fortune.

Thomas Herold
Financial Educator & CEO Wealth Building Course

# Chapter 1

## From Pinching Pennies to a Six-figure Portfolio In Just Three Years

"*Do not wait until the conditions are perfect to begin. Beginning makes the conditions perfect*." - Alan Cohen

Four years ago my wife and I moved from Hawaii to California. Many people asked us why we would leave such a wonderful place like Hawaii. The answer is simple – we needed change. As wonderful and indulging Hawaii can be, if you live anywhere for several years, even in paradise, you may come to no longer appreciate what you have.

That happened to us and we soon began to want to start something new. Our new dream life would involve some sort of business that could help people achieve prosperity and abundance in their lives.

We arrived in California with two suitcases each and a few thousand dollars in our savings account. As we didn't know where we wanted to live, we cruised around for several months living in cheap motels as we explored different areas.

Our savings dwindled quickly and we decided to switch to renting a room in areas that we wanted to check out more thoroughly. That turned out to be a good decision as we met more people and spent less on room and board.

It was during the time *The Secret* had come out and we loved it. We loved it so much that some of its ideas sparked the creation of our own vision board as a way to give substance to our dreams.

Our first idea was to do an actual physical version of a vision board but we soon realized that this would be very limiting so we decided to create a software application that would allow anyone to create one on their computer.

*We were excited. . .*

## We Finally Had an Idea

We started to pour all our energy and effort into it. Lots of decisions had to be made. We founded Dream Manifesto, LLC and started to build a website. I worked day and night and sometimes I had so many obstacles to overcome that I didn't know where my head was anymore.

I do have some knowledge of computers and electronics, however, I had not a clue how to begin creating what was needed for an electronic vision board. Where to begin? I studied programming techniques for days only to get endless error messages on my screen. Many times I was ready to call it quits. But slowly I made some small progress and things started to work out.

We moved into a small apartment complex and spent our weekends going to garage sales to get our new home furnished. Ah, the joys of having a bed, a table to eat on and some desks to work on. At that stage we were quickly running out of funds so we started to make calls to friends and relatives to borrow money.

Every month we did not have one penny in income but we did have about $3,000 in expenses. It was very challenging to come up with the money each time. However, we were excited about our vision and what we were creating. We knew that things would work out eventually.

After only five months we were able to break even and did not need to borrow any more money. I remember the day we finished including the online payment option on the website. We waited in anticipation for the first order to come in. It did soon enough, and by the end of the day, we had a total of five. We were so happy – it was a huge success for us.

A friend of ours recommended that we customize our e-mail client to play a specific sound when an order came in. I decided to go for an applause. From then on every time we got an order we got a huge round of applause to cheer us up. It was like getting a shot of adrenaline where we needed it most.

## My First Getting Rich Book

Back in Hawaii I had started to read some financial books. I remember how awkward I felt when I had picked up my first book on getting rich. I certainly had a lot of beliefs and concepts around this topic both pro and con. My middle class upbringing did little to instill a sense of excitement about the possibility of becoming wealthy.

My parents both worked for the government and strongly believed in good education and hard work. Success was measured in very small doses and in years of toil – any other approach was seen as a mere pipe dream.

At that time it was all about saving money and living on a budget. I remember that my parents sat together in conference once every week to go over the monthly budget. My mother used paper envelopes to hold the amount of money she was allowed to spend for different things. My father also got his monthly allowance and I always wondered how he could ever be satisfied with the little money he got.

## The Concept of Paying Yourself First

In one of the first get rich books I encountered a new radical idea: The concept of paying yourself first. That was a slap to my face as I never ever had considered paying myself first.

Money came in and immediately went to the most pressing bills and expenses first, and anything left over was good enough. However, I learned quickly that if you don’t follow this pattern, you will never have anything to invest.

It took a while to understand that all investing comes from what you can pay yourself first, not something that may or may not be left over from paying others first. The truth of the matter was, I seldom had any money left over for investing in my future even during the times I earned a lot. I had trained myself to spend it all, updating my living situation or car or something else and by the end of the month, there was indeed nothing left in my account to save or invest.

Like most people, I also strongly held the belief that saving (investing) money is not a good idea because it does not allow for instant gratification, which seemed to me to be a cornerstone of personal happiness. I was basically doing nothing more than reacting to my parents' own financial belief system. For them it was all about saving so I just did the opposite – I spent everything. I felt very good about it – I really believed this is it – I am on the right track.

Finally I realized that without paying myself first, there would never be enough money left in my account to save and invest. More realizations popped into my head. I also came to the conclusion that time is limited and that if I based by work on getting paid by the hour, my income would always be likewise limited. That definitely did not feel good.

***Imagine making only what you can command in terms of the hours you spend on the job! There had to be a better way.***

## The Future of All Business Will Be in Cyber Space

There was, and this turned out to be an excellent reason to invest the time needed to establish an online business that allows us to replicate a product instantly without further demands. In this way, time is invested wisely once but has big payoffs that quickly multiply the return on this investment. The idea is pure genius.

No wonder Bill Gates made billions with it. There is no limit on how often you can replicate a program, which also means there is no limit to your income.

Paying ourselves first was the most crucial and important step into shifting our mindset. It was the start of financial education and I see now after five years of intensive research on this topic that getting a solid financial education is one of the most important tasks an intelligent person can undertake.

Being financially educated means that we now make more money from our investment accounts than from our business income. Our next step will be to convert some of these cash flow incomes into assets that pay us residual income over time. It was in our initial search of these residual income options that we came to understand how all the pieces of the money puzzle had fallen into place.

## Why Am I Telling You Our Story?

We want to help you create your own success story by understanding ours. Very simply, we probably had fewer start-up resources than you have right now. You are probably in a better position than we were when we started. But sometimes the oddest things can turn out to be wonderful resources. You see, I may have a slight advantage over you in an unexpected way.

I was kicked out of school when I was 18 years old. Why would that be an advantage? Simply because I have had the benefit of a few more years of creative freedom when it comes to problem solving and a few less years of the rigid indoctrination each of us undergoes in the public education system. Perhaps I ended up with less garbage to clear out of my head. Perhaps I had fewer filters that imposed limiting beliefs on my mindset.

In any event, I learned sooner than most that for any good idea to become successful in the world, a certain amount of original thinking as well as some dissatisfaction were both essential ingredients in getting those ideas out into the world where they could do the most good for myself and for others.

After my first internship with a major electronic company I realized rather quickly that continuing along this avenue would not bring me happiness and satisfaction in life.

Even getting another two years of education in electronics and computer science, things I really enjoyed, would not guarantee me solid employment let alone rapid advancement. Realizing this, I started my first company when I was in electronics school.

If you are employed or even self-employed your income is limited and you are also in a high tax bracket. The goal is to become a business owner and an investor. Both distinguish themselves from the usual employment roles by providing potential capital gains and cash flow, things employment alone cannot provide.

In the following chapters I will help you lay the groundwork for preparing yourself to take advantage of one of the biggest transfer of wealth transfers in human history.

***You can be part of it and create huge capital gains.***

It will require a certain ability to take a chance now and then, a solid education in how the marketplace functions, a commitment to learn from your mistakes and a deep understanding in your own strengths and ability to handle change.

***The middle class will soon be wiped out and you need to make a choice if you want to be poor or rich.***

If you do not make this decision on your own, most likely you will end up being poor because a decision will be made for you by someone else.

# Chapter 2

## Forget What You Think You Know Now – The New Rules of Money

"The process by which banks create money is so simple that the mind is repelled." - John Kenneth Galbraith

This second chapter may be shocking and disturbing to you. You may feel your stomach in knots by the time you have finished reading it. You will come to understand that money is no longer really money at all but something that has been turned into worthless, debt-ridden currency.

Pull out your wallet and take a look at a bill. Whether it's a dollar or ten or a twenty, it has no longer intrinsic value. It is nothing other than debt, which you owe to someone else, like it or not.

***The banknote you hold in your hand is not even worth the few pennies the ink costs to print it.***

It's time for a paradigm shift in your perceptions around money. It's a powerful story, this tale of how our money came to be worthless. It may take you a few days to digest this information and to understand the true consequences of what has happened.

Read this entire chapter as often as you need. Do not read further until you have grasped the concept of what has happened to your money.

## 1931 – The Birth of the Fed and Beginning of the End

It may come as a surprise to you to learn that the Federal Reserve is not the original Central Bank of the United States. In fact, it is really the third Central Bank in the history of the U.S. The First Bank of the United States existed from 1791 to 1811. The Second Bank of the United States had a similar 20 year reign from 1816 to 1836.

Both banks engaged in commercial loans, took in deposits, issued currency, and bought securities. The two banks also contained a number of regional branches and performed fiscal agent duties on behalf of the United States Treasury. The biggest difference between these first two central banks and the Federal Reserve Bank lay in the fact that these other two central banks were 80 percent privately held, with stockholders voting for 80 percent of the banks' directors.

As a result of a long standing series of financial panics and economic instabilities that culminated in the financial panic of 1907, the United States looked into creating a more stable Central Bank in the years of 1912 to 1913. There was much opposition and great debate within Congress, but the Federal Reserve Act at last passed just before the Christmas recess in 1913.

A system of twelve regional banks had been enacted in order to spread the authority of the Central Bank out between the East coast and the rest of the country. Despite this, the New York Fed became the first among equals in the new system. It maintains several privileges to this day, including engaging in open market operations as instructed by the Federal Reserve Open Market Committee.

The rise of the Federal Reserve Bank to prominence began almost immediately after its starting operations in 1915. Its first major accomplishment lay in its function in a critical role as financier of both the American and the Allied war efforts in the First World War. From this humble beginning, the Federal Reserve has only risen to greater prominence and importance in the U.S. economy and eventually that of the world.

The Federal Reserve began acquiring greater powers in the depths of the Great Depression. They began setting interest rates for the nation in an effort to influence economic growth and intervene in the severity of economic downturns.

***This power was never relinquished, and is one that they maintain and use aggressively to this day.***

During World War II, the Federal Reserve had to surrender some of its powers by agreeing not to raise interest rates on Treasury Bills above 0.375 percent. This compromise was made in an effort to support the war efforts, which it did heroically even after the Allies won the war. Afterward, in 1951, the Federal Reserve signed The Accord with the U.S. Treasury and regained its independence.

The Breton-Woods Agreement proved to be the turning point for the Fed in becoming an agency that had an impact on all economies of the world. This arrangement following World War II set up a new global reserve system with the reserve currency based on the dollar.

***This meant that the Fed's actions in raising and lowering interest rates now influenced the policies and currencies of all countries in the world.***

In the 1970's the Fed became obsessed with the mission of battling down inflation. Inflation had risen to out of hand levels throughout the decade, and the Federal Reserve chairman Paul Volcker made it his goal to get it under control. The Fed actually fought inflation by targeting bank reserves, another power it assumed in its march towards controlling the economy. They were so successful at this that by 1987, inflation was down to a mere percent, from its highs in the mid double digits of the 1970's.

The Federal Reserve continues to exercise its muscles to this day. In the early years of the new century, from 2001 to 2003, they lowered interest rate thirteen times to fight recessions. From 2004 to 2006, the Fed then raised interest rates seventeen consecutive times.

In March of 2006, the Federal Reserve unilaterally decided to stop giving out the most accurate means of measuring the money supply anymore, known as M3.

With this powerful act, they had completed their destiny of growing from a limited powers organization to becoming one that could set interest rates, determine individual bank reserves, and even dictate the ways that they shared information on their activities of increasing or reducing money supply of the U.S. dollar that impacted the entire world economy.

## 1971 – Nixon's Gambit and the Death of the Gold Standard

Another real change that shook the U.S. financial system and dollar proved to be President Nixon's decision to take the U.S. dollar off of the long standing gold standard. Contrary to what you may believe, he did not turn out to be the first major economy to do this. West Germany and Switzerland were actually the first two countries to withdraw from the Breton-Woods agreement governing the gold standard and international currency exchange.

The United States made the decision to follow suit for several reasons. On the one hand, the rising spending of the government on both domestic programs and the Vietnam War caused the country to realize its first trade deficit and balance of payments deficit in the entire twentieth century. This marked a critical point in the country's modern finances, as the Austrian School of economics and the Neoclassical economists argue that at this point, countries and individual holders of the dollar gave up on their belief in the government's ability to reduce trade deficits and its budget.

Because of this, other countries and investors were exchanging their dollars for gold at a shocking rate. Gold coverage pertaining to paper dollars fell by thirty-three points from 55 to 22 percent in only the single year of 1970. As the country continued to print a great number of dollars with which to cover the country's military bills and domestic spending, more and more gold found its way from the U.S. Treasury to other countries, who surrendered their paper dollars for gold.

France and Switzerland proved to be extremely aggressive in their withdrawal of gold for dollars. France drew down fifty million while Switzerland demanded one hundred and ninety-one million dollars in gold.

The dollar began to drop sharply against other major world currencies like the Deutschmark and the other European countries' currencies. With this going on, West Germany withdrew from the international agreements. Switzerland followed suit three months later.

***Congress began recommending that the country devalue the dollar to defend it.***

President Nixon responded with drastic actions. In order to help stabilize the economy, severe inflation, and the dollar, he enacted a series of dramatic moves. He put a ninety day price and wage freeze into effect, levied a ten percent import tax on imports, and ended the U.S. dollar's convertibility directly to gold. The President and his advisors did this without consulting with the international monetary system representatives, giving it the informal name of the Nixon Shock.

At the time, President Nixon's policies proved to be very popular domestically. Members of the public gave him credit for saving American citizens from runaway inflation and price gougers. He received accolades for staving off the foreign exchange crisis as well.

Internationally, this abandoning of the gold standard caused the Bretton-Woods agreement to totally collapse. By 1976, all of the important currencies in the world had moved to floating systems.

***The dollar's value no longer resided on a basis of gold value. It now floated based on the concept of an estimated potential future value.***

The long term effects proved to be less desirable. Some economists and political scientists have claimed that the 2007 Great Recession developed as a result of the collapse of the Bretton-Woods agreement and the gold standard.

This is because the failure of these arrangements led to a great amount of volatility in money and the creation of instruments that were not properly regulated or were even unregulated. Because of the greater volatility, a need arose for financial instruments that could hedge risk, like derivatives and credit default swaps. These complex off balance sheet arrangements were much credited with leading to the financial meltdown of 2007.

## The Government and the Fed Perform an Old Trick

You will likely find it hard to believe that the government, through the Federal Reserve, is actually able to create money out of thin air. This concept has been referred to in the ancient and medieval world as ex nihilo, or out of nothing.

***This creation of money from nothing is not only possible today, but it is a commonly accepted and pursued policy.***

Listen to the words of Federal Reserve Bank Chairman Benjamin Bernake, if you doubt the truth of this statement. He said in 2002 that the United States government possesses a modern day technology of an electronic equivalent to the printing press that permits it to create all of the U.S. dollars that it wants.

He made later statements about this printing of money that earned him the nickname of Helicopter Ben, when he claimed that if the U.S. economy ever ran into real difficulties, then he could salvage it if he only had a large enough helicopter to fly around the country throwing out bales of this money that was created out of nothing to the citizens.

Bernake is a professor whose specialty dealt with the Great Depression. His statements regarding the country's capability of electronically printing money from thin air may be controversial. You will see below that the truth is that they have evolved into a main component of the American economy in the twenty-first century.

You have to comprehend how modern money works in order to internalize how a modern day electronic printing press is able to make money from nothing. The actual currency of the U.S. does not prove to be the Federal Reserve dollars that move around the United States and its economy. Instead, the real currency turns out to be Treasury bonds and bills that are backed up by faith and credit of the government.

***People, investors, and countries who hold these U.S. Treasuries receive the only guarantee of being paid by the government from taxes that will be collected from American citizens in the future. This guarantee to treasury holders is what really underlies what you use as money in the form of dollar bills.***

Fortunately for the U.S. government, the U.S. treasuries' market remains the deepest and most liquid on earth. This makes it easy for the Fed and the government to conjure new dollars out of thin air. The Fed does this by simply monetizing the debt of the government. In other words, the Fed will step into the open markets and purchase Treasuries.

When they do this, they do not pay with real dollars to the seller of the Treasuries. Instead, they simply credit the account of the seller for the action. This proves to be Bernake's electronic equivalent that he had mentioned in his earlier speech. You are right to think that the value credited to the account of the seller does not literally exist. It is merely an on screen balance of the bank's reserves with the Fed.

With these actions of monetizing the debt, the Federal Reserve has actually printed money from nothing. They are able to do this so long as the Treasuries market remains so deep and liquid.

The transaction also requires sufficient confidence to be present that the seller will accept the crediting of its account by the Federal Reserve. Until either of these two underlying pinnacles is called into question, then the Federal Reserve and the government will continue to have the ability to literally create money electronically out of nothing through monetizing the government's debt.

You may be asking yourself a good question now. If the government creates money from thin air, would this not affect the value of the entire dollar money supply, both that already exists and that they are creating? The answer to the question is a resounding yes. Later in this chapter you will see start to see how this magical printing of money actually has negative consequences for the demand and value of the U.S. dollar.

## Fractured Finance – Fractional Reserve Banking

This creating money by monetizing the government's debt is not the only way that the Fed is able to create new dollars. They can also use the Fractional Reserve Banking System that underpins the modern banking of practically all countries in the world.

***Fractional reserve banking significantly expands the money supply, or demand deposits and cash, beyond the level at which it would normally be.***

Because of how common the practice of fractional reserve banking proves to be, the actual money supply found in the majority of nations is a multiple bigger than only the base level of money that a nation's Central Bank creates.

The multiple itself is known as the money multiplier. This number is set by the minimum reserve requirement that the financial regulatory authorities require and impose on banks. Extra reserves that banks hold also influence the level of this multiple.

You will find that most central banks, including the Federal Reserve, generally set these minimum reserve requirements for the banks. This ensures that banks maintain at least a minimal amount of their on demand deposits in cash reserves. In such a way, the money creation performed in the commercial banking realm is controlled by the Central Bank or Federal Reserve.

This is also intended to make certain that banks possess sufficient available on hand cash to deal with typical withdrawal demands. Even though these fractional reserve minimums are intended to prevent them, difficulties can become evident if a great number of bank depositors attempt to pull out their money at once. This leads to bank runs on rare occasions. If the problems are exaggerated to banks throughout a region or are severe, it can also cause a systemic crisis in the banking system.

To help alleviate these types of difficulties and protect the system, the Federal Reserve oversees and closely regulates such commercial banks. It furthermore functions as a true lender of last resort for them. Besides this, another body, the FDIC, or Federal Deposit Insurance Corporation, insures commercial bank customers' deposits.

Because banks are allowed to lend out a certain multiple of the deposits that they actually have, they can be utilized by the Federal Reserve to create additional money. You have already seen that they can lend out a multiple of the deposits that they have on hand. Another way of putting this is that the Federal Reserve only requires them to keep a certain percentage of loans that they make as reserves.

***Typically, this fractional reserve number is ten percent. This means that for every $1 that they have in reserves, a bank is allowed to loan out $10. They are given a money multiplier of ten to one with this reserve.***

So when the Fed purchases Treasuries by crediting a financial institution's account, they are electronically increasing the reserves' value of the bank in question. The bank is then not simply able to loan out these deposits that are magically credited to them digitally, but instead the full fractional reserve multiplier of what is typically ten to one.

***This means that the Federal Reserve creates not only the money that they use to purchase treasuries with, but also the ten to one in new money that is created by a bank loaning out up to their fractional reserve requirements.***

Every modern bank in the United States operates on this system of fractional reserve lending. This whole explanation may come as a shock to you, as it does to most Americans when they learn of it. Reality is that far more money is loaned out than the banks literally keep in reserves. Although there are restrictions to how much money the banks can create, you have already seen that the restrictions are mostly limited to the ten percent fractional reserve requirement.

Should the Federal Reserve Bank desire it, they can lower the reserve still further, allowing yet more money to be created as if by magic from thin air. This has profound implications for your money and its value. Later in the chapter we will examine what this means for you and your paper and electronic dollars.

## From Something to Nothing – Your Money Now

In the good old days of the 1800s through 1971, money proved to be as good as gold. This is because until Nixon took the United States off of the gold standard, money was literally exchangeable for gold. This led to an incredibly stable period in the value of the dollar and other major world currencies that lasted for literally more than a hundred and fifty years.

When you look at the value of the dollar against gold from 1792 to1862 when the Civil War had begun, you see that gold closed each year in that seventy year period in the range of $19.39 per ounce to $21.60 per ounce. You witnessed a deviation of no more than 11 percent in the value of gold and hence the dollar in seventy years.

Another way of putting this is that in seventy years, the dollar had only declined around 11 percent against fixed asset gold. Similarly after the Civil War ended and recovery ensued, from 1870 to 1932 the dollar against gold remained steady around $20 to $22 per ounce. This proved to be another more than sixty year period where the dollar had no more than a ten percent deviation in value.

***Money started its gradual descent to increasingly worthless currency when the government began to play with the gold standard.***

The first real instance of this proved to be in 1933 when President Franklin Roosevelt decided to intentionally devalue the dollar against gold.

When he declared gold to be worth $35 per ounce against the dollar, he started a depreciation that caused the dollar to fall almost 70 percent from the closing values in 1932 to 1934. It did not matter that the President did this intentionally. This proved to be the biggest single decline in the dollar in its history to that point.

Still, the gold standard last another forty years for the United States, and so long as the government did not interfere with the dollar gold convertibility, the dollar held its value remarkably well once more. From 1935 to to 1971, gold closed every year in a range of $35 to $43.50. These were far more tumultuous years, but the dollar still held its own over the thirty six year period, declining by not even 25 percent despite the challenges of the Great Depression, World War II, and the Korean and Vietnam Wars.

The fatal moment for the dollar and other world currencies has already been described earlier in this chapter. President's Nixon's unilateral decision to withdraw from the gold standard started a stampede for the exits. The gold standard died an ignoble death over the next few years. This is exactly the point where currency value stability ended, in particular for the U.S. dollar.

From 1970 to 1983, the dollar dropped sharply against gold. It went from a 1970 closing value of $39 to a 1982 closing value of $447, at one point touching a mind blowing $850 per ounce. In thirteen years, the dollar, once a bedrock of stability and value, dropped 1,046 percent.

The fortunes of the dollars value waxed and waned with economic news and cycles from 1971 forward. The currency had become a paper instrument whose only value lay in the faith and credit of the U.S. government.

This meant that the value would lie entirely in how creditworthy the U.S. economy and how trustworthy the U.S. government appeared from this point forward. In the years from the 1970 last year of the gold standard, to the prices as of the first of October 2010, the dollar has steadily declined in value over time, despite periodic bounces.

Today's dollar is valued at $1,320 dollars per ounce. Remember that this level has been reached from $39 per ounce in 1970. The last forty years have represented the most shocking collapse in the value of money in modern history.

***The dollar, and most of the other now paper currencies around the world, has plummeted a staggering 3,285 percent.***

To put that in concrete terms for you, had you seen the writing on the wall regarding the gradual devaluation of paper currencies, you might have sunk your money into gold to maintain its real value. Your actual thousand dollars in 1970 would today be worth a mind numbing $32,846.

This does not represent investment gains that you would have made in stocks, bond, real estate, or other speculative investments. It is simply how far the paper dollar has declined in value since it officially lost gold's blessing and backing forty years ago. Can there be any doubt as to paper money's gradual descent to worthless currency?

## Daisies and Dollars – Beautiful to Look At, Impossible to Eat

You may be wondering at this point how it is possible that the dollar has fallen off a cliff to the tune of 3,285 percent in forty years. It is not as a result of the fall of the U.S. economy. Even though the country's economic leadership has taken its share of hard knocks in the last forty years, the U.S. economy remains unquestionably the largest and most vibrant in the entire world.

The other G7 countries of Japan, Germany, Great Britain, France, Italy, and Canada, plus China, when all combined, still do not surpass the United States' Gross Domestic Product, or total value of all goods and service produced in a year.

***The dollar's upsetting longer term value problem does not lie with the U.S. economy or credit rating, or any other single factor.***

The dollar's problem stems from the fact that since President Nixon's monumental move in 1971, it no longer has any intrinsic value at all. You might be unclear on the notion of intrinsic value. The word intrinsic as described by Merriam Webster relates to a value that belongs to the constitution or essential nature of a thing.

Intrinsic pertains to the inner nature and worth of something based on its own merits. A diamond has intrinsic value because of its purity, quality, clarity, sparkle, and rarity. Similarly, gold has intrinsic value that results from its luster, color, historical worth, and rarity.

***But the dollar, or any other paper currency not backed up by gold, has nothing intrinsic to it. It is a simple piece of paper with colored ink on it. It is neither shiny nor glamorous looking. It is certainly not rare.***

Instead the dollar's intrinsic value is now based on perception of its worth. This is much like the value of stocks and similar assets, whose values stem from the underlying perception of real value that is derived from every business aspect, both intangible and tangible in nature. You are probably asking yourself who decides the perception of the dollar's worth?

The international currency markets determine any currency's worth these days since the gold standard was abandoned. This is more or less done through market oriented forces of supply and demand. You know that demand for the dollar has remained strong over the decades.

Even after the hits that it has taken, the dollar still remains the world's reserve currency for now, as it was back in the fifties, sixties, and seventies. If demand for the dollar continues to be strong, then what explains the 3,285 percent drop in its real value?

Part of the answer is the other side of the supply and demand side of the equation, supply. The government has a long history of printing more dollars year in and year out. President Nixon did it to the tune of ten percent more dollars in 1971.

Presidents George W. Bush and Barack Obama have engaged in this massive supply increase of dollars on a scale hardly imaginable a decade ago.

***It is no exaggeration to say that the money supply of dollars has been literally increased by in excess of 300 percent in the last three to four years alone.***

This supply has dramatically impacted the value and purchasing power of the dollar as is evidenced by the dropping value of the dollar against gold in a similar time frame.

In the first ten years of the new millennium, the dollar has fallen from $276.50 to $1,320 so far for 2010. This represents a 377 percent drop in the dollar's constant value against gold. Since the dollar no longer has any actual intrinsic value, it depreciates significantly when the supplies of it are substantially increased.

Confidence is the other factor that lends the dollar its value. Since the value of the greenback is ultimately based on the full faith and credit of the U.S. government, its perceived value has become of paramount importance. Confidence is a funny, transient thing that takes years, even decades to build up. It can be destroyed in days, weeks, and months.

The Al Qaida terrorists' declaration of war against the United States with 9/11 represented a blow to the confidence in the nation and its currency. The financial crisis which originated in and centered on bad U.S. investment practices has been another, psychologically more devastating one.

These last few years' massive increase in government debt to an unsustainable level of $14 trillion represents still a third. As confidence in the Untied States has eroded over the last ten years, so has the perceived value of the dollar fallen commiserate with it.

You can expect the roller coaster ride of the U.S. dollar's value to continue in the future. Until and unless it is once again tied to something of real intrinsic value like gold, its fortunes will fluctuate up and more likely down based on supply, demand, and confidence.

***Strap on your seat-belts, it is going to be a bumpy ride.***

# Chapter 3

## The Time Is Right for Precious Metal Investment Profit

"The two most important requirements for major success are: first, being in the right place at the right time, and second, doing something about it"
- Ray Kroc

Some pundits will tell you that the gold and silver markets have already run a long way up. As you will see in this chapter, there are a variety of reasons for why the timing and argument for entering gold and silver investments has seldom been better than it is these days.

### Silver Is the New Gold

Among the many arguments in favor of gold and silver are the facts that they have intrinsic value. As you saw in the last chapter, intrinsic value is a tangible value inherent in an item. Intrinsic values are not simply those that an item may possess for a certain amount of time, even if that time is a long span of time. Intrinsic values are those that are good forever. This refers to an item whose value is as constant today as it proved to be thousands of years ago, over all of those long millenniums.

Very few items actually possess intrinsic value like gold and silver, except shelter and food. This is because these precious metals have remained in heavy demand for all of these thousands of years. Their other characteristic that gives them real intrinsic value is the fact that they are still capable of buying the same amount of goods now as they did even in the ancient world.

An example of this that is always given out is an expensive custom suit. A hundred years ago, such a suit could be purchased for a $20 gold piece comprised of one ounce of gold. Today the same suit will cost you about $1,200, which is actually less than a single ounce of gold.

***What other asset in the world can make the same claim as gold and silver?***

Intrinsic value can also be described as the item's real value or actual usefulness. Gold is useful for making beautiful jewelry and as a historic store of value, much as it has been for at least five thousand years.

Silver on the other hand, has tremendous usefulness as a component of its value. You may have heard that silver has ten thousand different uses in the modern day manufacturing process. There is not any other material on earth, besides maybe oil, that has so many practical applications.

Diversity proves to be a key component of silver's amazing intrinsic value. Silver is used in most any item that is a part or process of you normal day. The one of a kind metal possesses strength, beauty, ductility, malleability, sensitivity to light, thermal and electrical conductive properties, reflective properties, and the useful capability of resisting vast changes in temperature.

All of these characteristics permit scientists and engineers alike to utilize silver for revolutionary research that meaningfully impacts your quality of life. This demand for the metal silver finds its basis in three principal pillars, those of industrial and decorative applications, photography needs, and silverware and jewelry.

Between the three of them, in excess of 95 percent of the silver utilized every year is consumed. It is also interesting for you to know how much more silver goes into industrial applications than goes into jewelry. Almost three times as much silver is used every year for industrial uses as is used for jewelry needs.

Silver is in intensely heavy demand for industrial sectors ranging from electronics, to imaging, to coinage, to jewelry, to water purification, to superconductivity. Silver makes superior batteries, which are increasingly finding their way as the replacement to lithium ion batteries in both laptops and cell phones. It is an important component of heavy bearings that are used in trucks and jet engines.

It makes superior brazing and soldering materials for joining other metals together at high temperatures. Silver is also a major catalyst in industrial change processes. Finally, silver's industrial uses encompass a wide range of electronics of which it is a critical component, such as switches, television screens, and circuit boards. There is no overstating the useful component of the intrinsic value of silver.

Because of gold and silver's highly enduring intrinsic value, they can both be exchanged for goods with reliable certainty. This is as true today as it was in the Ancient Greek and Roman worlds, in the medieval towns and kingdoms of Europe, or in the modern age in any corner of the world.

As sad as it is to ponder, you can not say with any confidence whether you will be able to use a paper currency such as the dollar for a reliable quantity of goods and services fifty years from now.

***You can count on gold and silver being effective stores of value that will purchase a comparable or greater amount of goods and services in the future as they do now.***

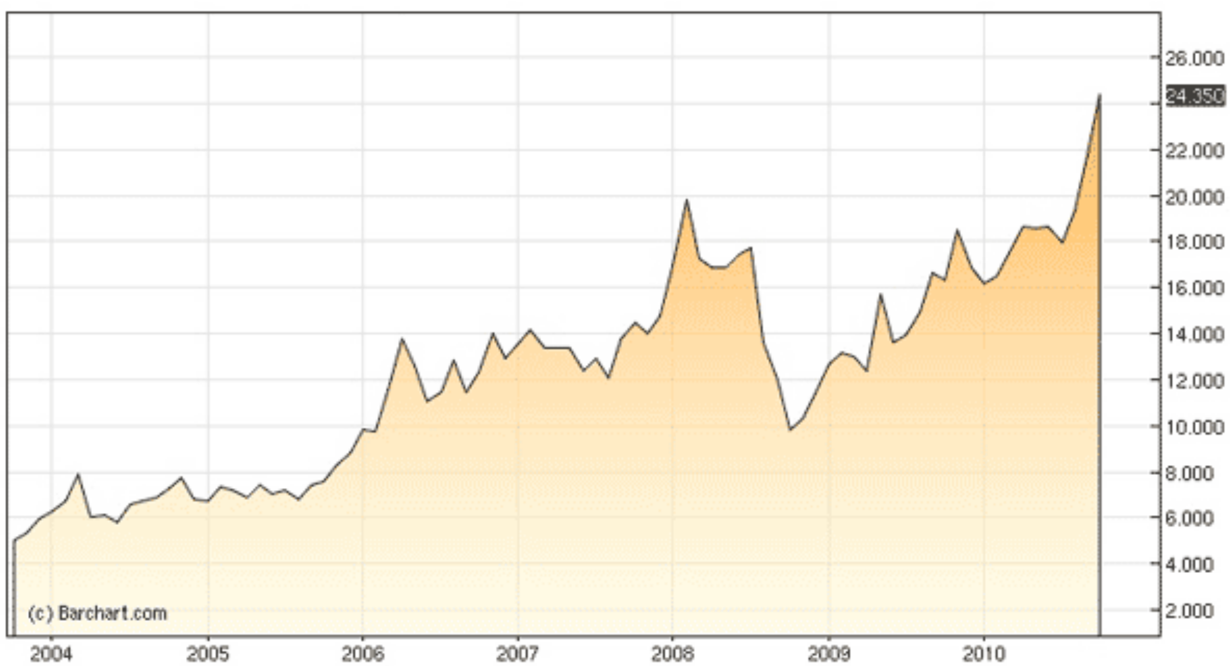
Gold and silver are more popular as real money now than they have been since the gold standard was abandoned in 1971. There is a site called GoldMoney.com that allows individuals to set up accounts based in gold.

The money in these accounts can then be used to purchase any goods and services available over the Internet. Some states like Montana have even gone so far as to make gold a legal tender currency for use in commercial transactions within the state.

These are just two more example of how these two precious metals can be used in the exchange for goods with unfailing confidence. As world governments continue to debase and over print their paper currencies, you can count on seeing a greater number of people turn back to gold as the ultimate store of value and even currency with which to purchase goods and services. This is because unlike any paper currency, be it the dollar, euro, or pound, gold and silver have real intrinsic value whose worth is not based on simply a faith in or the credit of any government or organization.

## Gold and Silver Have a Long History Together

An overall boom in commodities began back in 2000 and is still very much ongoing. Some have questioned how much longer this ten year long commodity run can continue to last, since the gains have been so spectacular already.




*Gold is up from $272 in 2000 to over $1,340 so far in 2010.*

This represents an impressive over 390 percent gain so far, averaging over 30 percent returns per year. Silver is similarly performing well. Having begun the decade at an average of $5 per ounce, it has gained to about $23 per ounce so far in 2010.

***This also represents a major gain of three hundred and 65 percent, translating to more than 30 percent average gains per year for ten years.***

In light of these astonishing gains in the two precious metals, it is understandable that you may be in the ranks of those who are afraid of getting on to the gold and silver metals train after it has finished its monumental run. This happening now is unlikely to be the case for a variety of reasons.

The first reason for this is that bull markets typically run for twenty year time periods. If you were to take a look back at the history of such commodity bull markets, then you would find that none of them lasted for less than fifteen to sixteen years. In fact, the average commodity bull market runs closer to twenty years. This is just the nature of the commodities cycle.

***The twenty years before the major run began in 2000 mostly represented a twenty year bear market cycle. When you consider the sixteen to twenty year period that commodity bull runs always last, then you can relax in knowing that we are only ten years into this particular commodity bull run.***

The next reason that you should not be afraid that the commodity bull market will continue is because of the underlying supply and demand fundamentals for both silver and gold. The demand for both has been rising in the wake of the Great Recession, while supply is at a stand still or in decline.

Gold is the first case study of this. Even at record high prices, gold continues to be in high demand from India and China. The people of these two countries mostly buy it in the form of gold jewelry and are expected to continue to do so.

Retail investment from Europe and the United States continues to grow and reduce available gold supplies.

In the last few years, the U.S. mint has even had to suspend orders for gold coins for the year on several different occasions as they ran out of bullion blanks to utilize. Besides this, gold demand in China is anticipated to expand significantly over a longer term time frame. Not only is the Chinese Central Bank looking to increase its percentage of reserves that are kept in gold whenever it can, but The People's Bank of China has recently produced a report that they expect will encourage the demand for private individual gold for investments in the near future.

Also, demand for gold in some electronics has picked up with the expanding global recovery. All of these demand factors point to an increase in the need for gold at a time when supplies simply are tight.

Gold supplies mined from the ground are no longer growing as they once were. This is despite the fact that with record high prices, companies that are able to produce gold are aggressively trying to mine and sell more of it from remote parts of the world.

In fact, the worldwide gold production is actually in a terminal decline in spite of these ever expanding highs for gold. Aaron Regent, the president of the world's largest gold mining company Barrick Gold, has said that the worldwide production of gold has actually been declining by about a million ounces of gold per year since the beginning of the gold bull market run back in 2000.

To make matter worse, the total gold mine supply has actually plummeted by ten percent with ore quality dissipating. Regent claims that Peak Gold may have already been reached. This is the point where the future output of gold will only decline year on year going forward, as all of the easily mined gold has already been extracted from the earth.

Since production peaked in 2000 and has steadily declined since that point, and Barrick Gold predicts that the decline will only continue and intensify as gold ore is becoming harder to find, the supplies of gold will only continue to tighten over time. This fundamental, coupled with the steady and rising demand, should continue to support the gold bullion bull market for years to come.

Silver's story is the same as gold's where demand is concerned.

***The demand for silver has been outstripping supply since 1996 or earlier.***

The demand only continues to grow for silver as its industrial uses are expanded with new applications found for the versatile metal with practically every passing day.

Some experts have claimed that the yearly shortfall in silver could increase to up to two hundred and fifty million ounces of silver as new demands for silver grow and expand in popularity. This sounds far more significant when you consider that the present above ground inventories for silver are only six hundred million ounces.

The growing demand for silver is what will ultimately support the prices and even take them significantly higher. When silver reached its previous peak in 1980 at about $42.50 per ounce, fully one and a half billion additional ounces of silver billion existed than do now. Yet the price still shot up to nearly $50 an ounce.

***Demand for silver is what will drive it once again.***

The difference between 1980 and now is that a shift has taken place in the amount of silver that is available, all the while the many industrial uses and investment demands for silver are steadily and surely increasing.

Between the historical facts of bull market minimum fifteen year cycles and the rising demand and falling supplies for silver and gold, the needed fundamentals to keep the price steady and rising are present.

All that you have to do is to take a look at the numbers. You will overcome your fears of having missed out on the bull market in silver and gold when you do.

## Gold and Silver Provide the Best Defense

Yet another reason to own gold and silver today is because of the two precious metals' roles as safe havens in times of economic crises. There are two different aspects to this argument for owning gold and silver. The first is as a safe haven against a declining dollar. The second is as a safe haven against instability and crises in the world in general. Both are viable reasons underpinning the ongoing prices of gold and silver.

Gold and silver make the ultimate hedges against declining dollars for a very simple reason. Both metals are actually priced in U.S. dollars, meaning that they are both bought and sold in them.

***Any type of decline in the underlying dollar value means that the actual prices of gold and silver can be counted on to rise, even if not in a perfect ratio.***

You might ask why this should matter. After all, the U.S. dollar still proves to be the reserve currency of the whole world. It is the basic exchange medium used in international kinds of transactions, the base currency that all equities and commodities are figured up in, the world's main place to park savings no matter what country a person lives in, and still the currency that is more held by the central banks of the world than any other rival currency.

The truth is that nothing backs it up since the abandoning of the gold standard but confidence in the full faith and credit of the U.S. government. As you have read before, confidence is a shaky thing, particularly in the day and age in which you live.

It can crumple overnight, spurred on by a refusal of the Chinese to buy any more of our mountains of debt issued, or a severe terrorist attack.

When the confidence goes, the value of the dollar can wilt away faster than you might believe to be possible.

***In the end, the dollar represents nothing more than a promise and a sophisticated piece of paper.***

Gold and silver are also useful to have as safe havens in troubled times and crises. It may be true that the United States remains the only superpower in the world, but this does not change the fact that a great number of difficulties and challenges are lying in wait all over the planet.

Any of these situations could blow up with little to no warning. Gold is commonly referred to as the ultimate crisis commodity as it most always offers superior returns to other types of investments when there are times of great tension throughout the world. This is because those identical causes that lead other forms of investments to do poorly will simultaneously make the cost of gold go up.

As a case in point, poor economies can destroy banks that are badly run. Banks that go down can cause a whole economy to fall apart. On top of this, today's global economy is so tightly integrated that a single country's banking problems that lead to economic failures can shake or even bring down the economy of the entire world.

These problems, such as banking crises, also cause the public to lose confidence in paper assets and currencies. When they do this, the place that they look to for a real and reliable safe haven is gold.

As crises like this develop, governments have a bad habit of turning back to their electronic printing presses. By bailing out banks and sinking economies, they only debase the existing currency more. While this is happening, gold is only gaining apace. There can be no doubt that the price of gold always goes up most significantly as confidence in the government proves to be at its lowest point.

***Buying gold or silver as a safe haven will do more than simply protect your dollars and wealth from potential disaster. It will give you peace of mind that you have taken a proactive step to be prepared.***

In acquiring them, you can be sure that you will survive more than potential inflation. You can rest assured that you and your estate will be ready if the wheels come off of the proverbial geopolitical or global economic cart.

# Chapter 4

## The Story of Silver and Why It Is a Better Choice Than Gold

"You have to know the past to understand the present." - Dr. Carl Sagan

It may come as a surprise to you to learn that silver is a better investment choice than gold is right now. There are a number of reasons why this proves to be the case, and not simply one argument. This chapter goes through the eight reasons why you should acquire silver over gold for your portfolio today.

### Silver Is More Than Precious

The statement that silver is rarer than gold right now is true from a particular and important point of view. When you take into account the above ground silverware and jewelry available supplies, then the grey metal is not rarer than the yellow metal proves to be. But, if you are looking at just the quantity of identifiable actually available silver bullion, then silver truly is rarer than is gold. It is an important starting point to understand that practically speaking, silver turns out to be rarer than gold.

Although silver jewelry and silverware could in theory be melted down to secure greater sources of silver, this is not likely to happen for an important reason. Gold metal jewelry trades at a tiny premium over the present market prices for the yellow metal. This means that with relatively small change in the price of gold, people could be easily persuaded to melt down their gold jewelry.

As gold has risen aggressively in the past several years, you have already started to see this happen with the rise of the many cash for your scrap gold operations that have been successfully advertising for and attracting clients to sell them their old, unwanted gold jewelry.

Silver jewelry on the other hand sells at a much higher premium to its underlying precious metal value. This means that most people would not be persuaded to sell their scrap silver jewelry until prices increased by another $50-$60 more per ounce.

Strictly by the numbers though, the World Gold Council and comparable experts claim that there are somewhere between four and five billion ounces of physical gold still left in the world. This phrase “still left” is actually meaningless, since gold experts routinely point out that 95 percent of all of the actual gold that has ever been uncovered since world history began is still in existence. The truth about gold is that it is rarely consumed, or burned up. In general, it does not simply go away, but it stays with us, preserved in some form.

There was a time when this proved to be the story for silver as well. The facts on the ground regarding silver and its availability and utility have changed in an incredible fashion since the end of the Second World War. How this translates into available silver is surprising.

As you saw in the last chapter, a mere six hundred and seventy-one million ounces of silver bullion that is available for use are still found above ground, per the World Silver Survey of 2004. The updated numbers on this show that silver has been drawn down still significantly further, to a mere twenty million ounce by the end of 2009.

***There literally is not much silver to go around anymore.***

The present supply of mined, refined, available silver bullion in the world is generally held in the warehouse of the COMEX, or the Futures and Commodities Exchange. This warehouse proves to be the greatest silver supply and inventory on the whole planet. Here are found in excess of one hundred and twenty million ounces.

This sounds like a large amount of silver, until you consider that Warren Buffet bought more silver bullion than this back in the late 1990's. Another telling sign about the tight supplies of silver situation is found in the U.S. government vaults. It was not so long ago that they maintained an inventory of a few billion ounces of available silver in the vaults for U.S. Mint coining operations and needs.

These days, it does not have inventory left to speak of at all. It is rather comical to think that eight years ago, the government had no choice but to begin buying significant quantities of silver in the world markets to be capable of continuing to mint its beloved one ounce Silver Eagle coins.

The main reason why silver is rarer than gold revolves around the demand for it. While a greater amount of gold is mined each day than is typically demanded, it is mostly preserved. This is not the case for silver. All of the silver mined each year is utilized and then some beyond that, as you saw in the last chapter.

Between industry, photography, silverware, jewelry, and coins, there simply is no longer enough silver to go around each year. This deficit for silver is nothing new. The metal has been in a real supply and demand deficit now for sixty-three years, going all the way back to 1942.

***Remember as you read through the rest of this chapter the important point that the available amount of silver is now rarer than the available amount of gold.***

Not only are the available stocks rarer for silver than for gold, but the amount of silver mined relative to the silver demand every year causes it to have a net decline in above ground stocks each year as well.

These are some very compelling reasons for why you should consider silver as a superior opportunity to gold right now.4.2 Silver Is on the Bargain Table
Silver has come to be more and more expensive to find and mine as it gets rarer. As silver companies have to go farther and farther afield and dig deeper to locate the dwindling supplies of it, the prices of extracting it from the ground continue to rise.

There are now silver companies that can no longer afford to bring it out of the ground practically and viably even at today's relatively higher prices of $23 per ounce. Some of them are choosing to shut down production and lay off workers as a result of how low silver prices remain when adjusted for inflation.

***If silver is less highly priced than the cost of digging it out of the ground, then you could literally say that silver is cheaper than dirt.***

This phrase is becoming the mantra for some silver investors. Its sentiments have been echoed by legendary commodities investor Jim Rogers, who has been recommending silver over gold since the summer of 2010. Jim made his billions as the partner of foreign currency investor George Soros when they took heavy positions against the Bank of England in the 1990s and literally made a billion dollars in a single day as their positions proved to be right on the money.

Although the billionaire Jim Rogers has been recommending gold for years and telling people that he never sells gold, but that he only buys and hold its, he has recently changed his long standing tune. Jim has announced that he is no longer buying gold, although he loves it and still believes that one day soon, everyone will own gold and will walk down the street checking the prices of it in storefront windows. Instead, he is sinking his smart money and that of his investors heavily into silver.

Jim says that the reasons for this are abundant. Silver is still at less than 50 percent of its all time high made back in 1980. Gold on the other hand is trading at all time highs seemingly all of the time lately. Jim said that silver is depressed and ridiculously cheap at these levels. When silver companies can no longer afford to mine and refine it at the world prices that are offered for it, you can expect it to appreciate higher in the near future.

# Chapter 5

## How You Can Make a Fortune Investing in Silver

"Too many people miss the silver lining because they're expecting gold."
- Maurice Setter

The silver supply and demand imbalance simply means that there is no longer enough silver to go around. The above ground stocks are almost non-existent at 20 million ounces.

With only one more deficit year production of silver versus its demand for the year, there will no longer be sufficient amounts of the gray precious metal for the existing needs.

Even though the price for silver seems high at the multi year peak of $23 per ounce (as of this writing), this is only the case when you detach the silver prices from their historical highs and ignore the inflation adjusted highs and silver to gold ratios as well.

***Remember that the all time high for silver is still at near $50 per ounce.***

As the legendary commodities billionaire investor Jim Rogers has so astutely pointed out on more than one occasion, this represents as a 55 percent discount to the all time high that was set back in the early 1980s.

## Timing, Markets, and Value – Looking Good Right Now

What would you rather invest in, gold that has surpassed its all time high several different times already, or silver that still has more than 117 percent price appreciation left before it reaches the high?

To put it in practical terms, $10,000 invested in silver at today's prices could be worth more than $21,500 if silver reclaimed its constant dollar high. For constant dollar price appreciation opportunity, there are few investments out there that offer you the opportunities that silver does right now.

You must not forget either that the $50 high price of silver only represents a constant dollar high. The actual inflation adjusted high for silver is somewhere closer to $165 per ounce, when 1980 dollars are converted into 2010 dollars.

***By this measurement, silver still has a long, long way to go.***

According to the inflation adjusted high for silver, it is trading at an astonishing discount of 86 percent to its true value dollar high price.

***In other words, silver has more than a whopping 615 percent in price appreciation potential left to it before it reaches its inflation adjusted high again of from $23 per ounce to $165 dollars per ounce. If you put $10,000 into silver at today's prices and watched it reach the inflation adjusted high, then you would have more than $61,500 in profits when all was said and done.***

Using the gold to silver historic ratios of 1:12, you see that silver also has enormous price movement potential. Silver to gold is valued at 1:58 pricing ratio these days, as you read in the last chapter. But should silver realign to its traditional average of 1:12 purchasing power of gold to silver, than the silver prices would similarly be far higher.

With gold at $1,350 per ounce, silver's historical ratio price to gold would have it at $112.50 per ounce. This figure also has silver trading at a substantial discount presently of around 80 percent to its proper gold to silver ratio. Using this figure as the proper value for silver, then you have the possibility of 390 percent returns from the present levels of silver at $23 per ounce to the historical gold to silver 1:12 ratio price of $112.50.

***In practical dollar terms, this means that $10,000 invested in silver at today's prices would yield a $39,000 profit if silver realigned to its traditional gold to silver pricing ratio.***

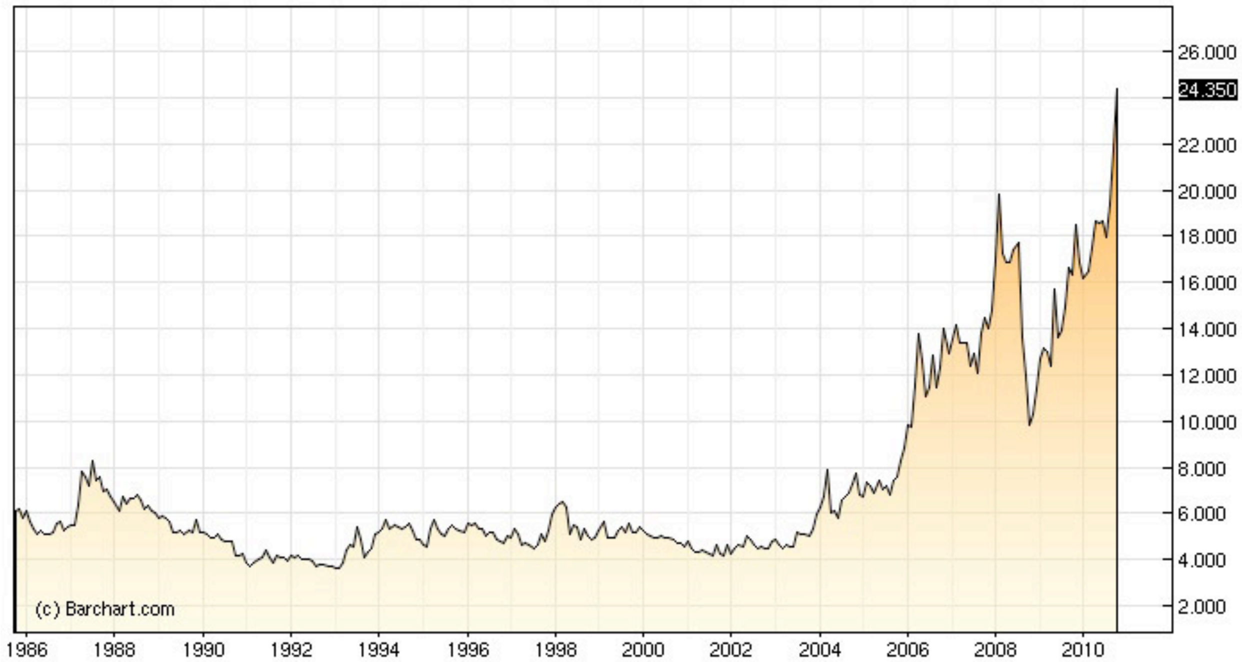
There can be no doubt that the price potential appreciation is there for silver. This is true whether you look towards its all time high, inflation adjusted high, or historical gold to silver price ratio. Now that you see why you have to invest in silver today, you need to understand the various vehicles for doing this. They all have their own advantages and disadvantages, as you will read about in the rest of the chapter.

But first, you will read about why there is another ten years left to the incredible silver bull market run left.

## The Twenty Year Cycle and Silver

With these incredible percentage appreciation possibilities for silver presently ranging from 117 percent, to 390 percent, to 615 percent, depending on the way that you figure the fair price for silver in today's dollars, you may wonder how long a period this might take to transpire. The answer to your question has everything to do with the length of commodity cycles.

As you have read earlier in the book, commodity cycles typically run a good 20 years. There has never been one that lasted for under 15 years. Since commodity cycles have averaged at twenty-year periods fairly consistently, this means that you have to know when a bull market cycle began in order to properly understand how much time is left in this commodities bull market cycle.

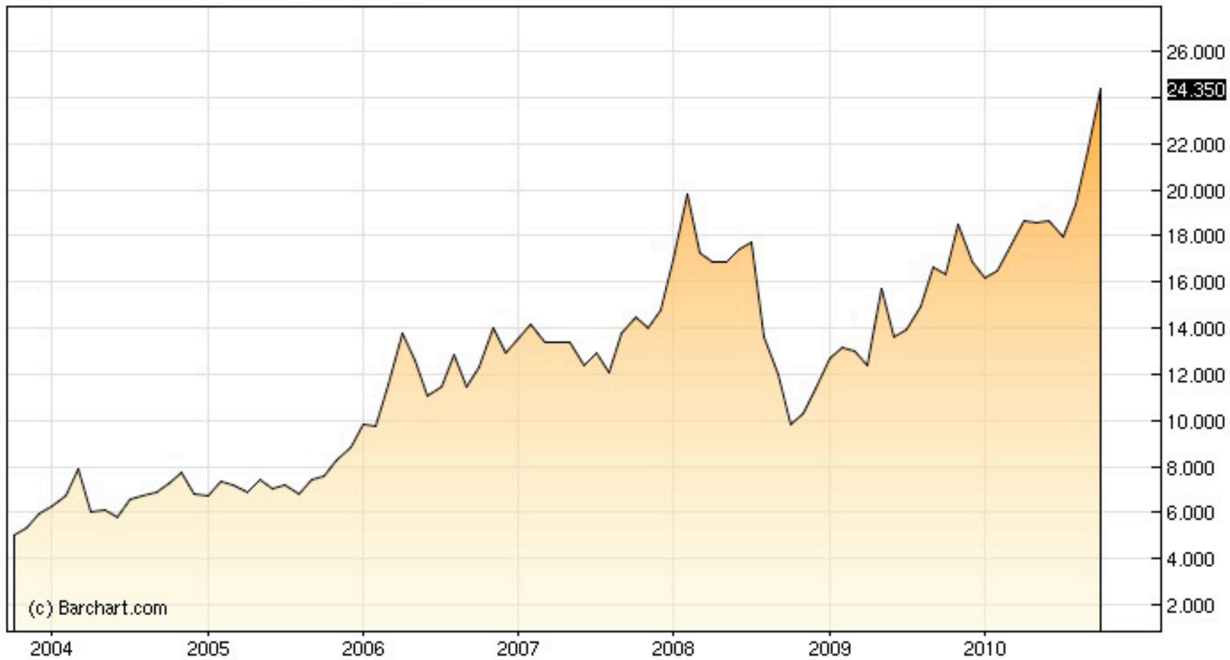



***Above chart shows the Silver trend from 1986 - 2010***

Prices for silver actually bottomed out back in the year 2001. The cumulative monthly average for silver hit its low in November of 2001 at an incredibly low $4.12 per ounce average for the month. Silver prices ended 2001 at $4.52 per ounce.

From that point and year on, silver prices have been steadily increasing, having seen a closing price of $4.66 per ounce in 2002, a closing price of $5.96 in 2003, and a closing price of $6.81 in 2004.

These represented gains of three percent in 2002. Percentage wise, the bull market in silver really took off in the year 2003, as silver managed an impressive almost 28 percent gain that one year alone. 2004 proved to be strong too, with silver running up more than 14 percent.



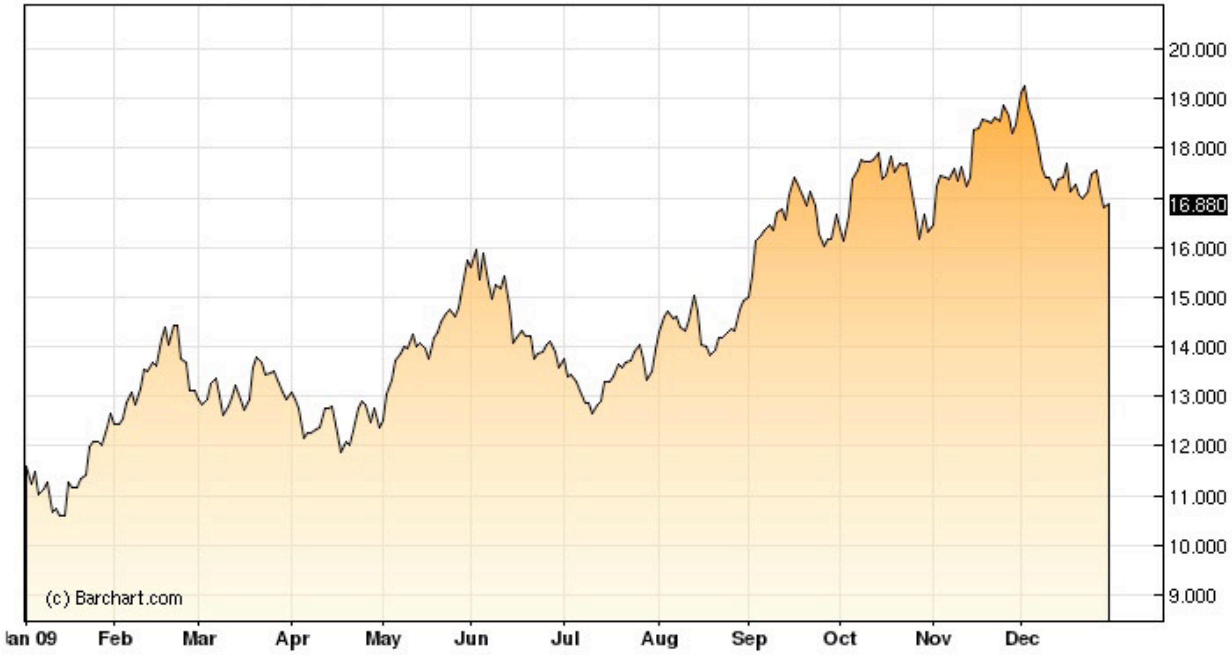

***Above chart shows the Silver trend from 2004 - 2010***

Silver closed at $8.83 per ounce in 2005, again closed substantially higher at $12.90 per ounce in 2006, and reached another solid high in the bull run of $14.76 per ounce in 2007. These represented annual gains of nearly 30 percent for the year in 2005. In 2006, the gains weighted in at a staggering 46 percent increase. For 2007, the year's percentage gains proved to be less torrid at a still decent 14.5 percent.

To bring silver current, you should know that in ended the year of the financial panic of 2008 at $10.79 per ounce, while finishing off 2009 at $16.99 per ounce. For 2010 as of the first week of October, silver is at over $23 per ounce. It suffered its first bull market run decline in 2008, having dropped nearly 27 percent with the world economy.

By the end of 2009, silver was back up to a new bull run high, tacking on gains of 57 percent for the year, or 15 percent since 2007.

***So far in 2010, silver has made another banner year, with gains through the first week of October tallying over 35 percent.***




***Above chart shows the Silver trend from January 2009 - December 2009***

Since the bull market run began at the end of 2001, silver has gained from $4.52 to $23 plus per ounce. In ten years, this is an increase of $18.48 per ounce.

***It represents a decade long gain of nearly 410 percent. Averaged over the period, this comes out to nearly 41 percent per year for ten years.***

This is an impressive run for silver, but it is only for ten years. The average bull market runs 20 years, and the shortest commodities bull market has lasted 15 years. Either way, you can count on between five and ten more years of the bull market continuing in silver.

Getting back to the question asked earlier in this section about how long it would take silver to run the remaining from 117 percent, to 390 percent, to 615 percent amounts that potentially remain in site for silver based on constant dollar, gold to silver ratio dollar, and inflation adjusted dollar highs, the answer becomes simple.

***Silver should achieve somewhere in this range of gains over the next five to ten years.***

That means for someone who invests in silver now, the silver bull market should return somewhere between around 12 and over 23 percent per year on average if the highest point reached is the constant dollar high. If the high point reached is the average gold to silver ratio number, then you could see returns of 390 percent over five to ten years, translating to as much as from 39 to 78 percent returns on average per year.

***And should the inflation adjusted high for silver be reached within the remaining five to ten years of this particular commodities bull market cycle, then you could anticipate an astonishing 615 percent appreciation over five to ten years, weighing in at from 61percent per year to over 120 percent per year on average.***

The one thing you can count on is that the bull market in commodities is still far from over. With at least five years left to it according to the shortest bull market in commodities ever recorded, and ten years left till the average length of bull market run ends, you have not missed out on silver's run yet.

***Now is the time to acquire it in one of its many forms while these amazing opportunities to grow wealthy with silver still abound.***

## Silver ETFs in the Digital Age

Another way to benefit from silver price appreciation is through buying silver Exchange Traded Funds (ETFs) like SLV. ETFs trade on major world public stock exchanges. SLV is found on the AMEX stock market exchange right here in America. It represents the first of the different silver ETFs that came out back in 2006.

The beauty of ETFs like SLV and others lies in their trading like shares that are easily bought and sold in a familiar stock market exchange environment. The shares of silver exchange traded funds actually represent silver assets, namely silver in the actual physical form stored in vaults. While SLV only acquires actual physical silver bullion, different silver ETFs invest in other silver related assets.

Some exchange traded funds buy stock shares in silver mining companies. Others buy stock shares in companies that actually refine silver. Nowadays, there are silver ETFs that invest in literally all steps of the exploring, mining, and production processes for creating physical silver. If you are interested in these various different aspects of producing silver, then one of these may be for you.

For most investors interested in pure price appreciation possibilities for silver, SLV is the exchange traded fund to pursue. SLV shares represent an underlying one ounce ownership in silver ounces itself. You can not take delivery of the silver by owning SLV, so it is not a substitute for owning physical silver. Instead, it is a vehicle for tracking the price of silver.

***The goal of the ETF is to mirror the silver price performance on any given day.***

The way that the custodians of SLV accomplish this is by equalizing their holdings of silver as the holders of the shares buy or sell more of them. When the supply and demand pressure on SLV threatens the ETF with breaking away from the underlying metal price, the managers step into the market to acquire or liquidate physical silver holdings.

For example, if the stock market traders buy up SLV shares and bid the price up faster than the metal is moving, the custodians will issue more shares to control the price and use the cash proceeds to buy more silver ounces. If on the other hand, SLV shares are being sold at a greater rate than silver itself is, the custodians purchase back SLV shares by selling a portion of their actual silver bullion holdings.

In this way, they keep the price of the SLV shares consistent with that of actual silver ounces itself. This means in general that the price of SLV and silver itself are approximately the same.

Another advantage to owning shares in the SLV ETF vehicle for those who are not interested in having physical silver in their holdings lies in the use of margin and leverage. Because SLV trades like a stock, most brokerages will allow you to buy more SLV shares than you actually have funds for in your account.

Assuming that you meet their margin requirements, you can buy as much as two times the amount of SLV as you have dollars. For example, with the SLV trading at $22 per share, you might acquire 100 shares, representing 100 ounces, for $2,200. If you had authority to trade margin in the account, you could benefit from the two to one leverage provided by it.

This means that you would be able to purchase 200 shares, representing $4,400, worth of the SLV, even though you only had $2,200 in the account. The advantage to this is that while silver is moving up, your investment is growing twice as fast with the leverage as it would be without it. For every one dollar increase in the price of SLV, your account value will gain $200 instead of only $100.

***Leverage and margin can be powerful tools to significantly increase your buying power of SLV and the underlying silver with it but they entail some risk.***

# Building Wealth With Silver

## How to Make Extraordinary Profits from the Silver Bull Market

### Take The Next Step And Turn Your New Knowledge Into Action

Investing in silver is one of the biggest opportunities in your lifetime and most other people will be on the losing end of the deal because they do not have the financial knowledge you are about to find out.

If you apply this knowledge, you will be able to retire financially fit and with enough resources and free time to enjoy the life you've always dreamed about.

That dream is yours to act on now – if you're ready.

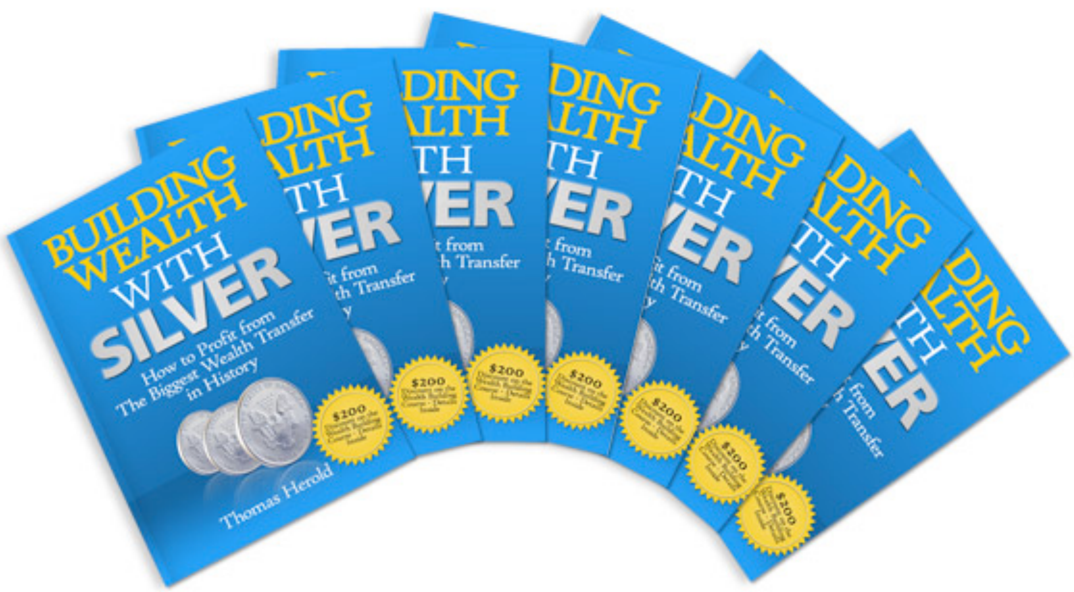
***You need to take immediate strong action if you want to survive the coming crash. If you don't it will all be gone in an instant.***

In ***Building Wealth with Silver*** I will show you exactly how to live and prosper by the new laws of money in the new economy. I will show you how to beat the new money thieves at their own game while quietly profiting from the money meltdown that is now underway.

## Learn The Basics of Silver Investing in Less Than 2 Hours

Follow the easy step-by-step instructions how to buy and sell silver to turn a profit every time. Use the power of leverage to multiply your profit by the factor of four without increasing your risk substantially. Get a glimpse of the economic outlook over the next 10 years so you can make the most out of today's investment.

***Get yourself a solid financial education and decide for yourself the best investment vehicle for you. Don't take my word for it – read 'Building Wealth with Silver'.***




Why not use your money wisely, enjoy financial literacy, and start profiting from your own silver investment? Heck, if you're like me, you'll even have a lot of fun in the process.

All it takes is a willingness to learn and a desire to follow the simple, step-by-step advice found in ***Building Wealth with Silver***.

Yours truly,

Thomas Herold
Financial Educator & Author

**P.S. How Can You Make The Right Financial Decision?**
Did you know that the main aim of banks, governments and financial news corporations is misinformation? Did you also know that just 5 major companies control 90% of all financial news? Their key goal is to systematically undermine your financial authority.

Please, take matters into your own hands – stand up to the bankers and government institutes and don't let yourself be caught in their financial net. Keep yourself up to date on exactly what's going on in this financial crisis, and you will learn some unusual and incredible ways to protect your money and even build lasting wealth.