

# The Perfect Gold Portfolio: Everything You Need to Know About Buying the Right Kind of Physical Gold

Reports

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Is gold a commodity, an investment or money?

The answer is

Gold is a chameleon. It changes in response to the environment.

At times, gold behaves like a commodity. The gold price tracks the ups and downs of commodity indexes. At other times, gold is viewed as a safe haven investment. It competes with stocks and bonds for investor attention.

And on occasion, gold assumes its role as the most stable long-term form of money the world has ever known.

A real chameleon changes color based on the background on which it rests. When sitting on a dark green leaf, the chameleon appears dark green to hide from predators. When the chameleon hops from the leaf to a tree trunk, it will change from green to brown to maintain its defenses.

Gold also changes its nature depending on the background.

Right now, gold is behaving more like money than a commodity or an investment. It is competing with central bank fiat money for asset allocations by global investors. That's a big deal because it shows that citizens around the world are starting to lose confidence in other forms of money such as dollars, yuan, yen, euros and sterling.

What indications do we see that gold is now behaving like money?

For one thing, gold's price action has diverged from the price action of other commodities. This divergence first appeared in late 2014 but has become more pronounced in recent months.

Gold observers know that gold measured in dollars is down significantly from its all-time high in 2011. COMEX gold peaked at \$1,876 per ounce on Sept. 2, 2011, but traded as low as \$1,056 per ounce on Nov. 27, 2015. That's a 44% decline in just over four years. Yet in the same time period, broad-based commodities indexes fell even more. One major commodities index fell 53%.

The contrast between the behavior of gold and commodities is even more extreme when we narrow the time period. From June 20, 2014, to Jan. 15, 2016, the broad-based commodity

index fell 63%, while gold fell only 17%. *That collapse in commodity prices was almost four times greater than the decline in gold prices.*

The difference in their price recovery has been just as pronounced. Gold is now up 16% or so from its 2015 low. Overall commodity prices have risen less than 4% in the same time. *So golds recovery has been four times stronger than other commodities.*

Right now, as investors around the world are losing confidence in a long list of emerging-market currencies, investor preferences are shifting toward dollars and gold. This accounts for golds outperformance of the rest of the commodity complex when measured in dollars. And when the price of gold is measured not in dollars but in rubles, yuan or rials, the percentage price increase in gold is even more impressive, because those currencies have all declined lately against the dollar.

When you understand that gold is money and competes with other forms of money in a jumble of cross-rates with no anchor, youll understand why the whole monetary system is going wobbly.

Its important to take off your dollar blinders to see that the dollar is just one form of money. Its not necessarily the best for all investors in all circumstances, but gold is a strong competitor in the horse race among various forms of money.

This is great news for those with price exposure to gold. The price of gold in many currencies is going up as confidence in those other currencies goes down. As a currency gets weaker, it takes more of it to buy the same amount of gold. Confidence in currencies is dropping because investors are losing confidence in the central banks that print them. For the first time since 2008, it looks like central banks are losing control of the global financial system. Lost confidence in fiat money starts slowly and then builds rapidly to a crescendo. The end result is panic buying of gold and a price super spike. Why? Because gold doesnt have a central bank and doesnt have the associated risks. In addition, gold always inspires confidence, because it is scarce, tested by time and has no credit risk. Thats why investors flock to gold during times of uncertainty.

We saw this behavior in the late 1970s. Gold moved from \$35 per ounce in August 1971 to \$800 per ounce in January 1980. *Thats a 2,200% gain in less than nine years.*

Right now, we see global uncertainty coming from every angle. This means we may be looking at the early stages of a super spike that could take gold to \$10,000 per ounce or higher. When that happens, there will be one important difference between the new super spike and what happened in 1980: You wont be able to buy gold this time.

Back then, you could buy gold at \$100, \$200 or \$500 per ounce and enjoy the ride. In the new super spike, you may not be able to get any gold at all. Youll be watching the price go up on TV but unable to buy any for yourself.

Gold will be in such short supply that only the central banks, giant hedge funds and billionaires will be able to get their hands on any. The mint and your local dealer will be sold out. That physical scarcity will make the price super spike even more extreme than in 1980. The time to buy gold is now, *before* the price spikes and supplies dry up. I recommend a 10% allocation of investible assets to physical gold and other precious metals for your permanent portfolio.

Another metal I think you should own is silver. Silver has many industrial applications. Its also a true commodity and a form of money, like gold.

The price of silver may rise or fall based on industrial utilization and the business cycle, independent of monetary factors such as inflation, deflation and interest rates. Nevertheless, silver is a form of money (along with gold and dollars) and always has been.

My expectation is that as savers and investors lose confidence in central bank money, they will increasingly turn to physical money (gold and silver).

I call silver the once and future money, because silvers role as money in the future is simply a return to silvers historical role as money.

I believe that you should own both gold and silver. And the best way to invest in physical gold and silver is through coins and bullion bars.

Thats why Ive shown the folks at Hard Asset Alliance one of the best online gold buying platforms we know how to put together the perfectly allocated model gold and silver portfolio. You can use this portfolio today to protect your wealth.

The model portfolio has many benefits that you simply wont find anywhere else:

First, its allocated with my up-to-date ideal gold to silver ratio.

Next, its perfectly proportioned with the right type of gold to buy (coins vs. bars) to make sure youre paying the lowest possible premiums.

It is also carefully constructed to provide with you both long-term storage and short-term delivery to use in times of crisis.

Its a fully done for you model portfolio. This will show you how to get started with as little as \$10,000 in investable assets. And it perfectly scales up to show you exactly what to buy with \$10 million in assets.

Best of all, it gives you the worlds easiest way to either get started with your physical gold holdings, or add to your stash.

The people at Hard Asset Alliance have made it as simple as 123 to get started.

**[Simply follow this link to visit the page weve created on Hard Asset Alliances website.](#)**

After a brief introduction from me, youll be asked to log in to your Hard Asset Alliance account. If you dont have one, youll have the option to create one. Dont worry there are no account opening fees and no obligation. (Though you will have to have funds in your account if you wish to buy the coins and bars I recommend from Hard Asset Alliance.)

Once youre in your account, youll be taken to a new page. Choose how much money you wish to allocate to your perfect gold portfolio, and the site will automatically show you what metals, coins and bars I recommend. Youll also see if I recommend taking delivery of your metals or letting Hard Assets Alliance store it for you.

Click Buy Now and youre done!

You can go directly to the link for all of the details, or read on for a preview. This will show you the specificity to expect from the portfolio Ive created with Hard Asset Alliance.

The breakdown for precious metal allocations, based on the amount of investable assets you have as an individual, is below.

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Read on for how to calculate and allocate your investible assets

# Jim Rickards Recommended Precious Metals Portfolio

**The following recommendations are subject to these overall conditions:**

1. You should put approximately 10% of investible assets in precious metals. The reason I've chosen 10% is that this allocation is sufficient to preserve wealth in scenarios of hyperinflation and market panic. However, in the event of extreme deflation and declining asset prices, a 10% allocation will not cause major nominal dollar losses.
2. The definition of investible assets in the case of an individual excludes home equity and business equity. For example, if your net worth is \$1 million and consists of \$300,000 of home equity and \$200,000 of business equity, then your investible assets are \$500,000. In that case, your allocation to precious metals should be approximately \$50,000.
3. Only you can decide if gold is not the best investment for you at this time. These allocations are based on my research and should not be considered personalized investment advice. If you are unsure about any of these recommendations, you should discuss your individual circumstance with your financial adviser.

## Descriptions of Recommended Precious Metals Investments

**American Gold Eagle:** A gold bullion coin from the U.S. Mint. It contains one ounce of pure gold and some additional alloy for a total weight of 1.09 ounces. These coins are 22-karat gold (92% purity).

**American Gold Buffalo:** A gold bullion coin from the U.S. Mint. It contains one ounce of pure gold, 99.99% purity, and weighs one ounce. These coins are 24-karat gold.

**Gold bullion:** The best way to hold gold bullion other than bullion coins is a one-kilo gold bar of 99.99% purity from a reputable refiner or mint such as PAMP, the Perth Mint or Argor-Heraeus. Each one-kilo bar weighs 32.15 ounces.

**American Silver Eagle:** A silver bullion coin from the U.S. Mint. It contains one ounce of fine silver, 99.99% purity, and weighs one ounce.

If you're not starting with a large amount of investible assets, I recommend buying Silver Eagles separately. But if you have a larger amount to start with, I suggest you buy the Silver Eagles as part of a Monster Box.

A Monster Box is a sealed case, delivered directly from the U.S. Mint, containing 500 one-ounce American Silver Eagle coins of 99.99% purity. The coins are packed in plastic sleeves of 20 coins each, and each sleeve is individually sealed. There are 25 sleeves in each Monster Box. If you acquire a Monster Box, I recommend that you do not break open the exterior Mint seals unless you need to use the silver as currency.

Keep in mind that since the number of coins in a Monster Box is fixed and to avoid odd-lot purchases of Silver Eagles the recommended allocations below are not exactly 10% in all cases.

Note: The choice between American Gold Eagles and American Buffalos for gold coins amounts to a personal preference. The amount of gold is the same in both cases. My personal preference is for American Gold Eagles because of their durability. American Buffalos are relatively soft and will accumulate excessive wear if they need to be used as a circulating currency. The American Gold Eagle composition was based on the British Sovereign gold coin, which was a circulating currency and money good on five continents from the end of the Napoleonic Wars to the First World War.

## **Recommended Precious Metals Holdings**

All recommendations are based on a gold price of \$1,2200 per ounce, a silver price of \$17.50 per ounce and modest commissions. *These recommendations must be adjusted for material price changes* in gold or silver bullion. Also, in the event that gold prices gap upward in a super-spike pattern, that will indicate collapsing confidence in central bank money, in which case the 10% allocation may need to be adjusted higher. (Stick with *Strategic Intelligence* for our latest thoughts on these allocations.)

If you wish to follow these recommendations, simply find your amount of investable assets in the following list, then buy the listed amounts of bars, coins and Monster Boxes.

### **The Rickards Recommended Precious Metals Portfolio™**

#### **Investable Assets of \$10 million:**

10 gold bullion bars

300 American Gold Eagles

10 Monster Boxes

#### **Investable Assets of \$5 million:**

2 gold bullion bars

300 American Gold Eagles

5 Monster Boxes

#### **Investable Assets of \$4.5 million:**

1 gold bullion bar

300 American Gold Eagles

5 Monster Boxes

**Investable Assets of \$4 million:**

1 gold bullion bar

250 American Gold Eagles

4 Monster Boxes

**Investable Assets of \$3.5 million:**

1 gold bullion bar

200 American Gold Eagles

3 Monster Boxes

**Investable Assets of \$3 million:**

1 gold bullion bar

175 American Gold Eagles

3 Monster Boxes

**Investable Assets of \$2.5 million:**

1 gold bullion bar

150 American Gold Eagles

2 Monster Boxes

**Investable Assets of \$2 million:**

1 gold bullion bar

100 American Gold Eagles

2 Monster Boxes

**Investable Assets of \$1.5 million:**

1 gold bullion bar

75 American Gold Eagles

2 Monster Boxes

**Investable Assets of \$1 million:**

1 gold bullion bar

50 American Gold Eagles

1 Monster Box

**Investable Assets of \$500,000:**

35 American Gold Eagles

1 Monster Box

**Investable Assets of \$250,000:**

20 American Gold Eagles

100 American Silver Eagles

**Investable Assets of \$100,000:**

10 American Gold Eagles

100 American Silver Eagles

**Investable Assets of \$10,000:**

1 American Gold Eagle

This Perfect Gold Portfolio and Hard Asset Alliance Portal are the starting point to help you understand how to allocate your wealth and protect it as the monetary system weakens.

To grow your wealth, keep reading our ground-breaking analysis and recommendations in *Jim Rickards Strategic Intelligence*.

All the best,

Jim Rickards

Editor, *Strategic Intelligence*