The DAILY RECKONING *presents...*

The 5 Best Ways to Invest in Gold

AGORA FINANCIAL

Daily Reckoning Exclusive Report:

The 5 Best Ways to Invest in Gold

A Short Primer for Preserving Your Wealth

ADDISON WIGGIN
Executive Publisher, Agora Financial

Addison Wiggin is the executive publisher of Agora Financial, LLC, a fiercely independent economic forecasting and financial research firm. He's the creator and editorial director of Agora Financial's daily *5 Min. Forecast* and editorial director of *The Daily Reckoning.* Wiggin is the founder of Agora Entertainment, executive producer and co-writer of *I.O.U.S.A.*, which was nominated for the Grand Jury Prize at the 2008 Sundance Film Festival, the 2009 Critics Choice Award for Best Documentary Feature, and was also shortlisted for a 2009 Academy Award. He is the author of the companion book of the film *I.O.U.S.A.*and his second edition of *The Demise of the Dollar, and Why it's Even Better for Your Investments* was just fully revised and updated. Wiggin is a three-time *New York Times* best-selling author whose work has been recognized by *The New York Times Magazine, The Economist, Worth, The New York Times, The Washington Post* as well as major network news programs. He also co-authored international bestsellers *Financial Reckoning Day* and *Empire of Debt* with Bill Bonner.

The ultimate dollar hedge investment will always be gold.

Investing in gold through ownership of the metal itself, mutual funds, or gold mining stock provides the most direct counter to the dollar. As the dollar falls, gold will inevitably rise. In a moment, we'll provide you with many ways for positioning your portfolio to profit from a bull market in gold. For now, we emphasize the high probability of gold's future.

The real potential for profits in the coming years and decades is not going to be found in the traditional American blue chip industry. That is a financial dinosaur that can no longer compete in the world market.

The future growth is going to be seen in gold. The world economy may remain off the gold standard, but ultimately the tangible value of gold as the basis for real value-whether acknowledged by central banks or not-will never change.

Historically, this has always been the case, and it always will be. In other words, we are on a "gold standard" in spite of the popularity of fiat.

You have many choices.

In the following paragraphs, you'll discover five ways to invest in gold. Based on your level of market experience and familiarity with products, one of these will be appropriate for you.

1. Direct ownership. There is nothing like gold bullion, the ultimate expression of pure value. Historically, many civilizations have recognized the permanence of gold's value. For example, Egyptian civilizations buried vast amounts of gold with deceased pharaohs in the belief that they would be able to use it in the afterlife. Great wars were fought, among other reasons, to pillage stores of gold.

Why the allure? The answer: Gold is the only real money, and its value cannot be changed or controlled by government fiat-the underlying reason for governments to go off the gold standard, unfortunately. Gold's value will rise based on the pure forces of supply and demand, no matter what Mrs. Yellen decrees regarding interest rates or greenbacks in circulation.

The big disadvantage to owning gold is that it tends to trade with a wide spread between bid and ask prices. So don't expect to turn a fast profit. You'll buy at retail and sell at wholesale, so you'll need a big price jump just to break even. However, you should not view gold as a speculative asset, but a defensive asset for holding value.

Since your dollars are going to fall in value, gold is the best place to preserve value. The best forms for gold ownership are through minted coins: one-ounce South African Krugerrands, Canadian Maple Leafs, or American Eagles.

2. Gold exchange-traded funds. The recent explosion in exchange traded funds (ETFs) presents an even more interesting way to invest in gold. An ETF is a type of mutual fund that trades on a stock exchange like an ordinary stock. The ETF's exact portfolio is fixed in advance and does not change.

Thus, the two gold ETFs that trade in the United States both hold gold bullion as their one and only asset. You can locate these two ETFs under the symbol "GLD" (SPDR Gold Trust) and "IAU" (for the iShares COMEX Gold Trust). Either ETF offers a practical way to hold gold in an investment portfolio.

3. Gold mutual funds. For people who are hesitant to invest in physical gold, but still desire some exposure to the precious metal, gold mutual funds provide a helpful alternative.

These funds hold portfolios of gold stocks-that is, the stocks of companies like Newmont Mining (NYSE:NEM) that mine for gold. Newmont is an example of a senior gold stock. A senior is a large, well-capitalized company that has been around several years and has a profitable track record.

They tend to own established mines that produce known quantities of gold each year. For many investors, selection of such a company is a more moderate or conservative play (versus picking up cheap shares in fairly young companies).

4. Junior gold stocks. This level of stock is more speculative. Junior stocks are less likely to own productive mines, and may be exploration plays-with higher potential profits but also with greater risk of loss. Capitalization is likely to be smaller than capitalization of the senior gold stocks. This range of investments is for investors whose risk tolerance is broader, and who accept the possibility of gold-based losses in exchange for the potential for triple-digit gains.

5. Gold options and futures. For the more sophisticated and experienced investor, options allow you to speculate in gold prices.

But in the options market, you can speculate on price

continue…

movements in either direction. If you buy a call, you are hoping prices will rise. A call fixes the purchase price so the higher that price goes, the greater the margin between your fixed option price and current market price.

When you buy a put, you expect the price to fall. Buying options is risky, and more people lose than win. In fact, about three-fourths of all options bought expire worthless. The options market is complex and requires experience and understanding.

To generalize, options possess two key traits-one bad and one good. The good trait is that they enable an investor to control a large investment with a small, and limited, amount of money.

The bad trait is that options expire within a fixed period of time. Thus, for the buyer time is the enemy because as the expiration date gets closer, an option's "time value" disappears.

Anyone investing in options needs to understand all of the risks before they spend money. The futures market is far too complex for the vast majority of investors. Even experienced options investors recognize the high risk nature of the futures market.

Considering the range of ways to get into the gold market, futures trading is the most complex and, while big fortunes could be made, they can also be lost in an instant.

We cannot know, predict, or even guess, when the demise of the dollar is going to occur, or how quickly it will take place. But we do know it is going to occur. The tragic mismanagement of monetary policy by the Fed over many years has made this inevitable.

Removing the U.S. monetary system from the gold standard was not merely a decision of short-term effect. Nixon may have seen the move as a means for solving current economic problems, but it had long-lasting impacts: trade deficits, growing federal debt, and the ability to print money endlessly and build a new credit-based economy. Internationally, the decision by the United States virtually forced all other major currencies to also go off the gold standard.

Any investor who views the economic situation broadly-both domestically and internationally-can see that trouble lies ahead. We have delayed the inevitable because China is a partner in our monetary woes.

The Chinese are building their own debt on the dubious foundation of the U.S. dollar, and other Asian economies have been forced to go along for the ride.

When the dollar falls, many other countries will suffer as well. The offset, logically, is found in commodities. Investing in oil stocks makes sense, for example. It makes sense to invest in other commodities as well.

Leading the charge is gold. It is ironic that monetary policy follows a predictable pattern.

Governments overprint money and their currency crashes. Inevitably, they always return to gold, but often at great expense and with considerable suffering.

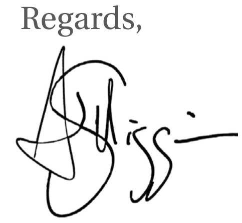
We find ourselves in another one of those moments in time where irresponsible monetary policy has put us at risk. But we don't have to simply hold on and wait for the demise of the dollar; we can take action now because that demise is great for your portfolio if you position yourself in tangible assets rather than in empty fiat promises and the bizarre economic premise of U.S. monetary policy.

Goods and services can be paid for only with goods and services. Currency is nothing but an IOU, a promissory note that is not backed up with any tangible value.

Once we reach our national credit limit, monetary policy will be forced to retreat. When that happens, traditional investors and their savings accounts are going to be hit hard. The beneficiary of the falling dollar will be the investor whose holdings emphasize tangible value of goods: resources and precious metals.

Every danger to one group of people is invariably an opportunity to another. It all depends on where you position yourself. Those investors positioned in dollar-based investments are going to suffer the loss of purchasing power when the dollar's value disappears. Those who have moved their investments to higher ground will benefit from the change.

Regards,



Addison Wiggin

Executive Publisher,
Agora Financial, LLC