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Sent: Thursday, March 30, 2006 8:17 AM
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Subject: Land of Gold

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Money and Markets **Thursday, March 30, 2006**

Dear Subscriber,

I'm in Asia now, recovering from jet lag, and watching gold soar — up another $6 just yesterday.

This will be a long trip — with visits to Singapore, Hong Kong, Shanghai and Mumbai or New Delhi.

And no matter how often I visit, I'm always amazed by one single phenomenal sight: *People buying gold — loads of it.*

And I don't mean gold funds, gold certificates or gold exchange-traded funds (ETFs).

They buy cold-to-the-touch gold. Gold jewelry ... gold coins ... gold bullion ... gold bars.

It's hard to walk down a street without seeing at least one gold shop. Often, there are two or three to a block. Almost all of them are packed with buyers.

This is particularly true of Bangkok, where I am right now.

On an earlier trip here, I toured the temples, where lavish displays of gold continually bombard the consciousness of Thai citizens — the Temple of the Golden Buddha, the golden domes, the golden walls.

I got a private history lesson of gold in Thailand.

We were absolutely surrounded in gold.

This is also where Prime Minister Thaksin Shinawatra may soon be ousted due to political dissent — another reason for Thais to buy gold hand over fist!

But it's not just Thailand.

Gold demand is rising rapidly in China, India, and Japan. It's surging all over the Middle East. Everywhere, the rush for gold is gaining momentum, and soon it could become a veritable stampede.

No surprise. You can see the upward pressure on gold in the charts. Over the past two weeks, the price of gold has soared nearly $30 an ounce, almost 6%.

As a result, it's pierced through a recent downtrend line, indicating unusual strength.

This gold market is more powerful than almost anyone is ready to admit. Gold is headed much higher. I fully expect to see $618 an ounce this year, and quite likely as high as $740 — my next major target.

If You're a *Real Wealth* Subscriber, You Know I Think Most Investors Should Allocate a Total of 20% of Their Net Worth to Gold

And you also know that I recommend the bulk of those gold investments should be in a combination of a gold ETF, a good gold fund, and shares in the right gold companies.

In other words, the bulk of your gold investments should be in *gold-related securities*. More on those in a minute.

First, what about physical gold? That's a great question so let's get right to it ...

How to Buy and Safeguard Your Gold

In the last 36 years, a whole series of new gold bullion coins have hit the market: The South African Krugerrand in 1970 ... the Canadian Gold Maple Leaf in 1979 ... the U.S. Gold American Eagle in 1986 ... and, most recently, the Singapore Lion in 1990.

And that's just a sample list.

Are gold bullion coins a good investment? Sure. But if you buy coins, you're going to pay for the fancy design and the rarity of the coin itself. And that can add up to a hefty premium over the actual value of the gold content, as much as 7%.

Put another way, the price of gold would have to rise 7% just for you to break even on the investment.

Buy Small Gold Bars

Among the many ways to buy gold bullion, the most efficient is the small bars.

Instead, if you're interested in physical gold, I recommend you invest in small gold bars. You can buy them in a wide range of weights, from one to a thousand grams.

They contain a minimum of 99.5% fine gold and don't carry the premium that gold coins do. You can buy small gold bars or ingots for as little as 1% over the price of gold.

Right now, there are 50 accredited manufacturers of small gold bars that produce a staggering 338 different gold bars among them.

Which to choose? Any one of the 50 accredited manufacturers is fine. But to help you narrow down your choices, I like Engelhard, Johnson Matthey and Pamp.

But when buying gold, keep these rules in mind ...

Rule #1
Don't store your gold with the dealer you bought it from.

Sounds simple enough, doesn't it? But the fact remains that countless investors have been burned when their gold dealer went bankrupt:

Ruffco ... National Bullion ... North American Coin ... and Bullion Reserve are just a few gold dealers that went belly up.

And mark my words, as the price of gold continues to skyrocket, you'll likely see more bankruptcies, not less, down the road. In gold bull markets, the buying frenzy seems to attract the least prudent and least ethical players to the bullion industry.

Rule #2
Take possession of your gold using one of these alternatives.

Look at it this way: When you purchase physical gold, the farther you remove your bullion — legally and physically — from the dealer, the safer it is from the claims of that dealer's creditors.

- *Alternative A. Cash & Carry.* In terms of getting what you paid for, buying your gold and taking it with you is the ultimate solution. You go to your dealer, inspect what you're buying, fork over the money, and walk out the door with your gold. Simple. (But remember: Driving around town with a bag of gold has its own security risks.)

- *Alternative B. Consignment Method.* The dealer sends the bullion to you for your inspection and then you send the money. It's a great choice and gives you plenty of leverage. If you can find a dealer to go for it, you're golden. Just have them send the metal to you and then you respond with a check the minute you're satisfied you've got what you were promised.

- *Alternative C. Sight Drafts.* You make an arrangement with your bank to act as an intermediary between you and the gold dealer. The dealer sends the gold to the bank. The bank then holds it for your inspection. When you give the OK, the bank issues a cashier's check and you take possession of the metal.

Rule #3
Use a major, independent depository to safeguard your gold.

My *Real Wealth* subscribers already know that Wilmington Trust and Iron Mountain Depository are two of the best independent depositories around. They charge about 1% of the market value of your metal per year to keep an eye on it.

Rule #4
Use nonfungible storage.

When you put your gold in nonfungible storage, it means it's stored in your name and it's not pooled with bullion from other customers. This keeps your gold nice and tidy — and it's really the best way to go.

However, just because your dealer *says* your bullion is nonfungible and completely segregated doesn't necessarily make it so. And even if your metal is segregated, that doesn't mean the segregation agreement will automatically stand up in court. The best way to make sure is to have your attorney review the firm's paperwork.

Either way, always specify that you want nonfungible storage. It may cost a bit more but it's worth every single penny.

Rule #5
Consider Offshore Purchases and Storage

If you've spent any time reading my thoughts here or in my *Real Wealth* publication, you know I don't trust gold dealers, politicians and government bureaucrats. And there are also bankers I don't trust.

Nor do a lot of other people. That's why so much gold is stored in Switzerland and Australia. I especially like the Gold Certificate Program at the Perth Mint of Australia http://www.perthmint.com.au/gc

Features ...

- The world's only government-guaranteed certificate program
- Insured by Lloyd's of London at the Perth Mint's expense
- Low minimum purchase requirements of $10,000 to get started
- Segregated storage available

- Gold, silver, platinum and palladium available, in coin or bullion
- Storage in a government vault, not a foreign bank
- Permitted in Individual Retirement Accounts (IRAs)

What happens when you want your gold? Simple. Present your certificate by mail or in person to the Perth Mint, pay some related charges, and then tell them where you want your gold shipped. Simple and easy.

Real Wealth Portfolios Soaring!

The *Real Wealth* gold portfolio is up nearly 41%, with every position in the win column, including one position up over 100%.

For those of you not in some of these gold investments, I recommend my two favorite gold share funds — the Tocqueville Gold Fund (TGLDX) and the Scudder Gold and Precious Metals Fund, now called the DWS Gold & Precious Metals Fund (SCGDX).

Those are nice core positions. But the bigger leverage is in the individual gold shares. For more details, see my latest edition of the *Real Wealth Report*. With gold starting to take off again, the time is now.

And for many times more profit potential, also consider my colleague Sean Brodrick's new service, *Red-Hot Asian Tigers*. Asia is the source of much of the demand that's driving natural resource prices higher.

His service, as the name implies, concentrates on buying undiscovered Asian natural resource plays with exploding profit potential. The first set of four powerful plays — with up to 43-to-1 leverage — goes out Monday, April 3. So to participate, you have to be on board by this coming Sunday.

Best wishes,

Larry Edelson

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