Book Summary: Guide to Investing in Gold & Silver – Everything you need to know to profit from precious metals now – Written by Michael Maloney

This is a great education book about real money. Mike reviews sound money principles that have lasted throughout human history. One thing is consistent and that is Gold and Silver are real money. In today’s world of fiat currencies, Gold and Silver are tools you can use to preserve and protect your wealth. Mike reviews the differences between currencies, real money and fiat money. Fiat currency is basically paper money not backed by anything. We will go into some detail on why this is dangerous and the average investor should at least understand the significance of debased money and bloated fiat currencies. With the 2008 economic meltdown along with Ireland, Greece and other bankrupt countries, we as small investors need to be educated so we can protect ourselves.

Why this important to me?
This is important because the greatest wealth transfer is happening right now and that transfer is moving away from America and not toward us. This needs to be a priority if you want to protect yourself and your family.

Several things are happening but 90% of the general public does not truly understand it. This is understandable because of the noise between the political bobble heads on CNN and Fox News diverts the real issues. The real issue is this – The Federal Reserve is a private institution that is not regulated and not audited. They control the financial system. These guys are the quintessential king makers running the country in the background. Thomas Jefferson was admittedly against a central bank in the United States. For more information on this subject, you can listen to Ron Paul. He is the congressman from Texas that is all over this stuff. The big swings that we have seen from the Internet boom to the housing bust have been a direct result of the Fed. Not many people know this and some will bitch that this is wrong. The Fed has been keeping the interest rates artificially low which spawned the bloated housing market. The relaxed debt to equity and the financial instruments of mass destruction known as CDO’s & MBS’s and other weapons nearly killed the country. Financial education is needed for us little guys to have a chance. Read this book to get your eyes opened. One thing that is not being said in main stream media and is more potent than Terrorism is the following: If the dollar is lost as the world’s reserve currency then our total standard of living will reduce by a minimum of 25%. Right now it is already tough for 85% of American families. Another wealth transfer could put the last nail in the coffin. Get educated.

There is a ton of information in Mike’s book. The history of currency debasement is outlined from every major empire including Persian, Greek, Roman, British and now American. Currency debasement, inflation and taxation are the wealth stealers. If your money is a candle then taxes and inflation are the flames burning at both ends.

1. Ingenuity - I am not a doom and gloom person. I believe in the strength and resolve of the American people. This still does not hinder the fact that we all need to be educated and the only way to change is from the bottom up. There is no way top down government can benefit the country in this light. It is the iron horse ingenuity of the American people that will solve our financial issues.
2. Gold and Silver – Gold has been money for over 5,000 years. Its redhead step sister Silver has also been known as money. The ratio between the two has been historically 16-1. I have personally seen that spread in the last year go from 80 to 1 down to 30 to 1 and it is back up to about 40 to 1. What this means is that you can by 40 ounces of silver for 1 ounce of gold. Thus silver is $35 per ounce and Gold is $1,500 per ounce. Now – reality check. Warren Buffett does not invest in Gold. If you have been following any of my book summaries then you know I am a Buffett fan so let’s look at this. Basically Buffett says that if he owned all the Gold in the world then he would have a 67 foot cube of gold (height, width, length for you beginning math majors). He could polish it and kiss it and sleep on top of it. Instead of the gold cube he could have half of the farm land in the U.S. plus 7 Exxon Mobiles plus a trillion dollars in cash. He would rather take the latter as I would. Basically Buffett is arguing that Gold has NO UTILITY. I agree with him. Silver on the hand is different. Buffett has owned silver in the past and still may own some. Silver does have utility because it is used in Cell phones, computers, smart devices and medical gadgets. This is why I love Silver as a means of savings.

3. Cash Flow vs. Capital Gains - We do not want to fall into the great fool theory and invest in Capital Gains. Well in true contradictory fashion, Silver is a capital gains investment. Anyway you need to look at all of you investments in a synergistic approach. This means that we want investments to spit off cash flow but we also want our savings to increase. Robert Kiyosaki states that savers are losers. Translated this means that if you hold onto dollars then you are losing because of inflation and currency debasement. Thus you can hold your savings in Silver.

Now let’s chat about holding “real money” as a wealth life preserver. Note: Get educated, I am not saying go out and invest in silver and gold today. I am saying get educated. I do personally invest in Silver and will continue to do so but it is a very volatile so you need to educate yourself. Also, I am not a financial planner and don’t give advice so please do your own homework. My goal is to simply help you with that homework.

1. Mountain of Debt – This book was written in 2007 BEFORE the subprime crash. Even then the U.S. was buried in a mountain of debt. Since then, the money supply has been TRIPLED by the Fed. Thus that Mountain just became Mount Everest. This happened in the last 3 years and that is why the dollar is at an all-time low in 2011.

2. Unfunded Liabilities – Social Security, Medicare, Medicaid........ These unfunded liabilities along with the mountain of debt just magnify the problem. When you give something to somebody and then try to take it away, all hell breaks loose. Take a look at GM. They had to go into bankruptcy, get a government bailout and renege on all their unfunded liabilities in order to survive. They are now doing pretty well but the little guy lost their pensions and medical care. Get educated my friends. Do not let other people manage your money... The same will happen to the U.S. with the unfunded liabilities. Start planning NOW.

3. Derivatives – We touched on this earlier but in a nutshell here is what happened in the subprime meltdown. Around 100 people sat in rooms and decided to sell MBS (Mortgage backed securities) to investors. The problem was they wrapped up crap and sprayed it with perfume and sold it as AAA rated instruments. The ratings agencies and the leadership of these companies should be prosecuted. What happened was that a 1-2% move in values could wipe out the companies because the Leverage was so deep. These guys were leveraging billions to make tens of millions. There are too many zeros for that to work in the long run. As we know now, it didn’t.
To summarize, what does all this mean? This book and others like it will help you take control of your own destiny. It is recommended that you should hold 10% of your assets outside the financial system. This means that there is no counter party risk. When you put all your money in the bank and there is a run on the bank and it fails, the bank is the counter party. Holding physical gold and silver as real money eliminates the counter party risk.

I hope you have found this short summary useful. The key to any new idea is to work it into your daily routine until it becomes habit. Habits form in as little as 21 days.

One thing you can take away from this book is GET EDUCATED. Please open your eyes and spend a few minutes per day educating yourself. You will be happy you did.