

NOYES CAPITAL MANAGEMENT, LLC

Personal Financial Planning & Prudent Investment Management

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Best Way to Invest in Gold

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For the last two years I have been in gold denial and avoided owning it. While I believe the current price (\$1340) is too high, I still intend to start buying some. This report is my mea culpa. I now believe that all Americans should have some physical gold on hand for unknown crises. A small shift in consumer demand could send prices much higher.

Since Roosevelt forced Americans to turn in their gold in 1934, and America won two wars, citizens have not found it necessary to own gold. It is something that immigrants, foreigners or your grandparents owned. Since 1934, the price level has increased over 10 times because the government can print money indiscriminately to pay their bills and promises. However, we are fast approaching a tipping point where confidence in the Federal Reserve may come into question. Printing money by fiat could have negative consequences down the road.

While I currently believe the possibility of these types of calamities is quite small, it is not insignificant. Buying gold falls under the category of “plan for the worst and hope for the best.” In my opinion, buying a small amount of physical gold should be included in your family plan. If I am wrong, you have a nice gift for future weddings.

Should you buy Gold Stocks, ETF's or Coins?

I believe that buying gold stocks or ETF's is speculation and a poor strategy. In the event you actually need to use your gold, the stock markets are likely to be closed. Having physical gold coins is also very tax-efficient. My preferred choice is to own gold in coins or bars. You should store them in a safe place.

How to Buy Gold Coins

Be very, very careful. I have been shocked at the amount of fraud in the coin industry. There are phony coins, phony mints and counterfeits. I prefer to buy directly from the US Mint or an approved agent (dealer) of the US Mint. There are many problems and risks on E-bay and at coin shows.

Buy Directly from the US Mint

From time to time, the US Mint (www.USmint.gov) sells American Eagle gold and silver proof coins in four sizes (1 oz., ½ oz., ¼ oz. and 1/10 oz.) in very limited quantities. Gold “proof” coins are different from the standard bullion coins as they are cut and

polished to perfection. Given the small quantity of mintage, they are a special item for coin collectors and are likely to hold and increase in value relative to the underlying price of gold. I would expect the 1 oz. gold proof coin to be priced around \$1,585, an increase of \$245 over the standard American Eagle bullion coin valued at \$1,340. The major benefits are: (1) knowing the coins originated directly from the US Mint and (2) you can charge them to your credit card. Please review the attached US Mint memorandum carefully.

How to Preserve the Collectable Value of your Coins

When you receive your coins from the U.S. Mint they will be in a plastic case inside a blue box. In order to enhance their value to collectors, I recommend that you have your new coins sent to a special coin grading company where they will be graded and placed in a special plastic case that guarantees authenticity and quality. My favorite grading services are PCGS and NGC. Their service costs about \$25 per coin. Since the coins are likely to be in your family for fifty years, high quality preservation is important.

Other Precious Metals

I like owning silver coins (\$22 oz.), platinum coins (\$1,700 oz.) and palladium bars (\$585 oz). However, silver is too bulky to transport in sufficient quantities. In 1934, Americans were ordered to turn in their gold or face ten years in prison. Owning platinum and palladium may diversify some of the risk of government expropriation.

Timing is Not Everything

I suspect that the recent high of \$1,340 in gold is approaching a near term high. Gold prices could easily decline in the next six months back to \$1,050. However that would offer an opportunity to purchase more. My time horizon is very long-term. Buying your first coins is a down payment on the safety of your family. Create a systematic plan to buy a bit more every year. I know this message is a jolt for many Americans. However, unthinkable things can happen. Owning a store of value for emergencies is good family planning.

Please e-mail or contact me with any questions.