

KKOB 06.29.2020 Gold Part 3-- Proxy For Wealth

Bob: I've been thinking about our segment last Monday. We determined there are differences between currency and money. The dollar is currency. But gold is money. But just because something is good money, doesn't necessarily make it a good investment.

Greg: That's a great insight...and you're right. Gold is not like a well-run company that makes products the world wants. Good companies are always changing, improving, getting more efficient.

Gold just sits there.

So, why own gold in your IRA ---or your regular brokerage account?

Here's why. There are times when the investment world gets turned on its head. There are also times when currencies become unstable, societies deteriorate, and the world seemingly goes mad.

During those times, people don't trust mainstream investments...whether that's RCA in the 1930's, Xerox in the '70's, or Sears and K-mart after the Lehman crash in 2008.

People want wealth. And, just as we said there is a difference between currency and money, there is a difference between investments and wealth.

Bob: So, you're basically saying is gold is wealth.

Greg: Close. But now I am seemingly going to contradict myself. And this next statement will likely bring the gold bugs out of their chairs.

Gold is not wealth. Gold is proxy for wealth. Let me explain.

We have already determined that gold is an inert shiny, yellow metal. Whoop. Dee. Do.

With that said, today you could go to Mongolia with some of that shiny, yellow metal, approach a herdsman and say, *"I'll trade you some of this gold for your pasture land."* The herdsman will consider it. Try doing that with an annuity contract.

Along those same lines, you could talk to someone in Singapore and say, *"I'll trade you this gold for those apartments."* She'll consider it. Or, go to South America and offer a landowner a stack of American Eagles for some farm land. The family will talk it over.

The point is, it's not gold itself you want. It's what gold will get you. So, gold is a proxy for wealth. Does that make sense?

Bob: It does. And as you were giving those examples, I couldn't think of anything else that fits the bill. Offer a herdsman copper, or diamonds, or Apple stock they'll just stare at you.

But gold is good money because it is portable, divisible, durable, fungible, and a store of value. See, I've been listening.

Greg: (Laughing) You have! And, this is what the Jews in Nazi Germany figured out. They knew if they could put enough gold coins in their pocket, get on a boat, and arrive in New York City, they could take those gold coins and buy....a tailor shop, a bakery, maybe even an apartment to rent.

So, again, it wasn't the gold itself. It was what gold could get them.

Bob: But couldn't you say the same for dollars? I mean if I have enough of them, I can take dollars and buy a tailor shop or a bakery.

Greg: Good point. The question is, will the dollar hold its value as we print trillions of them? Will the euro, yen, and yuan hold their values as they print trillions?

So, my point to investors is this. Yes, gold can have a place in your portfolio. And, during turbulent times, it could have a significant place. Once the turbulent times end, however, (and they will), you must realize you own a shiny, yellow metal.

Therefore, think like the Jewish people did who fled Nazi Germany. After the crisis, take your gold and buy some apartments...they could be really cheap. Or, buy stocks. Microsoft might be down 70% and paying a 12% dividend. Load up. Consider investing in the new technologies that are coming. Nano-tech, quantum computing, AI, that new energy source I am convinced is already developed.

That's why this isn't doom-and-gloom. Gold is merely a vehicle to help you transition wealth through major cycle changes. But, don't fall in love with it. It doesn't love you back.

Bob: This all falls in line with your cycles philosophy. I get it. How do people reach you?

Greg: My number is 250-3754. Or, go to my website zanettifinancial.com.