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Chapter **1**

Exploring the World of Gold and Silver

Chaos. Mayhem. Crashes. Massive unemployment. Scandals and collapse. And that was only last week! The world throws plenty at us, and we must do what we can to get by. As they say, we can't control the world, but we can control our response to it.

As a “Raving Capitalist” (I’m not kidding; that’s my website, too), I believe that building wealth and financial security is a two-pronged approach where you build your prosperity using both passive wealth-building strategies (having your money work for you such as with stocks, mutual funds, and options) and also active wealth-building (such as starting a home-based business in your spare time). You are your own greatest asset, so you can do plenty of things to assure greater financial security.

Given that, I’m delighted that you have this book in your hands. As part of your wealth-building approach, I want you to seriously consider adding some gold and silver, especially when you take a full, realistic view of what’s going on in our society, economy, and financial markets.

Yes, there's ugliness out there. You and I can't make the world pretty, but we can add some attractive positions in our assets so we can sleep better. Those positions start with some gold and silver. In this chapter, I briefly explain the benefits of gold and silver in today's world and give you some actions to take before you jump into investing.

Considering Gold and Silver for Your Situation

In the modern age, most investors keep their investments in either paper or digital form, and each of them has a risk that hard assets such as physical gold and silver don't have. Yes, we're talking about gold and silver that you can hold in your hand and in your safekeeping and looks something like Figure 1-1, which shows gold and silver bars. (As you find out in Chapters 9 and 10, gold and silver also come in bullion and numismatic coins and commemoratives.)



FIGURE 1-1: Unlike most other investments, you can hold gold and silver bars for safekeeping.

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In the following sections, I take stock of current global financial issues (pun intended) and explain how gold and silver can help your investment portfolio.



REMEMBER

Before you invest in gold and silver, you need to realistically assess yourself and your financial status (assets, debt, career, and so on), and you need to ask yourself, “Am I adequately prepared for what is happening now and what will likely come my way tomorrow?” I have some suggestions you can start with later in this chapter.

Assessing the world's financial issues

As I write this in August 2020, the world and financial markets look so radically different from what they looked like back in January 2020. I thought that the world had many problems and challenges that were percolating and financial bombs whose fuses were lit, but the game changed for the worse. Those events and conditions are part of the reason that gold and silver are a necessity in many portfolios.



WARNING

Here is a short list of global issues and problems to be aware of:

- » Unemployment is up. In January 2020, unemployment was at a 50-year low, but six months later, with 50-plus millions of lost jobs due to the COVID-19 pandemic and government lockdown, unemployment is at a multi-decade high. Although unemployment is coming down, there are still millions of jobs that may not come back.
- » Because of job losses, more than 5 million folks are behind on their mortgage or rent. This will cause problems with debt, home sales, and more.
- » Government debt is exploding. Federal and state/local debt is skyrocketing. This may lead to high inflation.
- » Due to the government lockdown, hundreds of thousands of businesses were temporarily shut down for months, but a huge swath of those may never reopen.
- » Pensions and Social Security are dangerously underfunded by trillions. If the federal government bails these out by printing trillions, that can also cause high and punitive inflation.

Before I ruin your day, I'll cease adding more items to that list (there was more, you ask?!), but diversification and financial planning are urgently needed before the next crash in the stock market or the next leg of the economic downturn. Keep reading to see how gold and silver fit into this plan.

Knowing how gold and silver can help you



REMEMBER

There are many solid, reasonable, profitable reasons to own gold and silver, and all those reasons are spread across this chapter. If you want a neat list of reasons, check out Chapter 18. But here I mention the top reasons that consumers and investors should take a hard look:

- » **Diversification:** Having stocks, mutual funds, and cash aren't enough to achieve true financial safety. Gold and silver are true diversification that complements your paper and digital assets and investment vehicles (Chapters 2 and 3 flesh this point out).

- » **Safe haven:** Gold and silver (although more with gold) are considered a safe haven asset, meaning that in times of economic decline and uncertainty, investors move to these “safe haven” assets, typically precious metals and cash (the U.S. dollar). But the dollar (and other currencies) are now at risk (see the next point). That leaves . . . gold and silver!
- » **A guard against inflation:** For 2020–2030, currencies are in danger of being overproduced in an attempt to resolve economic and financial crises unleashed due to the pandemic of 2020. This means . . . inflation! Gold and silver excel during inflationary times.

Taking Action Before You Invest in Gold and Silver

I know what you’re thinking: “Holy smoke! I’m so glad I’m reading this book!” So what should you do next? The following sections describe steps to take before you dive into the world of gold and silver investing. (You should be doing these anyway, and given recent market chaos and volatility, you should do them today.)

Reviewing your portfolio

You should understand what’s in your portfolio and why it’s there. If you’re talking about stocks that are part of your foundational, long-term positions, they should be quality stocks where the company is profitable, has a good balance sheet, and has products/services that are a necessity in the economy.



REMEMBER

In recent years, I’ve told my clients and students (I teach about investing and speculating across the nation) to make sure that at least 80 percent of their investment stock portfolio is tied to “human need.” Those companies should be (profitably) selling goods and services that the public will keep buying no matter how good or bad the economy is. Think of things such as food, water, beverages, and utilities.



TIP

To find out more about prudent stock picking, check out the latest edition of my book *Stock Investing For Dummies* (Wiley). In this edition, I share what to look for when you’re choosing quality stocks, and I also give you the “heads-up” on what I see coming for 2020–2030, so you can be a step ahead of the crowd.

Boosting your cash position



REMEMBER

Although cash can lose long-time value during inflationary times, here I'm talking about its short-term value. Everyone should have (during bad times) a minimum of three to six months' worth of gross living expenses sitting in their savings account for unexpected events, such as losing their job, money for big-ticket necessities, and so on.

In other words, if your gross monthly expenses are \$3,000, then you should have a minimum of \$9,000 (three months' worth of gross living expenses) to \$18,000 (six months' worth). This is cushion money, or emergency funds.

Using your talents in your spare time

I'm one of the few certified financial planners (CFP) who recommends to his clients and students that they should have (or start) a part-time, home-based business in their spare time to be diversified in their active wealth-building pursuits. The primary reason is to generate income and be diversified from their job. During the COVID-19 pandemic and government lockdown of 2020, nearly 50 million people lost their jobs between March and June 2020. These are folks who didn't see this catastrophe only a few months earlier.

My point is that if all your active wealth-building income (100 percent) is coming from a single job, *that means you are not diversified.*



TIP

A home-based business gives you the ability to generate extra income in your spare time. It also means tax benefits and the ability to turbocharge your ability to save and invest for retirement. With your own business, you can qualify to have more generous retirement accounts (such as a SEP-IRA). To get more details about launching a home-based business, check out my book *Micro-Entrepreneurship For Dummies* (Wiley).

Doing your research on gold and silver

Yes, I realize that some of the preceding points aren't about gold and silver, but they're part of a sensible plan with both your passive and active wealth-building, and you can see that gold and silver play a crucial part in the passive wealth-building portion.

Look, many investors and financial advisors are ignoring or avoiding gold and silver, and that will be to their detriment. Educate yourself on the pros and cons of all the major investment categories (covered in Parts 2 and 3 of this book) so that you know what can work for your financial security and what can't.



REMEMBER

Gold and silver can be useful and versatile components of your overall portfolio, but keep your perspective on them. They're merely tools for your financial security during a time they're useful. The time will come again that they won't shine, but that is on the other side of today's brewing storms. Meanwhile, discover their benefits and how they can complement today's (hopefully) weatherproof portfolio.