Recommended Strategies at a Glance
FAMC Staff Economists

1. **Cash, Foreign and Domestic Currency:**

   Much of the rest of the world seeks to replace the U.S. dollar as the world's principal reserve currency. They simply cannot agree on what to replace it with. We believe the Euro will collapse before the U.S. dollar collapses, due to the fact that Europe is 10-12 years ahead of the U.S. in socialization of their economies. We further believe this is the reason for the push by Obama and Company to accelerate the U.S. toward socialism. Without making the U.S. "equally poor" with the rest of the world, it will be difficult to merge the U.S. into a one world government, complete with statist economic controls. If you don't have your funds totally in paper assets, these manipulators can't totally rip you off.

2. **Commodity Futures, Options:**

   Resist the temptation to make some quick money in futures contracts and options. This is nothing but speculation with high risk unless you are a user or producer of the commodity and you are using these instruments for price discovery or risk transfer.

3. **Certificates of Deposit/Money Market Accounts**

   We cannot emphasize enough the importance of knowing the condition of your bank. *MER* readers may call 800-325-0919, ext. 7470, and request a free bank and insurance company analysis. The current $250,000 FDIC insurance limit expires on 12/31/2013 unless extended by Congress. Limit your exposure to no more than 12-month CDs and under $250,000 with any one bank. Hedge your funds dollar for dollar with gold coins.

4. **Bonds**

   We all must continue to understand that bonds are "guaranteed certificates of confiscation," as you have a dual risk: 1) credit risk of whether the issuing entity will default, and 2) inflation risk of being paid back with depreciated dollars. Remember the inverse relationship between market interest rates and bond prices. We suggest NO bonds at this time. Many municipal (tax-free) bonds will default with Chapter 9 Bankruptcy filing. Lowered property valued, foreclosures, and decreased aid from a cash-strapped federal government add up to tough times for state and local governments. Thos governmental entities that have union dominance will be the first to default due to bloated payrolls and unfunded pension liabilities.

5. **Stocks**

   Losses from the sell-off that started in 2008 are largely recovered and many investors are foolishly committing fresh cash to the stock market. The Elliot Wave Financial Forecast in its February 4, 2011 edition says a wave pattern indicates "the late stages of a bear market rally" and forecast a "contraction that ultimately followed the prior optimistic extreme. We expect the next leg down to be more far-reaching."[i]

6. **Precious Metals:**

   The uncertainty in the economy continues unabated. It would appear that most of the world is in some sort of economic doldrums or on the precipice of outright collapse. With such uncertain times even central banks seem to be at a loss as to what course to take to keep their respective paper currencies floating. What they do seem to be doing is expanding money supply and credit into the market.

   Basic economic laws, like laws of physics, cannot be ignored; and history has shown that the more a central bank expands money supply and credit, the great the threat of inflation. This is exactly what we are witnessing in the U.S. today. Prices are rising on most of the basic goods we all use, and unfortunately this is not likely to end.

   The double whammy of rising prices and low interest rates results in your savings and other dollar-denominated assets losing value (buying power) daily. Our recommendation over the years to hold between 35 and 55 percent of your assets in precious metals has never been more relevant. Without wanting to sound like a broken record, I must remind my readers that God put only so much gold and silver into the ground; and therefore those metals have intrinsic value, not dependent on the monetary policy of central bankers and politicians.

Many of you have invested and protected assets via a precious metals IRA account. We are currently advising clients who have invested almost exclusively in silver to consider diversifying as much as half your silver holdings into gold coins with the IRA, especially if you purchased silver at prices below $18 per ounce. You should consider the price you paid when you bought your silver to determine if this is the best move for you. As long as you are trading within an IRA it will remain tax-deffered and allow you to diversify at practically no cost. The caveat to this recommendation is that the older, non-confiscatable coins are not allowed in an IRA, Instead, IRA accounts require bullion coins.

We anticipate a possible push down in the price of silver as some large hedge funds try to save their bacon in naked short positions by depressing the price of silver. This is likely to be temporary, as long-term inflation and demand for silver will force prices to new highs over the next couple of years.

With this in mind we would recommend, as annual required minim distributions present themselves, that you take possession of some of the gold and let us help you trade that into a non-confiscatable form. Our concern is that those who have seen huge gains in silver over the last few years essentially lock in those profits by trading up to half of it into gold. This allows you to maintain a strong position in silver but without having all of your eggs in one basket. For more information contact your FAMC staff economist or monetary consultant. You can also contact Trey Hightower, VP of Retirement Services, at (800) 325-0919 ext. 7472 to see what your IRA options are.

7. Rare Coins:

We never cease to be amazed at the latest marketing gimmicks utilized by the Johnny-come-lately coin companies that have sprouted as prices of precious metals have risen. It seems like there is another one every week. Of course the most notorious of these are the ones you see advertised in a lot of publications touting a “rare find” or “limited availability’ coin or set of coins. Some have even gone so far as to have regular currency painted up to rival the colors of Monopoly money. Please do not fall for these “specials.” They are almost always a waste of money, and the more “special” the coin, the more difficult it is to liquidate.

Stick to coins whose value is closer to the metal content of the coin rather than valued in its “special collector’s” status. Remember that the only thing rarer than a rare coin is a buyer when you get ready to sell it. Also keep in mind that the rarer the coin, the more commission you are likely paying for that rarity. Unless you are a true collector, don’t waste your money; but if you *are* a collector, you should limit your rare coins to 10 percent or less of your metals portfolio. For assistance with your questions on rare coins feel free to contact your FAMC staff economist or monetary consultant at (1-800-325-0919).

[i] The Elliott Wave Financial Forecast – February 4, 2011, p.3.