

INFORMATION LINE

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Perspective



Michael Checkan

It is with very heavy hearts that we publish this particular issue of *Information Line*. This is the first time in 28 years that our co-founder, Glen O. Kirsch, will not have been part of the process. On Saturday, June 5th, shortly before midnight, Glen O'Neal Kirsch passed from this world.

Those of you who had the privilege of knowing and speaking with Glen over the years know what a great loss his passing brings.

Glen and Michael started Asset Strategies International more than 28 years ago. They had worked together for a number of years previously at Deak-Perera, at a time when the hard-money movement in this country was just getting underway. They saw the need for precious metals, foreign currencies and overseas wealth protection and they set out to make these things available to their clients.

For nearly 28 years, building this business and serving our clients was Glen's passion.

And he was just the right man for the job. Glen was the consummate teacher. He had an uncanny knack of taking the most difficult concepts surrounding finance and the financial markets and putting them in such a way that we could all understand. He would raise issues such as exchange controls, derivatives, portfolio management, and he would explain them in simple terms such as "teeter totters" and "financial pyramids."

In the end, the complex was made simple. The answers were as plain as the noses on our faces.

Glen was a precious metals and currency dealer, but he wasn't the typical dealer. He always put the client first. He



Rich Checkan

lived the concept that an educated client was his best customer. He looked always to the best way to accomplish our clients' goals, at the lowest cost to them, with truly innovative products.

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New HIRE Act Expands Disclosure of Foreign Assets

by Vernon Jacobs, CPA

U.S. persons that have an interest in or signature authority over any foreign financial accounts (with a combined balance in excess of \$10,000 during the previous calendar year) are currently required to file a report with the Department of the Treasury in Detroit before June 30th to disclose details of their foreign financial accounts. The details are provided on a form that is widely referred to as the

FBAR form, which stands for "foreign bank account report". "Persons" is broadly defined to include individuals, corporations, partnerships, trusts and estates. The term "financial account" is also very broadly interpreted by the government to include many kinds of assets in

addition to bank accounts and investment accounts. Some reporting details by the IRS are online at www.irs.gov/businesses/small/article/0,,id=148845,00.html.

The IRS has indicated that they regard foreign mutual funds, annuities, life insurance and gold as reportable, but they have not issued any guidance on whether there is a distinction between pooled account arrangements like egold.com, goldmoney.com, ebullion.com and a similar Perth Mint program versus segregated physical storage. It is also not clear if there is a difference between storage in a non-financial storage facility vs. storage in a bank vault. There is also a question of whether requiring personal access to the vault would remove it from the reportable category as a financial account. Nor is there any guidance on whether the IRS regards silver, platinum or palladium as reportable on the FBAR form. It seems fairly clear that numismatic coins and other non-gold collectibles are not reportable but it is not clear whether collectible gold coins are reportable.

I've been answering questions about the FBAR form in the "Jacobs Report" for about six years. My book on the FBAR form began as an edited collection of those questions and answers, supplemented with a copy of

pertinent legislation and regulations. I'm also an active member of a task force of the American Institute of CPAs that communicates with the IRS and FINCEN regarding problems that CPAs and their clients encounter in trying to comply with the very ambiguous law and the equally confusing interpretations by the IRS.

I recall many years ago when a lawyer asked me if collectible gold and silver coins should be valued at the face value or the market value for the purpose of determining any gain or loss on the exchange of the coins for other assets. The IRS was taking the position

that gain should be based on market value rather than face value. The implication is that they were arguing that old U.S. coins that are still in circulation are not money. But now, for purposes of the FBAR form, they are taking a totally opposite position.

However, many of the questions about what must be disclosed on the FBAR form may soon become a moot issue. The recent HIRE act includes a new requirement to report foreign financial assets – which is much broader than foreign financial accounts. This new form is to be effective for tax years beginning after the effective date of the HIRE act, which was March 18, 2010. For most individuals, that means it will be necessary to disclose any foreign financial assets with their 2010 income tax return – but only if the total of those assets exceeds \$50,000 at any time during the year.

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JUST TWO MORE ISSUES OF ASI'S INFORMATION LINE NEWSLETTER LEFT

The countdown has begun! After this issue, there will only be two more print editions of *Information Line*.

Yes, in order to get our articles, analysis, and thoughts to you quicker, we are switching to all-email delivery, beginning January 2011.



To make sure you don't miss a single wealth-enhancing article, please register now for email delivery. It won't cost you a penny. And it could save you – or make you – a bundle.

To register for this free service, just send an email to info@assetstrategies.com. We look forward to having you as a reader for many "golden" years to come.

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Currency Corner

Turmoil Hits the Currencies

By Mary Anne & Pamela Aden

The debt crisis in Greece started out as a concern. Then it transformed into a monster, affecting most of the global markets.

Fears of contagion spread around the world. Investors were again seeking safe havens and avoiding markets that were considered risky.

At the top of the risky list was the poor euro. It took the hardest hits, but so did most of the other currencies, as well as stocks, commodities and other markets.

Despite the huge aid package to help the Euro zone, investors are still concerned that the crisis will spread to Portugal and Spain, two EU members that recently had their credit ratings downgraded.

Some fear that Ireland and Italy could follow, putting the future of the euro at stake. This triggered concern that this contagion could simply halt the global recovery, which affected the other markets.

For now, European leaders are doing all they can to restore confidence, but we'll have to see how it goes. Memories of 2008 still linger and with some reason.

Uncertainty Hurts Currencies

Greece was the first Euro member to have its credit rating officially cut to junk. Portugal soon followed. Some feel these weaker countries should be forced out of the euro. Whether or not this eventually happens, uncertainty is still weighing on the euro and on other currencies, too. See the chart below.



Some currencies are obviously feeling the heat more than others. The Swiss franc, for instance, turned bearish last month, following the euro down, even though Switzerland is not a Euro member. In the end, it didn't matter. Most of the currencies became more risky, even if that was not warranted.

Let's take the Canadian and Australian dollars as examples. These two currencies have been the strongest for quite a while now. They are commodity currencies and they've been moving higher, along with the rise in commodity prices, higher interest rates and the ongoing growth in China.

These countries have nothing to do with Greece. But Greece and its long-term effects overpowered other fundamental forces and the pressures became all consuming.

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	YEAR AGO	CURRENT	
Swiss Franc	\$0.9217/Franc	\$0.08741/Franc	▼
British Pound	\$1.6449/Pound	\$1.4630/Pound	▼
Japanese Yen	\$0.0102/Yen	\$0.0109/Yen	▲
Euro	\$1.4021/Euro	\$1.2072/Euro	▼

The Hard Stuff

Platinum to Gold Ratio: Time to Buy Platinum

By Kris Begic

One of the casualties in the recent pull back in commodity prices is platinum. Although officially characterized as a precious metal, platinum is often viewed as an industrial commodity due to its applications in the automobile and manufacturing sectors. Consequently, the current uncertainty and volatility in global markets has led to a downdraft in the price of platinum. This same uncertainty has further consolidated interest in gold as a "safe haven" stabilizing and strengthening the gold price. As an investor it is helpful to examine the historical relationships and valuations associated with a variety of commodities. The current ratio between gold and platinum is showing a compelling value proposition for platinum.

Before discussing platinum vis-à-vis gold it is helpful to look at some of the current trends in the platinum market. Platinum and sister metals palladium and rhodium are the cornerstones in efforts to curb global automobile pollution. The majority of cars produced globally contain Platinum Group Elements (PGE). Emerging economies such as China and India have adopted early stage Western benchmarks in relation to particulate emissions with PGE based autocatalysis playing a pivotal role. Although current PGE weightings in Chinese autos are a fraction of that found in modern European vehicles the introduction of fully refined fuels combined with tighter emission standards over the next decade will usher in an era of larger catalysts and heavier PGE loadings into developing markets. It is important to note that the Chinese auto market is now the largest in the world on a per unit basis with over 18 million automobiles sold in 2009. As automobile consumption continues to expand globally legislated demand for PGE based catalysts is expected to grow significantly, underpinning platinum prices.

Apart from use in automobiles platinum has recently been embraced by Chinese consumers as a symbol of wealth and status. Chinese jewelry demand accounted for 2.08 million ounces of platinum demand in 2009. That was double the amount from the previous year and one third of all metal sold in 2009 (*Johnson Matthey, Platinum 2010 Review*). Jewelry demand for platinum and other precious metals has historically been extremely elastic with rising prices leading to curbs in demand. The key driver for platinum jewelry consumption in 2009 was the crash in the commodity price as buyers stepped in to soak up excess metal during a period of weak pricing. Interestingly enough as prices have rebounded in 2010 there is evidence to justify the buying threshold for platinum increasing with strong appetite around the \$1,500 per ounce level. This is definitely something to keep an eye on.

Platinum is ten times as rare as gold. Over 80% of the world's platinum is mined in South Africa where producers are faced with headwinds including power uncertainty, metallurgical challenges, labor inflation, water access and a strong Rand. At current Rand denominated prices platinum mining is a low margin business severely constricting operating margins and capacity for expansion. Production bottlenecks are expected to continue.

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	YEAR AGO	CURRENT	
Gold	\$928.40/oz.	\$1,227.10/oz.	▲
Silver	\$14.15/oz.	\$18.28/oz.	▲
Platinum	\$1,205.00/oz.	\$1,537.00/oz.	▲
Palladium	\$244.00/oz.	\$451.00/oz.	▲

INSIDE STORY

Are Offshore Structures Still Viable Today?

By Joel Nagel

Question: With all of the regulations and changes going on in the international financial markets, is it still advisable for Americans to have offshore structures?

Answer: Never before has there been so much uncertainty with regard to our financial future. Job worries, litigation worries, dollar worries, income and estate worries, and even worries over capital and excise controls, contribute to the anxiety of anyone with even modest assets to protect.

Utilizing foreign jurisdictions to “shop” for the best asset protection available is nothing new. Even in the U.S., a disproportionate amount of trusts and companies are established in Delaware, Nevada or Alaska. People choose those jurisdictions to structure their affairs because of both real and perceived advantages to working in them. Selecting a foreign jurisdiction is just the logical extension of “state shopping” for those seeking even better protection for their assets.

The advantages of foreign jurisdictions in asset-protection planning should not be underestimated. They generally fall into one of three categories:

First, structures such as Trusts and Foundations separate ownership of assets from the original owner (generally referred to as the Grantor) and move legal ownership to a professional Trustee. Once that has occurred, in many asset protection jurisdictions the assets are no longer subject to the Grantor’s lawsuits for any reason. Certainly better protection is the first and major reason that people establish these structures abroad.

Secondly, basing foreign structures abroad is akin to creating a foreign legal person. This foreign legal person is now able to invest in numerous asset classes, ranging from stocks, bonds, hedge and mutual funds, to such things as Perth Mint Certificates (which are closed to investors in some U.S. states). In fact, I recently read that 70% of the world’s investment opportunities are completely closed to American investors because of federal securities regulations. Creating a foreign structure opens back up the door for many investors to global investments.

Finally, foreign jurisdictions allow for very flexible and individualized solutions with regard to the administration and transfer of assets to future generations. If you want to create a trust that supports the education of your heirs indefinitely, you are free to do so. No state

rules against Perpetuities will thwart your wishes. The feeling is, it’s your money. You should not have limitations on how it is maintained or distributed.

In addition to Trusts and Foundations, asset protection structures including corporations, insurance products, private banking (including non-dollar denominated accounts), overseas family offices, second residency and citizenship programs are just some of the many global tools available to protect one’s wealth.

A number of people believe that creating foreign structures will somehow bring about an instant tax audit. This has not been my experience. Over the past 20 years I have represented literally hundreds of high net worth individuals and companies with foreign structures. Compliance of course is key to withstanding any eventual scrutiny, whether related to U.S. or foreign structures.

Don’t think because you have placed assets abroad that Uncle Sam will not be able to find out about them. Quite the contrary, any transfer abroad leaves an electronic footprint and some of the new requirements that banks face under the new “Hire” Act will turn your banker into an enforcement arm of the IRS. So again, only consider foreign structures if you have the commitment to remain compliant with all IRS and Treasury reporting requirements.

At the same time, if the door on moving assets abroad really is closing, as more than a few commentators believe, I would want to move assets abroad now. Better to comply with the reporting requirements for having foreign assets abroad than to be prohibited from moving them abroad.

Yes, now is the time to act. So long as foreign jurisdictions continue protecting American’s assets abroad better than they can at home, there will always be a place for foreign asset protection planning.

For more information on this topic or to receive a copy of our free report “15 Global Strategies to Protect Your Wealth Abroad,” just send a request with your name and contact information to Nagellaw@aol.com.

Joel M. Nagel is an international asset-protection attorney, writer and speaker based in Pittsburgh, Pennsylvania, where he heads the law firm of Nagel & Associates, LLC. He is always interested in reader comments and/or feedback. □

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Fiat Currencies A Inherently R

Even though it doesn’t make much sense, the U.S. dollar has become the primary beneficiary in the currency arena. Its safe-haven status returned to center stage and, as we’ve seen in the past, when push comes to shove investors will still opt for the dollar.

But the dollar has major fundamental problems and the U.S. is up to its neck in debt.

That’s why gold has been the #1 safe haven during this crisis. It’s truly the ultimate currency. It always has been and it still is.

Gold has been much stronger than the U.S. dollar and all of the other currencies. See the chart to the right for some examples. It thrives during times of uncertainty and that’s what we’re now seeing.



The point is, all fiat currencies are risky. This will become more obvious as events unfold. Gold will continue to shine. That’s why it’s our favorite currency. It will stand the test of time, whereas the U.S. dollar will not.

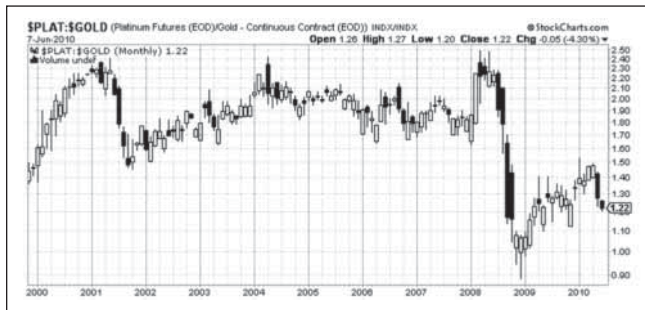
Mary Anne & Pamela

*Aden are well known analysts and editors of **The Aden Forecast**, a market newsletter providing specific forecasts and recommendations on gold, stocks, interest rates and the other major markets. For more information, go to www.adenforecast.com.* □

BITS & PIECES

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In 2008 when commodity markets crashed on the back of the financial crisis platinum plummeted from a high of \$2,252 per ounce down to a low of \$774. For a very short period gold actually traded higher than platinum. This was a “once in a lifetime” buying opportunity. The chart below shows the relationship between platinum and gold over the past ten years.



Historically the ratio between the two metals has been approximately 2 to 1. It has taken roughly two ounces of gold to purchase an ounce of platinum. Today that ratio stands at approximately 1.2 to 1. Platinum is clearly trading at a discount in the context of its historical value versus gold. Which metal will

correct to restore historical valuations? Given the demand drivers from emerging markets and supply issues emanating from South Africa a strong case can be made for higher platinum prices. Gold has certainly withstood recent financial and economic volatility as one of the primary backstops for the risk averse. Risks and uncertainties associated with sovereign debt, bank solvency, political turmoil and general fiscal profligacy are most likely here to stay and should continue to support strong gold prices.

Investors with a “long and strong” view on gold prices should look at the current value of platinum in its historical context. Platinum is a rare and treasured metal and will continue to withstand the test of time as a store of value. Those seeking diversification in their precious metals portfolio may want to consider platinum.

Kris Begic is the Manager of Corporate Development for Platinum Group Metals Ltd. (PLG:NYSE/AMEX). Platinum Group is currently developing a feasibility stage platinum asset on the Western Limb of the Bushveld Complex in South Africa, adjacent to 70% of global platinum production. For more information please call 1-888-899-5450 or email kbegic@platinumgroupmetals.net. Visit us online at www.platinumgroupmetals.net. □

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He flat-out cared. And that sincere concern for those he helped over the years came through loud and clear in everything he did. He spoke from the heart because he knew of no other way.

Fortunately for us, he was able to communicate the same knowledge that brought so many benefits to his clients to all of us here at Asset Strategies. The level of ethics and professionalism established by Glen and Michael are a guiding force here at ASI and permeate every level of our business.

Glen helped countless people over the years. And the training he imparted to the rest of us over that time ensures that we will be able to honor him and his legacy by continuing the work he started many years ago.

It is fitting that we pay tribute to Glen with this issue. If you haven't already seen it, please take a moment to read the insert about Glen that accompanies this issue. As our great country celebrates its birthday, in this issue of Information Line we examine such topics as exchange controls, offshore asset protection and the ongoing effects of U.S. dollar mismanagement. And yes, all of this has an impact on your purchasing power and your ability to keep what you have worked so hard to achieve.

To our friend, our brother, our mentor, our beloved Glen, we make this promise ... We will continue your life's passionate work.

Rest in peace.

Rich Checkan

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Unlike the FBAR form, the new and expanded report of financial assets is to be included with the income-tax return of the “person” that has foreign financial assets that must be reported. The law specifically mentions that the report should include information about foreign securities, financial instruments or contracts and any ownership interest in a foreign entity. The law also gives very broad authority to the IRS to develop regulations to implement the law and to exclude assets that are being disclosed in other reports.

Even so, it seems very likely that there will be a duplication of reporting in the new HIRE Act asset report and the FBAR form. One of them goes to a part of the Treasury Department that is separate from the IRS and is not part of an income-tax return. The new asset report will be required as part of a tax return.

At this point we don't know if gold or silver bullion in segregated storage will have to be included in the new asset report, but it seems highly likely that any form of bullion will be deemed to be a “financial asset.” We'll keep you posted as the regulations are clarified.

Vern Jacobs, CPA

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