A Hard Lesson about Hard Money

Gold protects wealth.

This lesson isn’t new. But we do have to rediscover it from time to time. Back in 1975, I was a senior officer with the world’s oldest and largest dealer in precious metals and foreign currencies, Deak-Perera. I learned a lesson first-hand that taught me about the importance of the “barbaric relic” … GOLD!

Deak-Perera was one of the few financial institutions in the U.S. with a combined expertise in precious metals, foreign currencies, and international banking. As a result of this knowledge, they were invited by the U.S. State Department in April 1975 to assist the South Vietnamese refugees that were being air-evacuated into Guam and the U.S. as Saigon fell.

Deak-Perera would soon be catapulted into the national limelight. Their role was the exclusive “money changer” for all five of the Vietnamese Refugee Camps.

You may recall, it was only as of January 1, 1975 that American citizens were once again permitted to legally own bullion gold. It had been illegal to own gold since 1933 when President Roosevelt took the U.S. off the gold standard and confiscated gold.

Unaccustomed as we were to handling displaced persons, it was nonetheless clear that even the most prominent of these refugees would be arriving at the camps with little more than the clothes on their backs and whatever valuables they were able to carry. Who knew what those valuables would be … but one thing was certain, they wouldn’t be drawing checks on their local banks. All banks in that impoverished country had been nationalized along with the rest of the economy. The cruel joke you heard was that Vietnam was a true cash and carry economy.

A Day That Changed My life

May 1975 found me at Eglin Air Force Base, Florida, one of the 5 refugee camps. Two particular families are burned in my mind …

Wearing what had once been an expensively tailored suit was a middle-aged man, trim and well spoken. He obviously cared deeply about his bedraggled family. He had been a businessman in Vietnam, in fact, a banker. But now his family’s total fortune was contained in the small dingy canvas bag that he hung on to for dear life.

Even through all the adversity he and his family had recently experienced, there was still a glimmer of hope in his eyes. Despite losing his job, his home and his country, what he gazed upon in that canvas bag caused an expression of relief on his face. It was his golden anchor! It was his key to a new life in a new country.

I was about to learn the role of gold in a crisis.

He poured the contents of the bag onto the table. There, gleaming in the sun, were 24-Karat gold TAEls … a form of gold bullion indigenous to South East Asia. Each weighed 1.2 ounces. (37.5 grams) of pure .9999 fine gold. They looked like wafers … thin sheets delicately wrapped in paper.

It was Deak-Perera’s job to buy the gold Taeels from the refugees, and, with the proceeds, issue traveler’s checks.

Further back in line, there was another refugee who was less fortunate than the banker carrying gold Taeels. Much like the banker, he was a successful businessman
before being uprooted with his family by war.

He approached my table with two suitcases in-hand. Like his countryman with the Taels, he had worked very hard, saved extremely well, and carried all his worldly wealth in those satchels.

But, there was one major difference. His wealth was in the form of Piaster, paper money issued by the Republic of Vietnam. These paper promises of a government that no longer existed were worthless. Can you imagine … a lifetime of toil for two suitcases filled with worthless paper?

Worthless as well were the U.S. issued Military Payment Certificates (MPC) which carried the likeness of movie stars. Other items, even valuable diamonds, jade and loose gems, were hard to exchange on the spot for a fair price. Only gold had a quick and ready market.

Before that day, I always knew that precious metals were an important asset. But, after looking into the eyes of these two men and their families, I knew first-hand the value of gold and other precious metals—they held their value when nothing else did.

Is the TALE of the TAEEL still relevant today?

Does gold in 2007 offer the same peace of mind and protection to Americans that it has through 5,000 years of history?

Absolutely!

As an American, there are many threats to your hard-earned wealth. The most insidious is not military in nature. It is the weakening of the U.S. dollar.

For the United States, the invoices are piling up. The costs of military conflicts, out-of-control government spending, rising healthcare, and entitlement programs for the vast number of emerging baby boomers add up to a number well in excess of revenue. The only politically acceptable solution is to print more money and devalue the dollar.

A good friend of mine, Don Mackay-Coghill, the “Father of the Krugerrand,” and respected figure in the precious metals industry for nearly half a century, recently had the following to say on the subject of the weakening dollar and the future of precious metals …

“Because the action that needs to be taken to begin to turn the ship around is politically untenable, the only way out for the politicians on both sides of the house is the well worn track of devaluing the dollar by dramatically increasing the money supply—what used to be reported as M3. Having been fairly bearish on precious metal prices for a long period, I have over the past eighteen months turned into a full-blown bull. For the past five years or so the gold price has, in my opinion, simply reflected the weakness of the US dollar. Over the next five years the driver is going to revert to the same driver that pushed gold to $850 per ounce in January 1980—INFLATION—and this time around it is my view that the forthcoming bull run is going to dwarf anything that has gone before it. It is not going to happen overnight, but all the building blocks are in place, and I expect the fireworks to begin in the next three to five years.”

So, when gold prices go to the moon, and the dollar falls off the abyss, which would you rather hold as a fair representation of a lifetime of toil?

Would you rather be holding two suitcases full of dollar bills, or a canvas sack full of gold?

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