

ROBERT KIYOSAKI BULLISH ON GOLD AND SILVER. WHAT DOES THIS MEAN? HOW CAN YOU PROFIT SAFELY?

Robert Kiyosaki in his latest book, *Rich Dad's Conspiracy of the Rich*, shares his concerns about the US economy and highlights the risks we all face in the aftermath of the Global Financial Crises (GFC). He correctly identifies Richard Nixon's abolishment of the Gold Standard in 1971 and the formation of the US Federal Reserve in 1913 as the definitive moments in history when many of our present day problems were born. Looking ahead, he highlights the risks of hyper inflation and earmarks gold and silver as an effective hedge against the destruction of the purchasing power of money.

"In 1971, President Richard Nixon, without the approval of Congress, took the US dollar off the gold standard and changed the rules on money-not just for the United States, but also for the world. This change was one in a series of changes leading to our current financial crises that began in 2007. In effect, this change allowed the United States to print almost unlimited amounts of money and create as much debt as it wanted".

"When the public wakes up, the next bubble of greed and fear will be on. Gold may go above \$3,000 an ounce, and silver may someday be the same price as gold because it is an industrial metal in short supply- but those are only my predictions and may be wishful thinking in a world of financial insanity."

Source: Robert Kiyosaki from *Rich Dad's Conspiracy of the Rich*

My name is Troy Schwensen. I am the editor of an information service called **GoldNerds**. I am also the editor of a free precious metals related newsletter called **The Global Speculator**. I have been investing in gold and silver stocks both in North America and in my home land of Australia for 8 years. I was fortunate enough to recognize an opportunity in this sector back in 2002. I quit my day job as a business analyst and turned my attention to investing full time. Back then, this sector was beginning to stir from what had been a lengthy 20 year secular bear market.

I share Kiyosaki's bullish take on gold and to a lesser extent his views on silver. For those of you who are new to the world of precious metals, it might surprise you to know that gold has been in a bull market for close to a decade.



Is Gold in a Bubble? Is Kiyosaki's Bullishness a Bearish Signal?

Looking at the above chart, you could be forgiven for thinking gold looks like the next bubble ready to burst. The infamous George Soros was recently quoted as saying:

"Gold is now the Ultimate bubble"

According to a recent mandatory filing, Soros was also reported to have held 2.5 million shares in the SPDR Gold Trust, worth \$663 million as at the end of the third quarter 2009. It seems Soros may be one of many individuals publicly saying one thing about gold while doing something entirely different!

Regardless, many believe Kiyosaki is 10 years too late in his predictions. I have been following Kiyosaki's work for many years. I quite like the simplicity in the way he writes. There is little doubt in my mind that Kiyosaki makes more money from marketing his books and games, not to mention the seminars, than he does employing his investment techniques. This has consequently earned him many critics. Kiyosaki would probably claim his Rich Dad company, which sells the publishing rights to his books and games, as his greatest investment of all! As a long term precious metals investor, what do I make of Kiyosaki's latest book and his predictions on precious metals? As primarily a contrarian investor should I be worried?

I actually see Kiyosaki's bullishness as a positive for the precious metals sector for two primary reasons:

1. Kiyosaki's books are read by literally millions of people worldwide. His Rich Dad Poor Dad book is touted as being the number 1 best selling personal finance book of all time. For many of his disciples, investing in gold and silver wasn't an option until he said it was.
2. Kiyosaki seemingly has a knack for positioning himself advantageously in front of "future" bubble markets. I am guessing he made tens of millions from the bubble in real estate and now he is taking a punt on a future bubble in precious metals.

The bull market in gold and silver to this point has been stealth like. There has been very little public involvement (**no bubble**). The mainstream, up until 2 years ago, had largely been preoccupied with over priced property and shares. The GFC changed all this. Investors were given a wake up call. They have since become more open minded to alternative investments. Kiyosaki's book has put gold and silver on the radar of many investors who previously would never have given these metals a second thought. I see the release of his latest book as a very positive development. It starts to sow the seeds for the third and final stage in this bull market, the **Mania Stage**.

Why are Gold and Silver going higher?

The answer to this question is quite simple. When President Nixon severed all links with Gold back in 1971, the world went from having a sound monetary system backed by gold to what is now called a Fiat monetary system. Wikipedia defines fiat money to mean:

- **"Any money declared by a government to be legal tender."**
- **"State-issued money which is neither legally convertible to any other thing, nor fixed in value in terms of any objective standard."**

This development has allowed world governments and banks to print excessive quantities of money whenever they like. During the great depression, the US was on a gold standard which restricted their ability to print money. Presently, there is nothing stopping governments from partaking in what is called **Quantitative Easing** (sounds better than money printing right!). The last decade has demonstrated to us that whenever the world faces financial problems, governments will step in with the printing presses in an attempt to bail us out. The more money they print, the more the purchasing power of our savings is compromised. You will have noticed that interest rates around the world remain close to historical lows. This means your savings are not being protected against the destructive force of inflation brought about by these reckless actions.

"Today the dollar is a free-floating currency backed by nothing but the good faith and credit of the US government. Now that the government has the authority to print debts into oblivion, what do you think its going to do?"

"Fiat money is simply money backed by government's good faith and credit. If anyone messes with the government and central bank's monopoly on money, the government has the power to put that group or person in jail for fraud and counterfeiting."

Source: Robert Kiyosaki from *Rich Dad's Conspiracy of the Rich*

As long as central banks around the world continue to mismanage our fragile monetary system, both gold and silver will be major beneficiaries. Gold and silver, unlike other commodities, have historically played the role of money. More importantly, they represent honest money which is nobody else's liability. Fiat money carries with it the debt and financial obligations of the government which issues the paper.

What's the Smartest Way to Capitalize on this up and coming Mania Stage?

One of the most effective and safest ways to play this sector has always been investing in the companies that **produce the metals**. There is significantly more leverage in investing in **quality** gold and silver producing companies. Do you want to learn more about investing in gold and silver companies? I invite you to click here: www.goldnerds.com.au/o/content/view/72/72/ and learn how www.goldnerds.com.au has revolutionized the way **independent thinking** investors research and identify **undervalued** gold and silver producing stocks.

Troy Schwensen

Editor

www.globalspeculator.com.au

Editor (GN North America)

www.goldnerds.com.au

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