IRA & GOLD CONFISCATION

Issue: October 2013

President Obama has been no stranger to public scandal. During his time as president, there have been dozens of controversies suggesting his abuse of power. The sheer number of accusations of abuse has been a defining characteristic of the Obama administration. As a result, many historians have compared President Obama to FDR, because of his views of solving the debt crisis and dealing with foreign policy. Recent events have triggered alarm bells for many Americans, raising fears that the government will attempt to confiscate retirement accounts or gold. This report focuses on the history of confiscation in the United States, the items the government can confiscate, and the ways you can protect your wealth.

The Last Confiscation: Current Economy Compared to 1933

When Franklin D. Roosevelt became president in 1933, America was in the midst of a Great Depression. The 1929 stock market crash halted the economy, left millions unemployed, and led to massive home foreclosures. These events seem to parallel many issues we have recently faced. Over the past few years, many of Wall Street's leading financial companies have collapsed, the unemployment rate reached a 16 year high, and millions of people lost their homes due to foreclosure. The circumstances of the economy have been compared to the Depression of 1933, and reignited the fear of tactics once used by FDR during the Great Depression (Steve Lohr, Echoes of 1933).

FDR is notoriously known for sanctioning an act to provide "relief in the existing national emergency in banking" only one day after his inauguration. Executive Order 6102 paved the way for unparalleled confiscation of private property from law abiding citizens. The government made it illegal to own the one thing that would have ensured the economic survival of American citizens during the worst economic depression in our country's history, gold.

President Roosevelt and Obama responded similarly to the economic crises our country faced. They talked about balancing the federal budget, but instead resorted to massive spending. Even President Obama, himself, has compared the Great Recession during his presidency to FDR's Great Depression since both events were the cause of actions from the Federal Government. **The big question is, will President Obama resort to FDR's views on government confiscation?**

Retirement Savings

President Obama's 2014 budget proposal has been described as a confiscation of IRA-type tax-advantage savings accounts. The proposal features several provisions designed to increase government tax revenue and "prohibiting individuals from accumulating over $3 million in tax-preferred retirement accounts" in an effort to raise over $9 billion dollars in over 10 years. CNBC's Larry Kudlow described this measure in a special editorial for the New York Sun.

> *"There's the budget's incredible and arbitrary limit or tax on — or even possible confiscation of — IRA-type tax-advantaged savings accounts. Who exactly gave the federal government the right to tell free people how much they can save for retirement? Mr. Obama wants a $3 million cap on these accounts. He thinks $205,000 a year in some kind of annuity would 'be substantially more than needed for reasonable retirement.' This is statism at its worst. Plus, people pay taxes when they redeem their IRAs. On top of that, the U.S.A. needs more saving to promote more investment and create more jobs and growth. Better that savings and investment are tax-free and we tax consumption instead."*
> -Lawrence Kudlow-
> (On Possible Confiscation of IRA Accounts Raises Questions of
> Power to Limit Savings)

The idea that the government could confiscate your retirement savings without just compensation goes against the Fifth Amendment. However, this is not the first time the issue of confiscating retirement plans has come up. In 2008, Congress looked at a proposal to replace 401k plans with government managed retirement accounts. The plan proposed by Professor Teresa Ghiarducci of New School's Schwartz Center for Economic Policy Analysis would have made Americans contribute 5% of their pay to a government run retirement plan that would invest in bonds.

In early 2010 Timothy Geithner's Treasury Department developed a similar idea by issuing a notice of a public comment period on a plan for "the conversion of 401(k) savings and Individual Retirement Accounts into annuities or other steady payment streams" *(Obama's Budget Targets IRA Savings, Townhall.com)*. Although these plans did not specifically propose confiscation, it was the foundation of the recent Obama budget proposal.

"They will tell you that you are 'investing' your money in U.S. Treasury bonds. But they will use your money immediately to pay for their unprecedented trillion-dollar budget deficits, leaving nothing to back up their political promises, just as they have raided the Social Security trust funds."

-Newt Gingrich-

History Tends to Repeat Itself

Since Obama has taken office, there has been the discussion of whether he would follow FDR's footsteps and confiscate gold. Gold Confiscation has happened three times in our country's history, during the War of 1812, the Civil War, and the Great Depression. In 1933, in an attempt to control the monetary and banking crisis associated with the Great Depression, President Franklin D. Roosevelt, with Executive Order No. 6102, confiscated all privately owned gold in the United States.

As a result of Executive Order 6102, U.S. Citizens could not legally own gold from 1933 until 1974. However, what few people realize is that when the freedom to own gold was restored in 1974, a provision of the Federal Reserve Act was retained that permitted the Secretary of the Treasury to require individuals to surrender their gold.

The law that allows the government to confiscate American's gold is still on the books. This is one of the reason why the U.S. Government has 1099b reporting requirements for bullion transactions and requires IRA gold to be stored in a depository.

If the government needs to confiscate gold, it will most likely be started by an Executive Order from the President. Nothing in the legislation that ended the forty-year ban against gold ownership changed the fact that Congress continued to treat the private ownership of gold as a privilege to be enjoyed at its discretion, rather than as a right. Howard Buffett, explained how the ownership of gold is a privilege, not a right in the eyes of governments.

At first glance it would seem that money belongs to the world of economics and human freedom to the political sphere. But when you recall that one of the first moves by Lenin, Mussolini and Hitler was to outlaw individual ownership of gold, you begin to sense that there may be some connection between money, redeemable in gold, and the rare prize known as human liberty." (www.gold-money.com)

When FDR confiscate gold, he enacted the following rules:

• You had 25 days to turn in your gold.

• After 25 days there would be fines up to $10,000 or 10 years in prison.

•If someone turned you in after 25 days, they could receive a reward.

When FDR confiscated gold the spot price was $22 an ounce. As an added incentive to get people to turn in their gold, FDR paid citizens $35 per ounce. However, what people did not foresee was that after the gold was turned into the government, the dollars citizens received as compensation for their gold were immediately devalued by 40%.

Of course FDR was happy to pay $13 over the value of gold. He knew the U.S. dollar would decrease in value! If the government wanted to confiscate gold again, they would pay people more than their gold is worth, but how would you like to accept a grossly devalued dollar for your gold?

It was estimated that 50% of the gold in private citizen's hands was collected during the last confiscation. An estimated 500 tonnes of gold were confiscated because of Executive Order 6102. The rest of the gold was either buried or smuggled out of the country.

What Can the Government Confiscate?

Retirement Savings

Obama's budget proposal suggests prohibiting individuals from accumulating over $3 million in tax-preferred retirement accounts. Why would they go after retirement accounts? A senior administration official has explained that "wealthy taxpayers can currently 'accumulate many millions of dollars in these accounts, substantially more than is needed to fund reasonable levels of retirement saving".

IRA Gold and Proof Gold Coins

Many telemarketing companies and gold companies claim that adding gold to your IRA is a safe hedge against economic crisis. Gold can be a good hedge in economic crisis, but all gold placed in an IRA is reported to the government and stored in a depository.

This is the first place the government will confiscate gold from! No gold coins which are allowed in an IRA are exempt from confiscation. Although many companies recommend adding proof gold coins, such as proof gold eagles, to an IRA as an attempt to circumvent confiscation, these coins only hold a small premium over their melt value and can be confiscated. When gold was confiscated in 1933, the spot price of gold was $22 an ounce and the government paid $35 an ounce for the gold, that's a 55% increase over the melt value.

Safe Deposit Boxes

It was rumored that FDR had banks open up safety deposit boxes and took the gold and gold certificates out. Since the Executive Order made it a crime to not turn in your gold, bank safety deposit boxes were not exempt from search and seizure.

Fractional Gold

Many telemarketing and gold companies will try and sell you fractional gold coins because they claim they are exempt from confiscation. However, if you try to sell fractional gold, it is only worth the melt value. An example of these coins includes: British Sovereigns, French 20 Franc, Swiss 20 Franc, etc. Although many of these coins are over 100 years old, there are millions of them, which makes them common. These coins have no numismatic or collector value and thus would easily be confiscated if the government pays a percentage over the spot price for gold.

Generic Numismatic Coins

Generic Numismatic gold coins are often sold because companies explain they fall into the definition of exempt items "having a recognized special value to collectors of rare and unusual coins". Despite being old, generic numismatic coins are actually very common. The price of the metal is easily determined because the market value follows the spot price of gold. Currently generic numismatic coins are selling for 4-20% over melt.

There is a set market price for these items, which makes them similar to a commodity. When FDR confiscated gold, he paid 55% over the spot price of gold. The government would have no problem paying 4-20% over melt price, which is the current market value.

How can you privately preserve your wealth without fear of confiscation?

Due to the volatility in the market caused by Obama and his administration, investors have had to adapt their portfolio. Traditional investments have historically had bouts of erratic volatility. As a result, a strong demand exists for alternative, tangible investments as a way to diversify a portfolio and protect wealth. It is advantageous to invest in areas of the market with little or no correlation to conventional assets, **but with the volatility in gold and silver, what other options are there within tangible assets?**

Rare U.S. Coins

Truly rare coins (coins where the value is determined by population, grade, mint mark, collector demand) were exempt from the government confiscation provisions because determining appropriate compensation, coin-by-coin, collector-by-collector, would have been an administrative nightmare and logistical impossibility. Twelve words provided the defensive blockade for coin owners:

"nor shall private property be taken for public use, without just compensation."

Since the confiscation of rare gold coins would be taking private property, "just compensation" would have to be paid. In other words, while it is relatively easy to confiscate gold, it is virtually impossible to confiscate truly rare coins. While there is no precise definition of what constitutes a "rare coin." Executive Order 6260 (issued by FDR on August 28, 1933) recalled all gold coins then in circulation, except "rare and unusual" coins.

In times of crises, it is far better to own rare numismatic coins than gold bullion. To understand why this is so, you need to understand the market forces behind history's most enduring collectible. Rare coins are neutral to the economy and perform well whether gold prices are high or low. The market for rare coins is driven by collectors and wealthy investors who compete for a finite supply of historical rarities.

Rare coins have a history of providing handsome returns in virtually all periods of economic growth, inflation, deflation and when the dollar is strong or weak. This has been proven by an authoritative study conducted by Dr. Raymond Lombra of the economics department at Penn State University. In his study, Professor Lombra examined the performance of various investments, including gold bullion and rare coins, over a quarter century.

Here are some of the conclusions in his study:

- During the 25 year period studied, rare coins were a better diversifier than gold for a portfolio of stocks and bonds.

- Rare coins achieved substantial gains even during periods when the price of gold fell. For example, from 1988-1990 rare coins appreciated more than 100%, while the price of gold fell from $500 to $360.

- The average annual return from rare coins was over 200% better than the average annual return on gold.

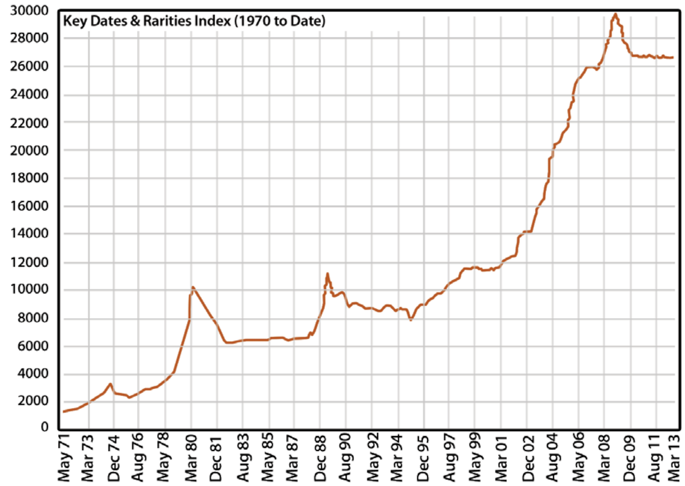
- The total return from rare coins in their best year was nearly 100% better than the return from gold in its best performing year.

- The total return from rare coins in their best three-year period was almost 100% better than the return from gold in its best 3 year period.

While all investments contain risk, many studies conclusively show that the inclusion of alternative asset classes and strategies have historically lowered overall risk and simultaneously increased return*. The principal of RCW has been in the alternative investment arena for over 38 years. We specialize in an asset class that has many distinct benefits, which are wealth preservation, privacy, long-term profits, tax deferrals and stability. This is all accomplished utilizing a tangible asset with a track record that has historically appreciated on average 12-16% annually since the 1970's, according to the PCGS 3000 Key Dates and Rarities Index (Figure 1). This area does not correlate with precious metals prices and can be very effective when protecting against market declines in many other investment areas.

Including alternative investments in your portfolio should help you weather market volatility, the impact of gold and silver prices plummeting, onerous government regulations, increases in taxes, and stressed world economies. Speak with one of our consultants to determine which of our investment options meet your personal needs.

Figure 1



RCW's Options Include the Following Benefits:

1) Wealth Preservation
2) Stability
3) Short and Long Term Profit Options
4) Tax Deferment
5) Verifiable Track Record
6) Tangible Asset
7) Privacy
8) No 1099 Reporting

** As with any investment, many facts must be considered when choosing alternative investments, this includes liquidity, track record, common and unique risks. Past performance is no guarantee of future results.*

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