

HOW TO PLAY THE PRICE OF PLATINUM STRAIGHT UP

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How to Play the Price of Platinum Straight Up

Dear Reader,

In *The \$1 Platinum Miner Set to Hit \$100* and *The Ultimate Insider's Platinum Play*, I set out to prove that one of the biggest profit opportunities in the market right now is platinum.

I hope I succeeded.

And I really hope you don't think I'm exaggerating.

You see, I've seen firsthand what a powerful moneymaker the **Gold Market Anomaly** – that is, when the price of **gold** exceeds the price of **platinum** – can be.

The first time this anomaly appeared, in 1996, it created **\$1.25 billion** in new wealth virtually overnight.

The second time, in 2008, the opportunity was even bigger – ultimately creating a cash windfall of **\$6 billion**.

This time around, I'm expecting that number to more than double – to **\$13 billion**.

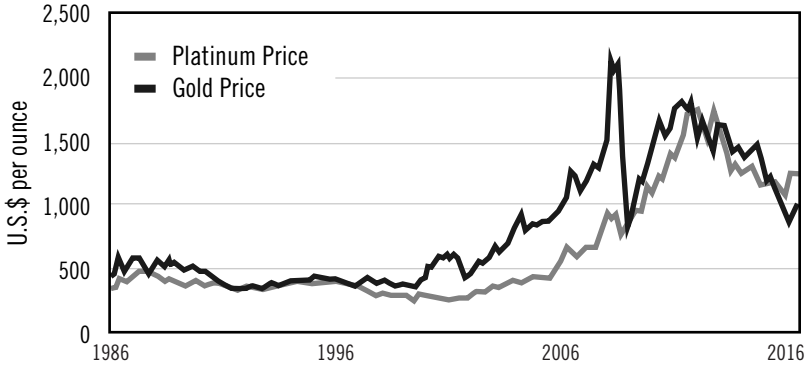
That's why I want to share with you one of the single-best ways you can capture your fair share of this colossal market. It's one that most investors don't even think about.

I'm talking about buying actual platinum... the kind you can hold in your hand.

Unlike gold and **silver**, most investors don't even realize you can buy and store physical platinum. This is because the precious metal is exceedingly rare – 30 times rarer than gold to be exact.

The Gold Market Anomaly

Over the past decade, the price of **platinum** has averaged a 34% premium over **gold**. But right now, that's not the case. Once the gold-platinum ratio returns to normal, expect to see the price of platinum double or more in value.



Source: *Private Briefing* staff research

However, despite its rarity, platinum is vital for a host of different sectors and can be found in everything from catalytic converters and pacemakers to chemotherapy drugs and fiberglass.

And you can get your hands on it, too.

Currently, there are several vehicles through which you can own platinum, including...

- Coins, bars and other ways to physically hold this precious metal...
- Pooled accounts or certificates that offer unallocated ownership of physical platinum...
- Futures contracts...
- Publicly traded vehicles, like stocks and exchange-traded funds (ETFs)...

But it is the tangibility factor of platinum that we are going to focus on today.

Owning Physical Platinum

Bullion Bars:

Possessing platinum bars is the oldest, most direct form of ownership available for this rare metal. The standard platinum bar, often referred to as a **platinum ingot**, is 10 troy ounces – a little more than half a pound – of pure 0.9995 fine metal.

As with all bullion bars, it's important to buy platinum from a well-known and respected dealer or seller. Look for platinum bullion bars that feature hallmarks and other certifications regarding the weight and purity of the bullion.



Beware any sellers who claim that their platinum bars are made of 100% platinum. Because of the way that metals are manufactured, it is impossible for any metal product to be composed of 100% pure metal.

Platinum bullion bars are easy to stack and store, which makes them a popular choice for retail investors.

Coins:

Platinum bullion coins are another way for investors to purchase pure platinum. Coins offer the same .9995 platinum metal that is found in ingots, but in smaller sizes. Platinum bullion coins typically come in weights of one ounce, one-half ounces, one-quarter ounces, and one-tenth ounces.

Platinum bullion coins are easy to hold, divide, and trade. The most popular coins are still issued by several government mints, including the **U.S. Mint** and the **Royal Canadian Mint**. These coins are legal tender, have a face value stamped on the coins, and have their metal purity and content guaranteed by the minting institution.

There are a variety of different coins you can buy...

1. U.S. Platinum

Introduced in 1997, **American Platinum Eagles** are the first and only platinum bullion coins ever offered to the public by the U.S. Mint. They are also the only platinum coins in the world whose face value, purity, and weight are guaranteed by the U.S. government. American Platinum Eagles are composed of 0.9995 fine platinum and are offered in four denominations: \$100 (the highest face value of any U.S. coin ever issued), \$50, \$25, and \$10. These coins are available in 1-ounce, 1/2- ounce, 1/4- ounce, and 1/10- ounce denominations and are by far the most recognized platinum bullion coin in the world.



2. Canadian Platinum

Produced by the Royal Canadian Mint, the **Platinum Maple Leaf** is considered the first commonly available bullion coin of its kind and the standard by which other platinum coins are measured. The Maple Leaf has a face value of \$50, measures 30 millimeters in diameter, and consists of 1 troy ounce of pure platinum. Each of these coins features a portrait of **Queen Elizabeth II** of the **Commonwealth of Nations** and the national symbol of **Canada**, the maple leaf. Platinum Maple Leaf coins are traded around the world, and their purity and weight are guaranteed by the Canadian government. Given the global shortage of and increasing demand for platinum, these coins provide their owners with a source of instant liquidity.



3. Australian Platinum

The 2012 **Australian Platinum Platypus** is the second coin in



the **Perth Mint's** Platypus series, which debuted in 2011. The Platinum Platypus has a legal tender value of \$100 Australian dollars. These coins are considerably rare. In fact, only 30,000 were minted.

Fact is, there will always be a market for an internationally recognized, government-backed platinum coins, making them a convenient asset to liquefy when the time comes to cash in on your investment.

Rounds:

The difference between a round and a coin is that a round isn't usable as legal tender while a coin can be. Rounds come in the same basic shape as coins, and many of them can even be stamped with custom logos or markings depending on the mint from which they are bought. All platinum bullion rounds should be certified and hallmarked as to their purity and content.



Buying and Storing Platinum

You can buy physical precious metals from some banks, jewelers, and bullion dealers. Most investors opt for bullion dealers because they usually are the most competitive when it comes to premiums. Such dealers are also convenient, offering purchasing options both online and over the phone.

As with any investment, do your due diligence. Research the dealer. See if the dealer has a top-notch rating from the **Better Business Bureau** or other similar agencies.

Additionally, and especially if you are buying coins, check to see if the dealer is a member of organizations such as the **American Numismatic Association** and the **Professional Numismatic Guild**.

There are a number of dealers out there that are well-known and with good reputations. A very partial list includes:

- [Sprott Money](#) – Based in **Toronto**, Sprott offers both affordable storage and premiums for platinum bars and coins.
- [Kitco](#) – With offices in **New York, Montreal, and Hong Kong**, Kitco offers some of the best premiums in the business, and its selection is good.
- [Schiff Gold](#) – This full-service discount metals dealer sells physical platinum in a variety of coins and bars to fit your needs.
- [JM Bullion](#) – This is one of the largest dealers of precious metals and offers a vast array of platinum to its clients.
- [APMEX](#) – APMEX offers possibly the most diverse options for platinum investing. Clients can choose from U.S., Canadian, or Australian mint coins, platinum bars, or rounds and even industrial platinum.
- [Monex Precious Metals](#) – Monex has been a trusted name in coin and bullion trading for more than 40 years.

If you opt for bullion, the most popular platinum bars come in 10-ounce form. The most liquid platinum bars to buy or sell come from companies located overseas.

The short list includes:

- **PAMP Suisse**
- **Credit Suisse**
- **Johnson Matthey**

Now, storing a large amount of platinum will come with overhead costs, whether you choose to let bank vaults act as custodian or you buy your own secure safe to keep at home. As noted by **JM Bullion**, a precious metals dealer, safes can cost anywhere from \$100 to several thousand dollars.

You can, however, generally offset some costs of premiums by buying in bulk, as opposed to buying, say, a single **American Platinum Eagle** coin. This is referred to as “value density.”

Banks can also store your platinum, but there are concerns about accessibility and security. The federal government has seized bank stocks before, and if this were to happen again, you could be deprived of your hard-earned investment.

Of course, you could always keep it somewhere in your home – like a safe. Or keep it in a bank safe-deposit box.

But there are other much more secure options.

Many of the most reputable dealers offer you the option to store your platinum for you in storage facilities in the United States or Canada. Or even in places like **Switzerland, Singapore, or Hong Kong.**

In addition, there are firms that specialize in storage facilities for precious metals investors.

The key is to store your platinum in a country that is both politically and economically stable. Another is to store your metal in a private facility outside the banking system. That will make it harder for governments to “bail” you in or confiscate your metal in a time of financial crisis.

The storage facility you choose should undergo regular external audits to make sure everyone’s metal is still there. And your platinum should be fully insured by the storage facility owner so that, in the event of loss, theft, or physical damage, you will be fully compensated.

Also check to see if your holdings will be held in allocated or segregated storage.

Segregated storage means your platinum will held separately from other individual’s assets, typically in an exclusive storage container or vault. *Allocated* storage means your metal will be combined with others in a central location, such as a vault.

Segregated storage is the safer option.

Finally, consider the fees charged by the storage company. Fees are calculated on “basis points,” which is a fancy term for annual percentage

rates. These fees are based on either the value of the metal you are storing or the volume of what you are storing.

The Wall Street Journal says **Gold Bullion International** in New York, for example, charges between 0.25% and 0.6% for storage and insurance.

One Final Way to Buy Platinum

There is also another way to buy platinum. It's for less well-to-do investors that can't afford to put down a boatload of cash – and then pay for storage and insurance, too.

There are companies, such as **EverBank**, that, in addition to the regular services of selling coins and bullion, offer something called an automatic purchase plan.

EverBank will waive any minimums as long as you put \$100 a month into the plan. It offers purchases of all precious metals, including platinum. There is no annual fee, and the platinum is bought at a price within 1% of its price.

However, it is an unallocated account – your buy is lumped in with a lot of others. Of course, once you build up the account, you can later switch to an allocated account.

Platinum ETF

For investors who want to benefit from the advantages of platinum investing while eliminating the burden of storage, exchange-traded funds (ETFs) are a great option. These funds allow investors to take advantage of the unique characteristics of platinum without having to buy an ounce of physical coins or bullion.

ETFs are one of the easiest, most cost-effective ways to get exposure to platinum, and they are great for conservative investors. There are a variety of funds out there that allow investors to get precious-metals exposure via either tracking futures contracts or owning physical platinum.

At the top of the list is **ETFS Physical Platinum Shares (NYSE: PPLT)** – the largest platinum-backed ETF – which holds about 552,000 ounces of platinum.

This ETF, which launched in 2010, has already seen peak gains of 45.3% in the past year.

While it tracks the **Platinum Bullion Index**, it's important to note that it does so by physically holding the metal. Right now, PPLT has \$434 million worth of bullion. This eliminates the company and industry risk that goes along with investing in your typical mining company ETF.

When considering platinum ETFs it's important to remember that, for all intents and purposes, they are essentially stocks. In the same way you can't redeem a company's hard assets by buying shares, you can't redeem physical platinum from ETFs.

Now that you know your buying options, let's take a look at how much to buy...

The Best Strategy to Increase Platinum Holdings

The conventional thinking is that holding between 5% and 10% of your overall assets in something like platinum can provide meaningful diversification and a hedge against inflation. But despite what you see on late-night TV commercials, precious metals have never been proven to be a significant inflation hedge.

They have, however, been proven to be a great *crisis hedge*, and one that is more perfectly correlated to interest rates. Those rates are, in turn, driven by inflationary pressures and global risk, especially lately. I suggest owning \$1 of platinum for every \$10 you have in bonds as the best way to hedge your risk in today's volatile global markets.

In practical terms, let's say you have \$10,000 in bonds. Using the 1:10 ratio, this would mean you'd also have \$1,000 in platinum socked away using exchange-traded funds, bullion, or something like **Perth Mint Certificates**.

Now, you don't just want to set this and forget it.

Instead, I suggest rebalancing the platinum/bond relationship at least annually. Pick a day like your birthday or the start of the **New Year** and

lock it into your calendar so you don't forget. Rebalancing should take you all of 20 minutes.

You can do this by selling enough of what's risen and buying a corresponding amount of what's fallen. Or you can simply add new money to your holdings and purchase enough of what's fallen to maintain the ratio.

Most people love or hate precious metals depending on whether or not they "love" the idea that it's real money or "fear" the demise of the dollar and fiat currency. So they make decisions based on how unsettled they feel. In effect, they're trying to time the markets, which is almost always a bad idea because it reduces performance over time.

As with any long-term investment, but especially those that are intended to hedge other investments, consider dollar-cost averaging into your position – meaning you split your capital into chunks and buy equally over time.

That way you're going to capture the best of today's platinum prices without inadvertently concentrating your risk. And, at the same time, you'll be positioned ahead of time when gold comes into its own again.

It's also important to find the optimal entry points into gold and silver positions. Investing in gold and silver is all about maximizing performance, minimizing risk, and strengthening your portfolio with an enduring, stable store of value.

This is what platinum and other precious metals offer to investors.

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