FROM THE AUTHOR OF STANSBERRY'S INVESTMENT ADVISORY

PORTER STANSBERRY

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STANSBERRY
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About Stansberry Research

Founded in 1999 and based out of Baltimore, Maryland, Stansberry Research is the largest independent source of financial insight in the world. It delivers unbiased investment advice to self-directed investors seeking an edge in a wide variety of sectors and market conditions.

Stansberry Research has nearly two dozen analysts and researchers – including former hedge-fund managers and buy-side financial experts. They produce a steady stream of timely research on value investing, income generation, resources, biotech, financials, short-selling, macroeconomic analysis, options trading, and more.

The company's unrelenting and uncompromised insight has made it one of the most respected and sought-after research organizations in the financial sector. It has nearly one million readers and more than 500,000 paid subscribers in over 100 countries.

About the Author

Porter Stansberry founded Stansberry Research in 1999 with the firm's flagship newsletter, *Stansberry's Investment Advisory*. He is also the host of Stansberry Radio, a weekly podcast that is one of the most popular online financial radio shows.

Prior to launching Stansberry Research, Porter was the first American editor of the *Fleet Street Letter*, the world's oldest English-language financial newsletter.

Today, Porter is well-known for doing some of the most important – and often controversial – work in the financial-advisory business. Since he launched *Stansberry's Investment Advisory*, his string of accurate forecasts has made his advisory one of the most widely read in the world... and has helped his readers both avoid catastrophe and make incredible gains.

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Introduction

By Porter Stansberry

Stop... Before you read this book, I need to warn you.

I'm about to make some arresting claims about the future of our country.

I know this is a politically charged and emotional issue. My conclusions will not be easy for most readers to accept. Likewise, many of the things I am writing about will challenge people to re-examine what they believe about their country.

Understand, I am only writing about the facts as I find them. And the facts about America tell a painful story about a country in a steep decline, beset by problems of its own making.

I fear this publication will spark a tremendous amount of controversy. Many people will surely accuse me of deliberately writing inflammatory things to stir the pot and gain attention. That's not my intention. I've gone to great lengths throughout my career to protect my privacy.

I am speaking out because someone must. And I have the resources to do it. I am sharing these ideas with all who will listen because I know we have arrived at the moment of a long-brewing crisis.

I am only drawing conclusions based on the situation as it stands. I am not saying these conditions can't improve. Or that they won't improve.

The truth is, I am optimistic. While I believe our country is heading into a crisis, I also believe that... sooner or later... Americans will make the right choices and put our country back on sound footing.

Pay careful attention to the data I cite. And please send me corrections to the facts. I will happily publish any correction that can be substantiated. But please don't send me threats, accusations against my character, or baseless claims about my lack of patriotism. If I didn't love our country, none of these facts would upset me. I wouldn't have bothered writing this book.

It might not be pleasant to think about… but the figures I am going to present paint a sad, but accurate, picture: America is not the country it was 40 years ago. Our economy, politics, and culture have become dramatically warped.

I can't possibly analyze all the factors that have led to this decline, but I can document the core reasons we're in this situation and the prevailing symptoms that ail our country, our economy, and our people.

We've reached the point where we must fix what lies at the heart of America's decline. Our political leaders, our business leaders, and our cultural leaders have made a series of catastrophic choices… We cannot rely on them to fix what has been broken.

The damage can only be repaired by ordinary people who understand the problem and are willing to demand a solution.

With this knowledge in hand, I hope we can help to educate our families, neighbors, and leaders… We must encourage them to throw off the blinders of apathy and look at what is really happening to our country. We need to make choices that will put us back on the right path.

You see, the decline of our country is primarily a decline of our culture.

We have lost our sense of honor, humility, and the dedication to personal responsibility that, for more than 200 years, made our country the greatest hope for mankind. We have become a country of people who believe their well-being is someone else's responsibility.

These problems manifest in different ways across institutions in all parts of our society. But at their root, they are facets of the same stone. They are all part of the same essential problem.

The corruption of America isn't happening in one part of our country… or in one type of institution. It is happening across the landscape of our society, in almost every institution.

It's a kind of moral decay… a kind of greed… a kind of desperate grasp for power… And it's destroying our nation.

I call it the "ethos of getting yours."

Americans know, in their bones, that something terrible is happening. Maybe you can't articulate it. Maybe you don't have the statistics to understand exactly what's going on. But my bet is, you think about it a lot.

It seems like everyone in our country has lost his moral bearing, from the highest government officials and senior corporate leaders all the way down to schoolteachers and local community leaders. The ethos of my fellow Americans seems to have changed from one of personal integrity and responsibility to "getting yours" – the all-out attempt, by any means possible, to get the most amount of benefits with the least amount of work.

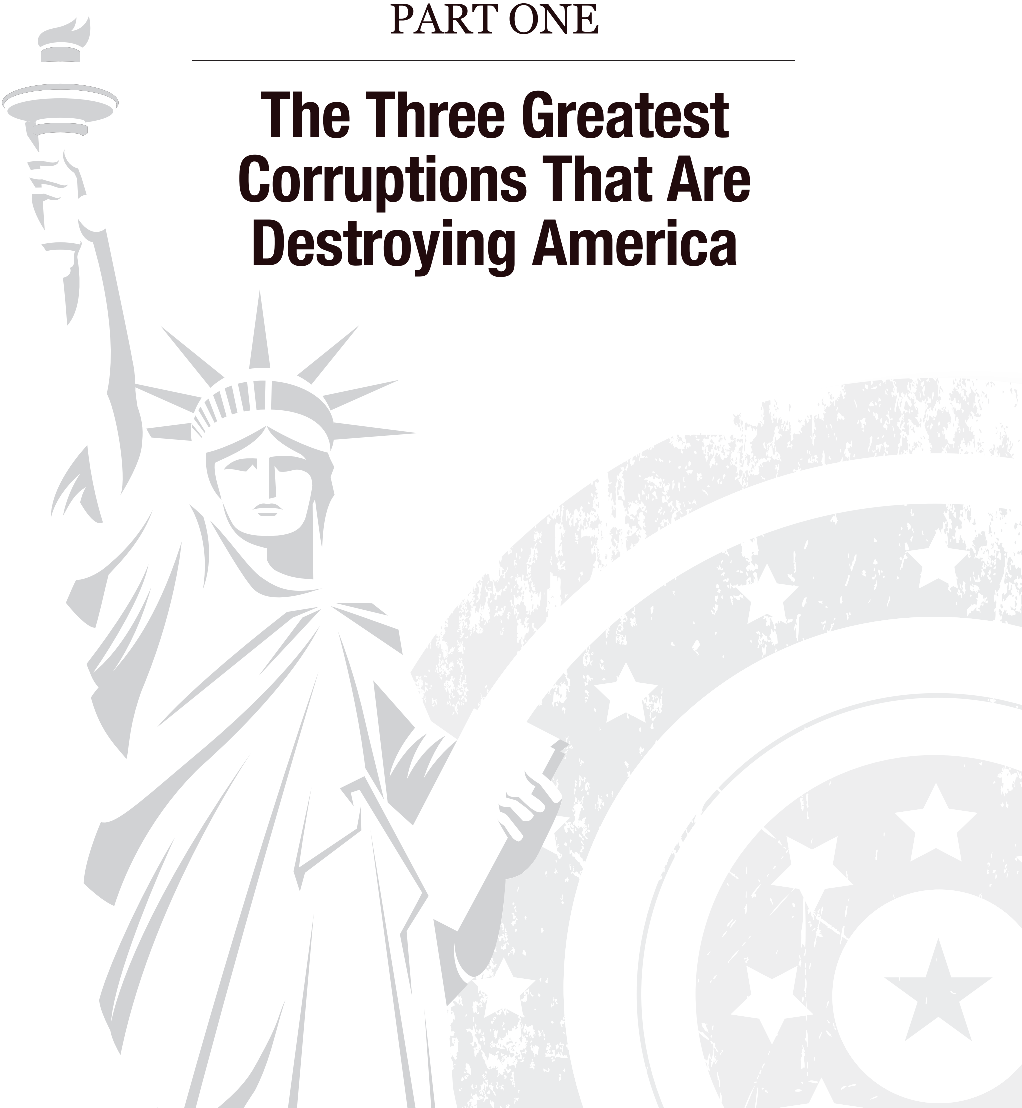
You can see this in everything from the lowering of school standards to the widespread use of performance-enhancing drugs in professional, college, and high school sports. Cheating has become a way of life in America.

I have an idea about how this happened… about the root cause of this kind of corruption and why it was inevitable, given some of the basic facts regarding how we've organized our government and our corporations.

Problems that have warped our country are intertwined, but can be broken into three prevailing "corruptions"…

PART ONE

The Three Greatest Corruptions That Are Destroying America



— Chapter 1 —

The Corruption of Politics

I'll start with one of the biggest factors in the decline of our civilization – the politics of entitlement.

It is routinely alleged in national political debates that something is fundamentally unfair and un-American about the huge "wealth gap" between the poorest and the wealthiest Americans.

Some politicians like to argue that the poor never have a real shot at the American dream. So as a nation, we owe them more and more of our resources to correct this injustice. Most important, *they claim only the government has the resources to correct this inequality*.

These are dangerous notions…

They promote a sense of entitlement. The American idea of entitlement argues that because you were born into a rich society, other people owe you something. The idea has become pervasive in our culture. It underlies the basic assumptions behind the idea of a "wealth gap."

Implicit is the assumption that successful Americans haven't rightfully earned their wealth… that in one way or another, they've taken advantage of the society and have an obligation to "give back" what they've "taken."

As you'll see, the idea of entitlement lies at the root of many of our most serious cultural problems.

The more obvious problem is the idea that the government is responsible for fixing the "wealth gap." But the government has proven wholly ineffective at dealing with poverty in America. The data is conclusive that government efforts are far more likely to be the cause of the wealth gap than the solution.

This leads to one of the core facets of our problem: **Government doesn't**

produce anything. Anything it gives to one person or group, it must first take from someone else. It sucks capital out of the productive economy and uses it for activities that are largely unproductive.

The crisis we face is the inevitable result of the ways the government goes about taking the resources it has promised.

Let's use Detroit as an example...

In 1961, Detroit elected Democrat Jerome Cavanagh as mayor.

He won election by promising to give Detroit's African American population the civil rights they deserved. But Cavanagh didn't stop there. Seeing the political advantage of serving this community's interests, he did all he could to bring government benefits and government spending to Detroit's black community.

Mayor Cavanagh modeled development in Detroit after Soviet efforts to rebuild whole urban areas in Eastern Europe. The program attempted to turn a nine-square-mile section of the city (with 134,000 inhabitants) into a "Model City."

To help finance the effort, Cavanagh pushed a new income tax through the state legislature and a "commuter tax" on city workers. He promised the residents of the Model City... most of whom were poor and black... benefits that would be paid for by the rich. He bought the votes of the city's residents with taxes they didn't have to pay.

More than $400 million (almost $3 billion in today's dollars) was spent on the program. The feds and Democratic city mayors were soon telling people where to live, what to build, and what businesses to open or close. In return, the people received cash, training, education, and health care.

But they didn't like being told what to do or how to live. The Model City program was a disaster. Within five years, it had helped trigger a complete breakdown of civil order. The city's population began to rapidly decline.

On July 23, 1967, police attempted to break up a notorious after-hours club that featured gambling and prostitution in the heart of the new Model City. Many of these clubs had been in operation since Prohibition. The community tolerated these establishments – but the city's political leadership didn't want them in the new Model City area.

On this particular night, at this particular club, the community was celebrating the return of two Vietnam War veterans. More than 80 people had packed into the club. The police decided to arrest everyone present, including the two war vets. This outraged the entire neighborhood, which began to riot. The scene turned into the worst race riot of the 1960s.

The violence killed more than 40 people and left more than 5,000 people homeless. One of the first stores to be looted was a black-owned pharmacy. The largest black-owned clothing store in the city was also burned to the ground. Cavanagh did nothing to stop the riots. (He claimed a large police presence would make matters worse.) Five days later, President Johnson sent in two divisions of paratroopers to put down the violence.

The situation destabilized the entire city. Most of the people who could afford to leave did. Over the next 18 months, 140,000 upper- and middle-class residents – almost all of them white – left the city.

And so, you might ask… after five years of centralized planning, higher taxes, and a fleeing population… what did the government decide to do with its grand experiment?

It expanded the Model City program with 1974's Community Development Block Grant Program.

The subsequent failure of this program and many after it has decimated Detroit's economy and culture. Almost nothing is left of what was the capital of America's industrial heartland. Total vacant land in Detroit now occupies an area the size of Boston.

None of this is surprising. It's exactly what you'd expect to see given the implementation of a socialist scheme like the Model City program.

Always remember… **the government has to take resources from someone before it can dole them out to others.** This act of taking destroys an economy. The more you take from the productive members of society, the less productive they become. That's the primary lesson of the history of socialism. Yet many of our political leaders seem oblivious to this iron law of human nature.

So… how does the government go about taking the resources it has promised to distribute? The first and most obvious way – **taxes**.

You don't need me to tell you, our politicians have taken full advantage of their power to tax. But we're reaching their limits… Taxes can no longer be raised without people fleeing states. This has happened in several places – California, New Jersey, and New York, to name a few.

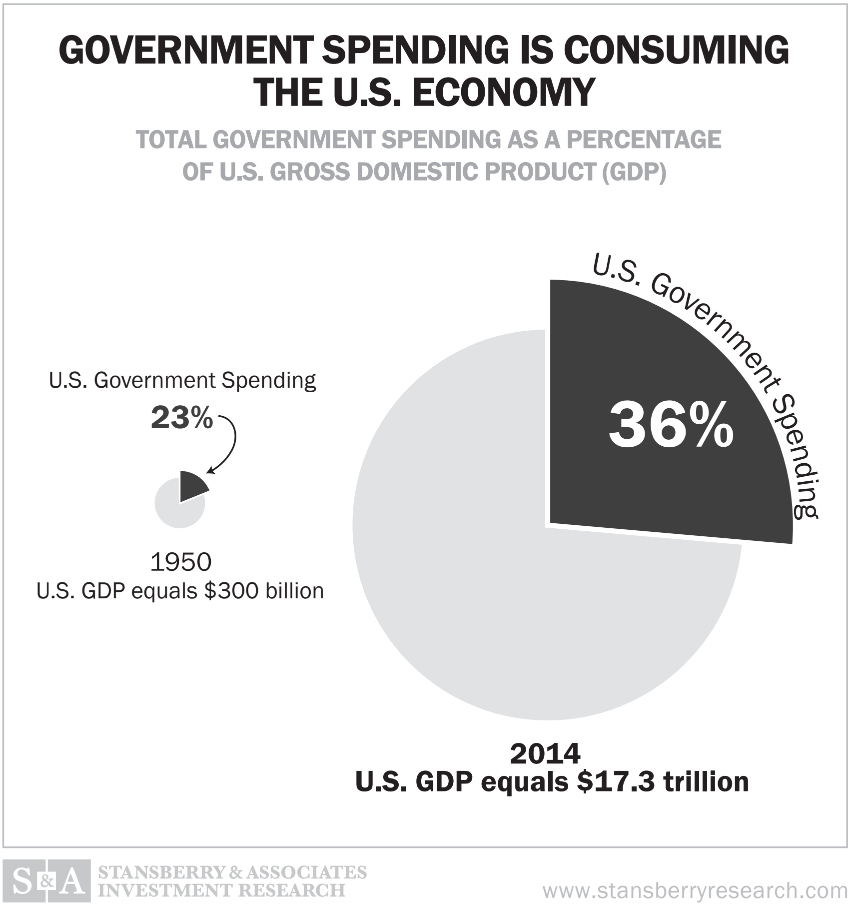
In Maryland – where my company is headquartered – the Democratic state government couldn't balance the budget in 2009, so it decided to double the income tax rate on citizens with more than $1 million in annual income. The editorial board at the *Baltimore Sun* newspaper happily praised the measure and predicted Maryland's top earners would "grin and bear it"… What a bunch of fools.

Instead, the rich left. The number of million-dollar incomes in the state of Maryland declined by more than 30%. Rather than gaining the predicted $106 million in income from these filers, Maryland collected $100 million *less* than it did the year before.

It's good politics to promise the voters that only the rich will pay.

Now take a look at the chart on the next page… You'll see that in 1950, the government only represented about 20% of our country's gross domestic product (GDP).

By 2014, that government slice was much bigger – 36%.



A huge portion of that pie comes directly from income taxes. But those taxes aren't evenly distributed across the whole country. The burden for an overwhelming amount of the taxes the government collects falls on just a few people.

In 2014, only 53% of the U.S. population paid federal income taxes.

And the top 25% of our country's earners paid nearly 90% of all income taxes collected.

This leads the 47% of Americans who didn't pay federal income taxes to believe the government doesn't cost them anything.

They are dead wrong.

Everyone is paying for the government whether they realize it or not. The 36%-plus of GDP that the government consumes comes out of everyone's pockets.

The tax revenue may come from the rich. But this capital would otherwise be used to start new businesses, create jobs, and invest in innovation.

Even those who do not pay taxes lose out on what would have been created by the existence of that money in the productive economy.

It also reduces the market's incentives for entrepreneurs. **The more you take from the productive members of society, the less productive they become.** That's the primary lesson of the history of socialism.

— Chapter 2 —

The Corruption of Debt

Again, the only way government can give away something is by first taking it from someone else. This is critical. The government taking what it wants is exactly what has created the crisis we face.

Taxes are the most obvious way the government takes what it wants to redistribute. But as I said, our government is reaching the limits of what it can generate from new or higher taxes. When the government realizes it can't take any more from you through taxes, it uses debt to take from your children and grandchildren.

And our government has taken advantage of that option to a historic degree...

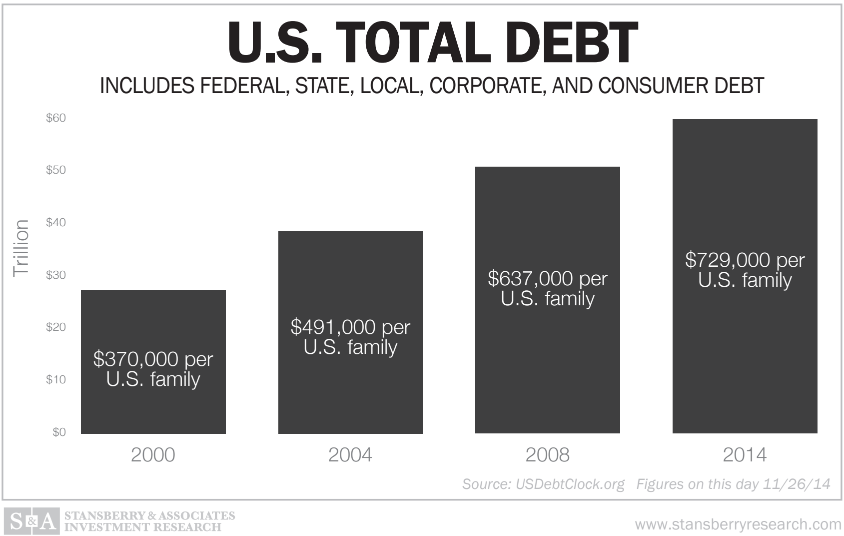
As of December 2014, the U.S. government owes roughly $18 trillion. The number is so large, it's meaningless. No one can comprehend how much money $18 trillion really is. A better way to think about it is each American taxpayer owes roughly $153,000. That's like a whole additional mortgage for most people.

A 2014 Harvard study put it in this way:

> If the federal government spent its yearly revenues exclusively on debt reduction and ceased all of its operations, it would take three of four years to pay down the debt. Or, the government could pay down the debt in one blow if it simply took more than $52,000 from every person living in the U.S., including children, the elderly, and the unemployed. If this one-time "debt reduction fee" were levied only on those in the workforce, the cost would be over $106,000 per person.

And it's not just the federal government that has become addicted to debt. If you add up all of our government, corporate, and consumer debt, America owes roughly $60 trillion.

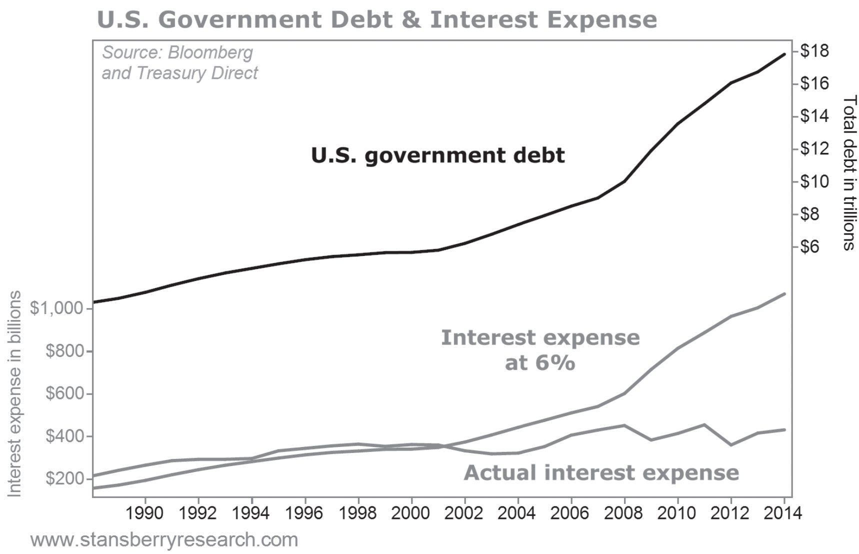
As the next chart shows... that adds up to about $730,000 per American household.



This massive amount of national debt cannot be financed at any real rate of interest.

If the government had to pay even 6% interest on its debt, it would cost nearly $1 trillion a year. And that's just to pay the interest on the debt. The entire government brings in less than $3 trillion a year in taxes.

The next chart shows what would happen in that scenario...



This debt addiction has filtered into three critical areas of the economy. Instead of learning from the mistakes that crippled our economy in 2009 when the mortgage bubble burst, we have created three new bubbles that could soon blow up…

The largest threat is the U.S. corporate bond market, particularly junk bonds.

When this crash occurs, it will be the largest destruction of wealth in history. There has never been a bigger bubble in U.S. bonds.

How do I know? It's simple. Historically, junk bonds (aka high-yield bonds issued by less creditworthy companies) have never yielded less than 5% annually. But they hit that low in mid-2014, and by the end of the year were up to a bit more than 6%.

Likewise, the difference between the yields on junk bonds and the yields on investment-grade bonds has almost never been smaller. That means credit is more available today than almost ever before for small, less-than-investment-grade firms. The last time credit was this widely available – and at such low costs – was in 2007. And that ended badly.

The coming collapse in the bond market will be far worse than it was last time, too. The Federal Reserve's twin policies of keeping interest rates near zero and buying tens of billions of dollars in Treasury securities and mortgage-backed debt have driven the huge bull market in bonds. As the Fed buys bonds, it pushes bond rates down and forces the other buyers of bonds to buy riskier debt that historically offers much higher yields.

I believe we'll see a real panic in the corporate bond market at some point soon. I expect the average price of non-investment-grade debt (aka junk bonds) to fall 50%. Investment-grade bonds will fall substantially, too. (I'd estimate something around 25%.) This is going to wipe out a huge amount of capital… and believe me… it's almost 100% guaranteed to happen.

Junk-bond guru Martin Fridson has projected $1.6 trillion of bonds and loans will begin to default in 2016. That means three times as many debt issuers will default than the last recession.

This would have already happened, according to Fridson, but the government has kept interest rates artificially low, making it possible for many at-risk debt-issuers to refinance their debt at a lower interest rate. This delayed an inevitable wave of defaults in the junk-bond industry, but only temporarily. But the government cannot keep interest rates low forever…

Meanwhile, **student debt is forming another looming bubble.** As of 2014, student debt totals more than **$1 trillion.**

The average college student now graduates with $24,000 in debt… and by his late 20s has racked up more than $6,000 in credit card debt. Meanwhile, median earnings for Americans aged 25-34 equals $34,000-$38,000.

Can you imagine starting out your adult life with a personal debt-to-income level at close to 100%? What does this say about the state of our economy? What does this say about the state of our culture?

All the signs show that the debt piled on our youth will become another catastrophic bubble in the American economy.

Bloomberg financial news and data service reported that default in this sector in 2014 is at its absolute highest since 1995. And Jim Rickards, the author of *Currency Wars*, calls the student debt market the "next subprime crisis."

According to the Wall Street Journal, **33%** of student loans are held by subprime borrowers – the riskiest folks.

What does it say about our economy when the youth have become saddled with so much debt that one-third of college graduates will likely default on their loans?

America's youth aren't the only ones who have acquired a mountain of debt in the last few years.

The third subprime lending bubble poised to cripple the economy is the automotive sector. Most people have no idea how pervasive subprime loans have become in auto lending.

As with mortgage lending, car lending used to be a simple and safe business. Local and regional banks (or finance companies) would provide loans to customers with good credit and a substantial down payment.

The term of the loan didn't exceed the useful life of the car. Under these conditions, auto loans were extremely low-risk. Losses on auto loans have historically been extremely low – less than 2%. Auto loans even performed well in the Great Depression.

Then things got out of control in 2011, after Wall Street firms started buying up auto-lending groups. They changed the terms: extending auto loans up to 84 months (seven years), lowering the down payments (on leases they're next to nothing), and radically lowering the credit scores required to qualify.

Now, more people than ever before are borrowing money to buy cars. As of 2013, Americans owe $783 billion against their cars and trucks. *Unbelievably, 34% of this debt is now owed by subprime credits.*

We've also seen a big uptick in the amount of subprime auto loans that are being securitized and sold to other investors. These securitizations move credit risk away from the car companies and finance companies and onto investors – the same thing that happened in the housing bubble.

As we know from the recent housing bust… when subprime lending goes too far and becomes too large a percentage of total lending, it can cause overall credit quality to collapse. In the car business, that could cause huge problems going forward, problems big enough to harm our entire economy.

This debt will create a depression that will be worse than it was in 2008. This time, the government has allowed massive amounts of debt to be piled on the weakest in our society… namely, our country's youth. When this bubble breaks, it will be an entire generation of young Americans who will suffer.

When these three bubbles pop, the consequences will be dire for many people. But remember, they are symptoms of a deeper problem… our economy and our culture have become addicted to debt. The sense of entitlement that has developed in our culture tells people they are "owed" things they cannot afford… and our government is leading by example and piling on debts to pay for things we cannot afford.

The United States has become the largest debtor in human history. It's disgusting that we would leave a burden like this for our children and grandchildren…

And it also opens the door to the final corruption of America…

As I explained, ignore for a moment how impossible it is for us to pay off the debts we have accumulated. We are fast approaching the point where the government cannot even afford to pay the interest on the debt.

And that leaves it with one last tool to perpetuate its power…

— Chapter 3 —

The Corruption of Currency

When the government taps out its ability to increase its tax revenue and its debts become too mountainous to maintain... it has one last way it can take what it needs. And it may be the most insidious.

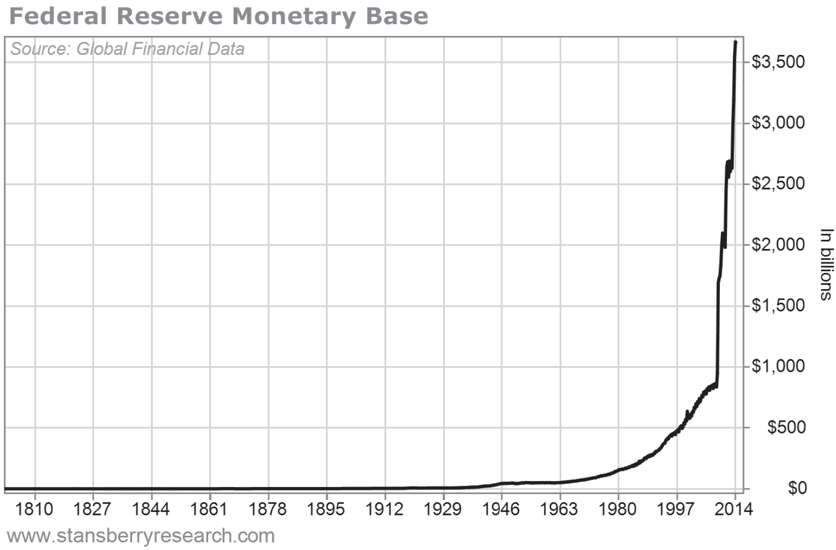
It can print the dollars it needs to pay for what it wants.

This is a relatively new phenomenon for the U.S. government. Throughout most of our history, one thing kept our government from printing all the dollars it wanted – gold. Until the mid-20th century, the dollar represented an explicit promise. It represented one small claim on the U.S. government's gold reserve. And the size of the reserve limited the dollars available for circulation.

But in 1971, Nixon severed the U.S. dollar's last tie to gold. From then on, we were free to take on as much debt as the world would lend us... and print as much money as we needed to finance it.

Since the 2008-2009 financial crisis, the Federal Reserve has largely kept the printing presses running full-tilt. Its quantitative easing policies (printing billions of dollars and using them to buy Treasury securities and mortgage-backed debt) have caused the volume of currency to balloon.

The Federal Reserve's balance sheet – which represents the total amount of currency in circulation or in a central bank's reserves – has blown up from $1.1 trillion in 2008 to $4 trillion in 2014.



Not many people understand the fallacy of these actions or their inevitable failure. The great advantage of paper money is supposed to be its flexibility. You can, in theory, print more of it when you need it to facilitate economic growth or forestall a crisis. But it doesn't really work.

Printing money doesn't create wealth or stimulate the economy. Instead, it simply makes each dollar less valuable and leads to higher prices, a monetary phenomenon we call "inflation."

It is an insidious form of stealing. People feel wealthier as the numbers on their paychecks and bank balances rise. As nominal stock prices rise, people feel as though things are going well. But they don't notice the value of those dollars is eroding steadily.

Worse, it provides incentives for going into debt. People who borrowed today will repay those obligations in the future with dollars that are worth much less...

Inflation has been so prevalent for so long, most people don't even know it's not part of a normal economic system. Data on consumer prices from 1596-1971 in Britain prove that during gold-standard periods, commodity prices remain level – even over hundreds of years, during periods of massive economic growth and soaring populations.

The most important test of paper money is whether it facilitates real, per-capita economic growth. And on that score, the evidence is overwhelmingly negative. Measured in ounces of gold, per-family income in the United States has declined since 1971, retreating back to 1950s levels, despite the advent of two-income families.

Measured another way (using the government's own consumer price index as the inflation adjustment), real per-family income is essentially unchanged since 1971, again despite the fact that far more households have two wage earners today. Household earnings, in real terms, have fallen 30%-50% since the gold standard was abandoned.

Paper money works great for the rich, who can hedge their exposure to the currency and whose access to fixed-rate credit allows huge asset purchases. But it is horrible for the middle class, whose wages do not keep pace with declines in purchasing power caused by inflation. If you want to know why there's so much discrepancy in incomes and per-capita wealth in the U.S., look no further than paper money.

Any reasonable study of paper-money systems versus gold-backed monetary systems demonstrates the superiority of gold immediately. So… why does almost every modern government choose paper? The answer is because paper money allows the wealthy and powerful vested interests in our economy to manipulate interest rates, prices, the money supply, and credit to their exclusive advantage.

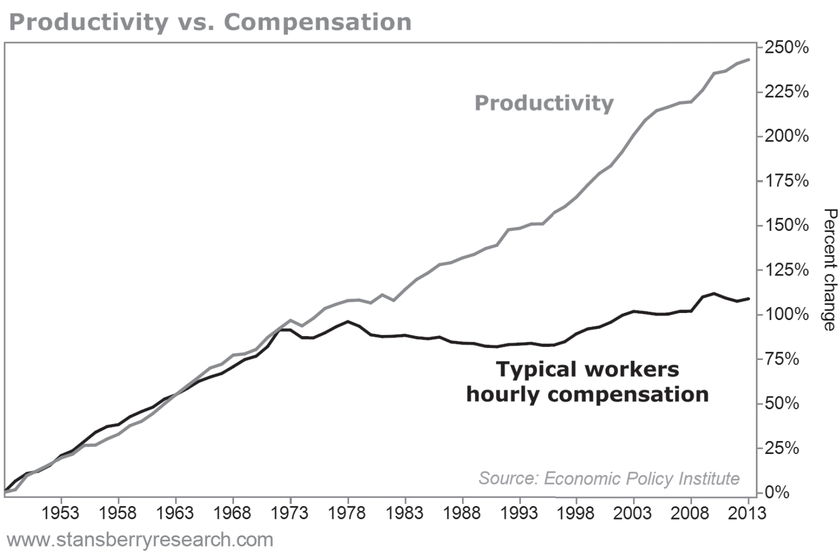
Think about this for a second. Imagine how much productivity in our economy has increased since 1971. There's been a complete revolution in technology that has caused huge increases to productivity. You can see it all around you. I'd estimate productivity has increased by 4%-6% per year since 1971.

Where did all that wealth go? It didn't end up boosting the value of our currency, as you'd expect. Prices never fell. Instead, all those productivity gains were consumed by the issuance of more and more money – by inflation.

Therefore, average wages, in real terms, have declined. And all these productivity gains – all that wealth – was consumed by the financial sector, the government, debtors... all the people who benefit from inflation.

As you can see in this chart, based on one originally published by the Economic Policy Institute think tank... when we took the dollar off gold and allowed the central bank to continuously debase the currency, the dollar and the wages paid in the dollar no longer kept pace with inflation.

Thus, when trade or innovation leads to a gain in productivity (and the loss of a job), there is no reciprocal benefit to wages for the middle class. The replacement job is sure to come at a much lower real wage.



As a result, we've been left with a heavily indebted economy that's still led by consumption. Our system rewards debtors and punishes savers. It makes long-term capital investment nearly impossible because of economic volatility and financial risks caused by inflation. Worst of all, our system requires everyone become a speculator because there's no other way to safeguard savings.

What the gold standard really does is ensure a level playing field for all economic actors – borrowers, lenders, and even governments. That's why bankers (who are always highly leveraged), media barons (who constantly borrow to buy more properties), and governments (which can never balance their budgets) all abhor gold. To maintain their power, they all need paper money. The system we have now and those who profit from it would not survive a transition back to the gold standard.

The little-known reality of our paper money system is that it robs our currency of gains to purchasing power. That means the average person is working harder, producing more, but cannot buy as much as they used to. Meanwhile, asset prices have soared. The wealthy become wealthier as the value of everything they own becomes inflated along with our currency. This explains why the wealth gap has grown so much since 2000.

And it explains why the wealth gap will continue to grow, so long as our government continues its corrupt policies of quantitative easing, corporate bailouts, overspending, and over-taxing.

These policies accomplish nothing other than making the rich richer, the poor poorer, and destroying the world's faith in the U.S. dollar…

But our paper money does one other thing that I believe could ultimately bring about its own demise… It steals from our creditors.

As I've explained, borrowers today will repay their debts in devalued dollars. That's a bad deal for lenders. And as I've said, at this point, America is dependent on its lenders to sustain our standard of living.

However, I believe governments and entities around the world that hold U.S. debt have grown tired of watching the value of those obligations inflated away. And I believe we're facing a mutiny on the dollar.

— Chapter 4 —

The Mutiny on the Dollar

For many years now, it's been clear that China would soon be pulling the strings in the U.S. financial system.

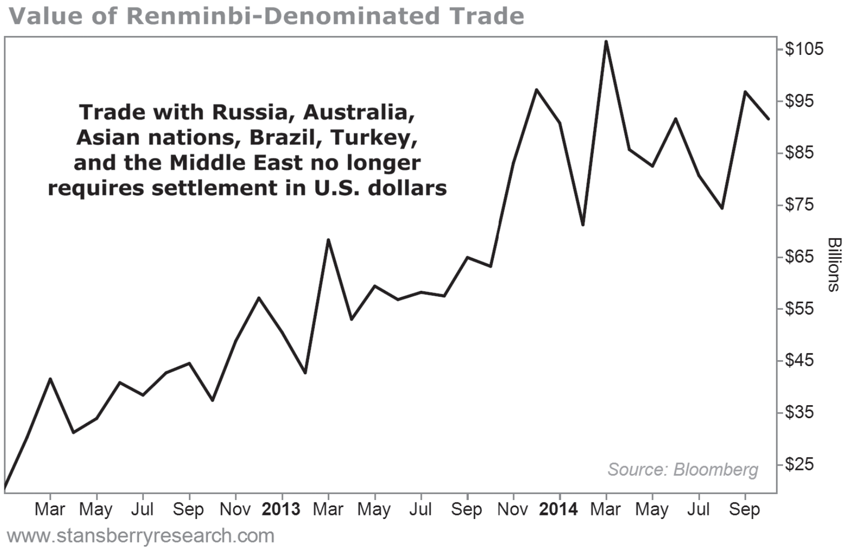
After all, the American people now owe the Chinese government nearly $1.5 trillion. Big numbers don't mean much to most people, but keep in mind… this tab is now hundreds of billions of dollars more than what the U.S. government collects in ALL income taxes (both corporate and individual) each year. It's basically a sum we can never, ever hope to repay – at least, not by normal means.

Of course, the Chinese aren't stupid. They realize we are both trapped. We are stuck with an enormous debt we can never realistically repay… and the Chinese are trapped with an outstanding loan they can neither get rid of nor hope to collect. So the Chinese government is now taking a radical approach.

China is now engaged in a full-fledged currency war with the United States. The ultimate goal – as the Chinese have publicly stated – is to create a new dominant world currency, dislodge the U.S. dollar from its current reserve role, and recover as much of the $1.5 trillion the U.S. government has borrowed as possible.

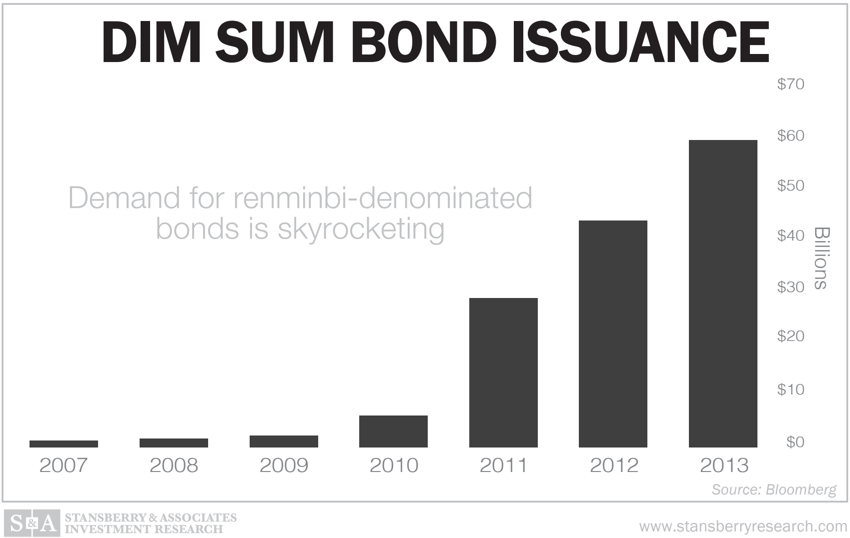
The Chinese need to do a couple things to make their yuan (also called the renminbi) a global currency. First, they have to establish bilateral trading agreements with various countries around the world. Currently, all international trade is done in dollars.

These bilateral agreements mean trade can clear in China's own currency, bypassing the dollar. So in other words, you have to find people who are willing to hold the yuan instead of holding the dollar. And the following chart shows how the yuan-denominated trade grew from 2012 to 2014…



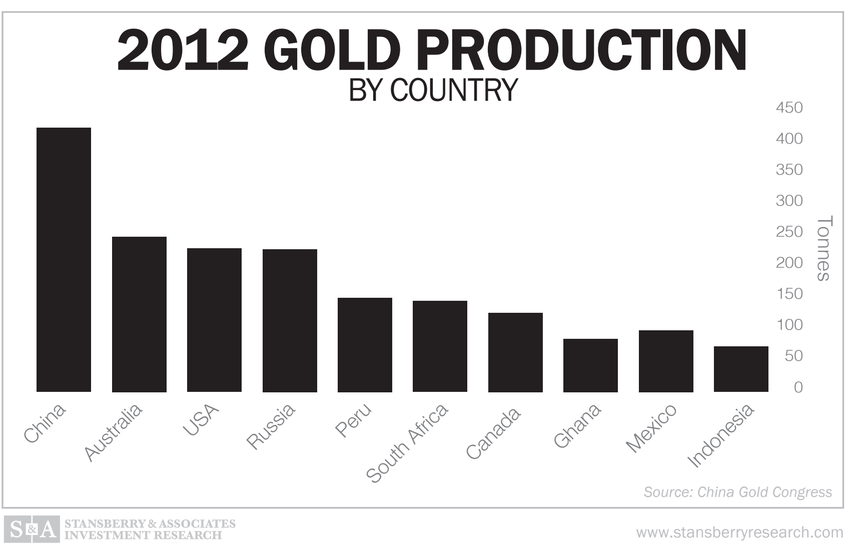
Next thing China has to do is make its yuan the currency of choice for debt. And we're seeing that happen, too. Turned off by super-low interest rates and constant money printing, entrepreneurs and investors are starting to turn away from the dollar. They're looking for stability in a new kind of financial product called the "dim sum" bond. That's simply a regular bond denominated in Chinese currency.

This next chart represents the single biggest threat to your wealth. It represents the growth in issuance of dim sum bonds. The volumes are still low, but they're growing rapidly. It won't be long before more corporate debt is issued in yuan than in the dollar... And when that happens, that's the end. The dollar will not come back.



The final thing that the Chinese are going to do to establish their currency as the world's reserve is simple. They're going to back it with gold...

China has made gold ownership legal for individuals. But it does not allow any exports of gold. And it's mining huge volumes of it. You can see that in this chart of its production figures...



China's gold holdings are still not nearly as large as ours, but it's catching up. It's producing more than anybody else in the world by a large margin. It's reinvesting about 90% of its trade surpluses into gold holdings. You can see that by looking at the Chinese gold coming in through Hong Kong.

The Chinese are slowly hedging their exposure to the dollar by becoming the world's leading gold investor. By building a huge stockpile of gold, they will be able to back their currency with the world's traditional form of money.

Once they make the yuan freely convertible to gold, they will have created tremendous demand for their bonds and bills by making their currency the world's most reliable.

The impact on the dollar will be catastrophic…

— Chapter 5 —

The Future of America

As I look around at the world economy, I see two dominant trends.

First, major Western economies are impoverished by their debts and are struggling to avoid a collapse via desperate attempts to print their way out of perdition.

Second, I see the rise of the world's largest future economy in the midst of a massive effort to buy gold and control the global market.

The future will be dominated by surges in economic activity around the world, on the heels of massive monetary stimulus.

America is at a turning point unlike anything our country has ever experienced. Like I said, I am an optimist, and believe our country will eventually take actions to right the catastrophic imbalance that threatens to collapse our country, our morality, and our culture.

But I wonder if I am too optimistic… Will we be able to create necessary change before it's too late?

Can we help educate our friends, family, and neighbors of the parasitic values that plague our nation?

Will we right the wrongs of the last 50 years… restore dignity, morality, and independence to our country?

I cannot answer these questions… I alone cannot fix our nation's problems.

That's why I – along with a team of brilliant financial minds, researchers, and industry experts – have spent so much time and energy putting together the ideas in this book.

We have pulled together the absolute most important ideas and recommendations that are essential for every American to know.

And with this book as your aid, you will have all the necessary tools to survive and prosper during the desperate years America has in store.

PART TWO

The Three Assets You Do NOT Have to Report to the U.S. Government

— Chapter 1 —

How to Prepare for the Biggest Government Encroachment in U.S. History

Things may seem OK on the surface in America.

By and large, the neighborhood you woke up in today feels a lot like it always did.

Your friends still tool around in the same kinds of cars they always did. You and your wife still go for dinner and a movie when you can find a babysitter. And you still go over to your neighbor's house on Saturday to drink a couple beers and watch the game on his big-screen TV.

But I can tell you with near certainty that the next few years are going to be a major shock for most people in this country.

The debts our country has rung up are coming due, and we can't afford them anymore... Literally, we cannot afford the interest payments on our national debt.

We're on the cusp of a disaster...

It will result in the biggest government encroachment in our country's history. It's coming hard... and fast. And most people are going to be totally unprepared for the consequences.

I'm talking about much higher taxes. I'm talking about currency controls. I'm talking about the loss of personal freedoms we have taken for granted for more than 100 years.

The only good news in this is that it's not too late for you to do something about it.

That's why I encourage everyone I know to take a few simple steps now to protect your money and your family.

And that's what I'm going to show you how to do in this section... It's the No. 1 thing you need to do to protect and grow your wealth.

The Time to Protect Yourself Is Now

Maybe you're content to think heavy taxes aren't your problem... that if a few rich folks feel the pinch, well... what's it to you?

If that's what you think... you're wrong.

As my friend, colleague, and *Retirement Millionaire* editor Dr. David Eifrig wrote in 2009...

> Without belaboring the point, it's unimaginable that the U.S. can pay off its debts in our lifetimes... But here's the catch – it's going to try... Or rather pretend to try. And the only way to do that is to tax the beejeezus out of anyone with a few assets to his name.
>
> Look, this is not a problem just for the wealthy. This is for anyone with a lifetime of savings. Under the current path, everyone who has something will be forced to give it up to those who don't have anything. And worse, we'll be forced to give it to those too lazy to work for anything. I don't know about you, but first and foremost, I want to decide whom my money goes to. I don't want some bureaucrat in D.C. telling me how kind I have to be.

The way to protect yourself from runaway government thievery is to diversify your assets offshore... to move some portion of your wealth out of the country, somewhere safe.

And the time to protect yourself is now... before the government restricts the flow of currency in and out of the country... before it outlaws your ability to move you and your assets around... before it starts confiscating things like gold. (Don't laugh, FDR did it.)

I realize pulling up stakes and heading to an offshore "safe haven" isn't realistic for everyone. But that doesn't mean you're trapped, that you have to accept whatever the government has in store…

Several of the editors at Stansberry Research and I have been investigating how to do this legally. ("Legally" is critical… Remember, we're talking about this because we don't want to jeopardize our freedom.)

Below, you'll find a few key steps Dr. Eifrig advises you take without uprooting yourself. It's some of the most sensible, nuts-and-bolts advice I've read on the subject. I'm republishing his research in this book because everyone with a few assets to protect should take these three steps… at least.

And last, before we get started, you need one other piece of advice: **Keep this to yourself.** All of Dr. Eifrig's tips are perfectly legal. But as he says, "That doesn't mean the government *wants* you to do these things… To the contrary, if too many people start talking about these things and taking these steps, the government could easily change the rules."

— Chapter 2 —

Three Tips to Keep Your Wealth Out of the United States

By Dr. David Eifrig

TIP No. 1: Open a Foreign Bank Account – Soon

If you open up a foreign financial account with less than $10,000, you do not have to report the assets. This comes under the Foreign Bank and Financial Authority (FBAR) regulations, and the IRS states you only have to report if:

- You have financial interest in, signature authority, or other authority over one or more accounts in a foreign country.

- The aggregate value of all foreign financial accounts exceeds $10,000 at any time during the calendar year.

If you keep more than $10,000 in total overseas, you must report it or risk fines and jail time. (A mere 50% of your assets and up to five years in prison, if a judge decides the oversight was willful.)

Be careful about interest-earning accounts, too. Let's say you put $9,990 in an account in January and you earn enough interest to take you to more than $10,000 by year end. Well, guess what? Now, you must report the assets and the income.

And make sure you open a holding account... This allows you to keep the account in the currency of your choice.

One more secret: Nothing prevents your spouse and other family members from doing the same. A family of six could keep about $59,000 in accounts overseas and not need to report it. Again, this is all legal and a great way to diversify your portfolio around the world.

There's one foreign bank in which you can easily open an account online – no visit required. The bank is Caye International Bank Limited (CIBL) in Belize.

You've probably never heard of CIBL, and that's because foreign banks are not allowed to advertise in the U.S. the same way domestic banks can. But trust me when I tell you Caye Bank is safer than most U.S. banks.

You see, Belize mandates its banks maintain 24% capital liquidity versus the 3%-10% in the U.S. In other words, your bank in Belize has cash to cover 24% of the demand deposits it carries. They don't make banks much more liquid than this.

> Anyone contemplating wealth preservation and international diversification must understand two U.S. government concepts: **income tax** and **reportable assets.**
>
> If you hold assets offshore, some are reportable to the government and some are not. And if you make income while overseas, it is all reportable, although some of it is exempt (the first $97,600 a year, plus a $15,616 housing allowance).
>
> In these tips, we've listed ways to legally avoid both reporting assets and paying income taxes while your assets are overseas.

The only drawback is CIBL charges monthly service fees for checking and savings (up to $12.50).

If you're interested in Caye Bank and need help setting things up, contact Kate Corrigan at: kcorrigan@cayebank.bz or go to the website at www.cayebank.bz. Just DON'T tell them I sent you! And for that matter, don't tell anyone else.

Alternately, if you want to avoid the big fees, you can look to open an account with a Canadian bank. Most charge a nominal fee or none at all. The drawback here is you'll have to physically visit Canada.

TIP No. 2: Buy a Little Bit of Land

Real estate is perhaps the best way of keeping assets overseas. The reason is simple. *It's not reportable.* And if it generates no income, you pay no tax on it either. Some of the smartest folks I know invested in foreign real estate and now have millions of dollars in assets offshore and out of reach of the government.

Also, several countries (Panama and Costa Rica, for example) allow you to invest in real estate and even sustainable timber farms. With enough money invested, you can get a permanent visa and even citizenship after five years with little or no questions asked. In addition, real estate can be made more liquid if you place it in a corporation or trust. This makes it easier to sell or transfer your assets.

The publications *International Living* and *Live and Invest Overseas* are two great resources for learning more about international real estate opportunities. You can learn more at their websites: www.internationalliving.com and www.liveandinvestoverseas.com.

TIP No. 3: Gold in the Bank

And last, my absolute favorite tip for keeping wealth out of the United States…

Bullion gold and silver (and other metals) are not reportable, nor do they generate taxable income until you sell them. So keeping bullion in a private and secure place outside the U.S. is a simple way to hold (and move) assets out of the country.

One of the simplest ways to do this is opening a safe deposit box in Canada. All you need to open a Canadian safe deposit box are two forms of identification – a passport and a driver's license will do – and an in-person visit to the bank. (This can vary slightly depending on the bank, so call the bank you're interested in first.)

One bank you can open a safe deposit box with is the Royal Bank of Canada (www.rbcroyalbank.com). Some banks do not allow you to store currency or legal tender in a safe deposit box. So call the bank you're interested before making the trip.

You can use your box to store precious metals, cash, and other items you want out of the U.S. government's eyes. And the box fees are similar to the fees you'd pay at an American bank.

Transporting your gold to Canada may seem frightening to some people. I've heard stories of people having their gold confiscated by ignorant customs officials. But taking gold into Canada is 100% legal as long as you declare it to customs. (You have to declare any amount of currency over $10,000.)

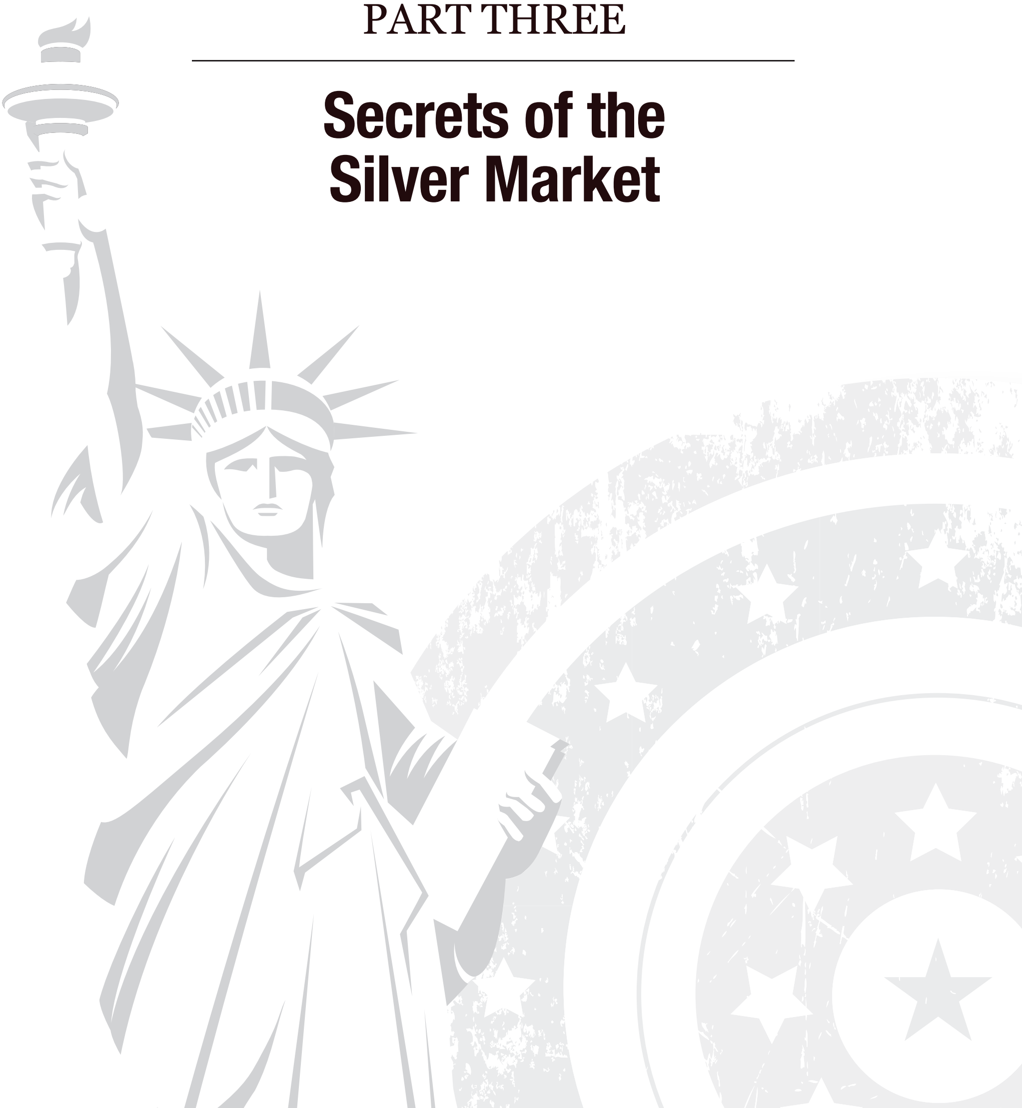
Of course, it's also risky to carry large amounts of gold as you travel. So…

If you don't want to handle transporting precious metals or cash to Canada yourself, you can use a professional transport service. Although this can be expensive if you're only moving a small amount of wealth.

A third option is to purchase your gold or silver in Canada. This means you don't have to carry large amounts of cash or precious metals while you travel.

PART THREE

Secrets of the Silver Market



— Chapter 1 —

Owning Silver Is the Best Decision You Can Make

Over the past few years, we've received hundreds and hundreds of angry letters, and many from people who say they never want to hear another word from us ever again... all because I've been describing the actions of the Obama administration as "The End of America."

I know, most Americans think I'm absolutely crazy. But I believe we are facing a major monetary crisis.

And the funny thing is... Everything I've said would happen is happening. Gold climbed from $700 in December 2008 to $1,200 per ounce in December 2014. Silver rose about 50%.

You simply can't create money at the rate we have and service this much debt over the long term.

That's the bad news.

The good news in all of this is we have an easy and predictable way to make a heck of a lot of money.

Yes, you should own some gold and silver... but I also believe you should know about one precious-metal stock that could prove incredibly lucrative over the next few years.

Before I give you all the details... let me back up a bit and explain why I think silver is such an important asset to own...

So why are we so bullish on silver? History.

No other investment asset loves a monetary crisis like silver does.

I would urge (even beg) you to read (and reread) the May 2006 issue of *Stansberry's Investment Advisory*. It explains in great detail the reasons why silver prices tend to soar during a monetary crisis. It also explains the three phases of a monetary crisis.

Back then, I explained why we were on the cusp of entering the second phase of a monetary crisis, which I defined this way...

> Phase II happens as the government begins to take actions to halt rising prices through force. The government will not cut its own spending, which is the primary driver of inflation... It will not begin to address the unsustainable nature of entitlement spending, or the current value of its long-tail obligations...
>
> Instead of addressing the genuine causes of inflation in the United States, the government will begin to tax, regulate, and even imprison what it labels the culprits. These efforts will only exacerbate and accelerate the rise in prices... Once Phase II begins, more and more people have tangible evidence that something has gone badly wrong with the economy. They begin to hoard. <u>Rich people hoard gold and silver.</u>

After I wrote those words, the annual government deficit soared from less than $300 billion to around $700 billion annually. The U.S. government continues to foster a soak-the-rich, tax-and-regulate regime, in which a dozen or more states have enacted steeply progressive "millionaire" taxes. Obama has personally lobbied the American people for more taxes on the "rich" – all of which have been used to justify more government spending and ever-larger government deficits.

Meanwhile, the inflation and the joblessness these policies cause have led to a return to "misery index"' conditions in the United States and more social unrest. I wish I could tell you the worst was over and our leaders will soon come to their senses and return our country to sound economic policies. But that will not happen.

Instead, the political dynamic in our country – where criminals run wild on the streets (and in the halls of Congress) while the government continues to print money to pay its debts – will lead to what I call a "Phase III" monetary crisis.

In a Phase III crisis, people flee from the currency at all costs. Civil society falls apart. Cash savings are destroyed and other forms of savings that depend on a stable currency – like insurance policies – are wiped out, too. Worst of all, the monetary crisis makes it impossible for people to save or invest in America. Our standard of living and our stature in the world collapse.

That's what's going to happen. I can't tell you exactly when. But the sure way to know how bad things are getting is to watch the Treasury markets…

As long as the world continues to buy our bonds, we're safe. But a moment will arrive – and it won't be long – when investors simply refuse to own our government's debt at almost any price. *If you don't take steps right now to protect yourself, you will be wiped out when that moment arrives.*

The best thing you can do about it is to own precious metals… especially silver. Owning silver and gold gives you real money that the politicians can't devalue and will have a hard time trying to confiscate – especially if you store it overseas. I recommend silver over gold.

And if you're going to buy silver, you must understand the silver ratio…

The market for silver has two distinct phases. First are the times when silver trades alongside gold as money.

During these periods, there's vast global demand for silver. When gold was the world's reserve currency and silver was also used as money, silver prices averaged around 1/16 the price of gold.

On the other hand, during periods where silver was "demonetized" – when it was not commonly used as money – this ratio to gold would become completely unpegged. In 1991, for example, an ounce of silver traded for only 1/100 the price of an ounce of gold.

When I first began to perceive we were in the early stages of a huge monetary crisis, I recommended readers add silver bullion to their portfolios as a hedge against the risk of hyperinflation. Back then, silver was trading at around $14. Gold was trading for around $675. Thus, the silver ratio stood at around 50. That is, silver was trading at 1/50 the price of gold.

In 2014, gold is trading for about $1,200. Silver is trading around $16. Investors who took my advice and began to stockpile precious metals have done very well.

But here's the really interesting part. In 2014, the silver ratio is around 75 – even higher than it was back in 2006. But the risks of a massive inflation have grown dramatically.

I believe silver is, by far, the better buy of the two precious metals.

Silver should be trading at a ratio of 20-25. That would put silver's price somewhere around $49 per ounce to $61 per ounce.

You have a lot of ways to invest in silver… But my colleague Dr. David Eifrig has researched an excellent way that allows individuals to take physical possession of silver without paying huge markups to the spot price (like you would buying rare coins). It doesn't require any risky leverage or buying of mining companies that may or may not be around this time next year.

Dr. Eifrig wrote about this unique opportunity to own real, hold-in-your-hand silver for less than $3 for his *Retirement Millionaire* subscribers… and he has agreed to let me share it with you as well…

— Chapter 2 —

A Silver Investment Created by the U.S. Government

By Dr. David Eifrig

The opportunity to own this type of silver began more than 200 years ago, when Congress designated silver as the material for the U.S.' first coin. Congress based its new dollar on the Spanish piaster, though it took its name from a German coin called the thaler.

Congress passed the U.S. Coinage Act of 1792, which laid out the specifications for all of its new coins. It set the standards we lay out below. (You'll notice the name for dimes is "dismes." That's not a typo – it's from the Latin decima.)

The highlighted coins marked below are those that we've found hold the best value.

However, based on our valuations as of late 2014, none are trading at a discount to their silver content. For now, we recommend waiting until you can buy these coins at a discount.

Eagles	$10	247 4/8 grain (16.0 g) pure or 270 grain (17.5 g) standard gold
Half Eagles	$5	123 6/8 grain (8.02 g) pure or 135 grain (8.75 g) standard gold
Quarter Eagles	$2.50	61 7/8 grain (4.01 g) pure or 67 4/8 grain (4.37 g) standard gold
Dollars or Units	$1	371 4/16 grain (24.1 g) pure or 416 grain (27.0 g) standard silver
Half Dollars	**$0.50**	**185 10/16 grain (12.0 g) pure or 208 grain (13.5 g) standard silver**
Quarter Dollars	**$0.25**	**92 13/16 grain (6.01 g) pure or 104 grains (6.74 g) standard silver**
Dismes	**$0.10**	**37 2/16 grain (2.41 g) pure or 41 3/5 grain (2.70 g) standard silver**
Half Dismes	**$0.05**	**18 9/16 grain (1.20 g) pure or 20 4/5 grain (1.35 g) standard silver**
Cents	$0.01	11 pennyweights (17.1 g) of copper
Half Cents	$0.005	5 1/2 pennyweights (8.55 g) of copper

** 28.34 grams = 1 ounce*

That was the composition of U.S. coins for nearly 200 years, until the Coinage Act of 1965 **removed most of the silver from its coins**. Half dollars changed from 90% silver to 40% silver... And other coins were 75% copper and 25% nickel.

Then in 1970, Congress pulled the remaining silver from the coins.

Coins dated before 1965 are known as “junk silver.” They get tagged as “junk” because they have no value to collectors. They circulated widely in pockets and purses and show a lot of wear. By one estimate, more than 13 billion of these coins are spread around the country.

But what’s bad for collectors is great for us as investors.

Because they don’t have collectible value, these coins can be purchased at just a few percentage points above the spot price for an ounce of silver.

That’s significant since collectible and uncirculated silver coins often have premiums of 25%-50% or more than the spot price. So junk silver gives us an immediate 25%-30% discount to other types of silver coins.

How do you buy it? Junk silver comes in $1,000 face-value bags of either dimes, quarters, or half dollars. So the breakdown of a bag could be any of the following three:

- 10,000 dimes
- 4,000 quarters
- 2,000 half-dollar

Regardless of which denomination you choose, the amount of silver you are buying is the same... about 715-720 ounces.

The retail price for a $1,000 face-value bag of dimes, quarters, or half dollars in 2014 is about $16,800, plus shipping and insurance (which vary depending upon the delivery location, usually ranging from $60-$120).

So let’s say the total cost is about $16,900. (By the way, many dealers will split bags into smaller bags to fit your budget... we’ll give you the name of one in this chapter.)

Now, take $16,900 and divide it by 10,000 dimes and you get real, hold-in-your-hand silver for just $1.69. (Keep in mind, this value can fluctuate daily with the price of silver and with demand.) And that's why we say you can get silver for less than $3.

As the price and demand for silver increase, so will the value of your "junk silver."

But remember, silver is volatile. Any change in the price of silver could change your total cost. For the most current price, you can call either of the dealers I recommend in this chapter.

Plus, growing demand will push up dealer premiums on junk silver, further multiplying your gains.

In addition to the 25%-30% discount you get buying junk silver, you have four other reasons to own these coins rather than bullion, exchange-traded funds, mining stocks, or collectible coins:

90% of silver coins are well recognized – These coins are already well known. The fact is, you rarely find them in day-to-day circulation because people have already gone through their change looking for these valuable coins. And as precious-metal demand increases, even more people will recognize the coins.

90% of silver coins are easily divisible – Unlike a silver bar or gold coin, junk silver coins are already portioned in smaller amounts should you ever need to use it in everyday transactions.

90% of silver coins are liquid – There has always been a demand for these types of coins. Thanks to a dealer network and places like eBay, plenty of buyers are available should you ever want to cash in your gains.

90% of silver coins do not require verification – The silver content of these coins is so widely understood, you don't need to verify the authenticity and value. Again, there's no collectible value, and everyone understands they're 90% silver.

— Chapter 3 —

Where to Get Your U.S. Coins

Buying silver and gold can be a risky business if you do not know who you are dealing with. Over the years, we at Stansberry Research have formed some reliable contacts in all areas of the financial world. Here are a few folks who “hoard” pre-1965 silver coins… and feel free to tell them we sent you. (Also, be sure to let me know your experience dealing with them.)

The names are:

Rich Checkan
Asset Strategies International
1700 Rockville Pike, Suite 400
Rockville, MD 20852
Phone: 800-831-0007 or 301-881-8600
Fax: 301-881-1936
E-mail: moreinfo@assetstrategies.com

Parker Vogt
Camino Coin 1301 Broadway Ave.
Burlingame, CA 94010
Phone: 800-348-8001 or 650-348-3000
E-mail: Parker@caminocompany.com

Rest assured, we receive no compensation for mentioning them.

Remember, you can always check the live price of silver at: www.bullion-direct.com.

— Chapter 4 —

Safe Silver: A Far Better Business

We think Dr. Eifrig's "junk silver" strategy is an excellent way to hold some physical gold and silver (particularly silver) to protect against a currency crisis.

But to capture greater gains as panicked investors rush to bullion, I like to own silver companies. Silver companies follow the movement of the underlying metal while also providing leverage. If we own silver bullion, we only make the price increase of silver. If we own a silver company, we can earn much, much more.

Silver Wheaton (NYSE: SLW) is the largest silver streamer in the world.

A "silver streamer" is essentially a company that purchases the silver byproduct from base-metal miners. Simply put, when a copper miner (or zinc miner or iron miner) extracts ore from his mine, that rock likely includes a lot of minerals other than copper – including silver. The copper miner doesn't want the hassle of smelting and dealing with the silver from his mine.

Approximately 70% of the world's silver is produced as a byproduct from other metal mines... So a silver streamer, like Silver Wheaton, is there to take it off his hands.

Silver Wheaton will swoop in and make a deal upfront for the silver. It's a good deal for the base-metal miner because he gets guaranteed income for his silver. And it's a great deal for Silver Wheaton because it gets a guaranteed supply of silver without the hassles and risks of actually mining it.

Silver Wheaton has dozens of long-term agreements across 23 gold and silver mining assets with companies like Barrick, Goldcorp, Glencore Mining, and Lundin Mining. In 2013, Silver Wheaton's streaming agreements produced about 26.8 million ounces of silver equivalent in 2013. Over time, other mines already covered by agreements with Silver Wheaton will be built, and the company expects production to hit 48 million silver ounces by 2018.

To understand exactly how these deals work, let's look at Silver Wheaton's agreement at Peñasquito, the second-largest mine in Mexico. It's a world-class gold/silver/lead/zinc deposit.

Silver Wheaton's flagship deal is an agreement with Goldcorp for 25% of the silver produced at the Peñasquito mine… for the life of the mine. This is the largest silver deposit in the world. Even a 25% stake ranks among the planet's top 20 silver deposits.

In April 2007, Silver Wheaton paid Goldcorp $485 million. At full capacity, the company expects to average 28 million ounces of silver per year for 13 years. That's an average of 7 million ounces per year for Silver Wheaton.

In 2013, the company sold 5,317 ounces of silver from Peñasquito for an average price of $23.81 per ounce. The average cash cost per ounce was a mere $4.12. That means the company's profit from each ounce of silver was $19.69.

Silver Wheaton's fundamentals are nearly perfect… This company has negligible debt, billions of ounces of silver equivalent reserves, an operating margin of around 50%, and a secure cash flow from mines in 10 countries. By 2017, it will produce about 53 million ounces of silver. That's almost double last year's production.

Silver Wheaton's strategy has paid off so far… but its results will get even better as the price of silver rises.

Silver Wheaton's costs are fixed. So as we saw with the Peñasquito example, any increase in the silver price goes straight to its net profit. According to the company's third-quarter 2014 filings, it pays an average of $4.16 per ounce of silver it receives. If you look at Silver Wheaton's share price compared with its earnings, you'll see a direct relationship to the price of silver. In other words, as the silver price goes up, people will pay more for the stock.

That means a rise in the silver price gives your investment “juice.”

Of course, the leverage works both ways. When the metal sells off, so do the shares in Silver Wheaton.

When investing in trophy-asset companies like Silver Wheaton, we like to compare the company’s market cap with the value of its tangible assets. Our aim is to buy a company when its market cap trades at a discount to its tangible assets. At least 25%... higher if possible.

We’ve analyzed Silver Wheaton’s numbers going back to 2005. It turns out, the last time we could buy the company at a discount to total assets was back in October and November 2008. During that time, you could have bought the company for up to a 30% discount to total assets. The stock soared from lows around $3 per share at that time to as high as $47 in early 2011 when silver was also trading at multiyear highs of about $48 per ounce.

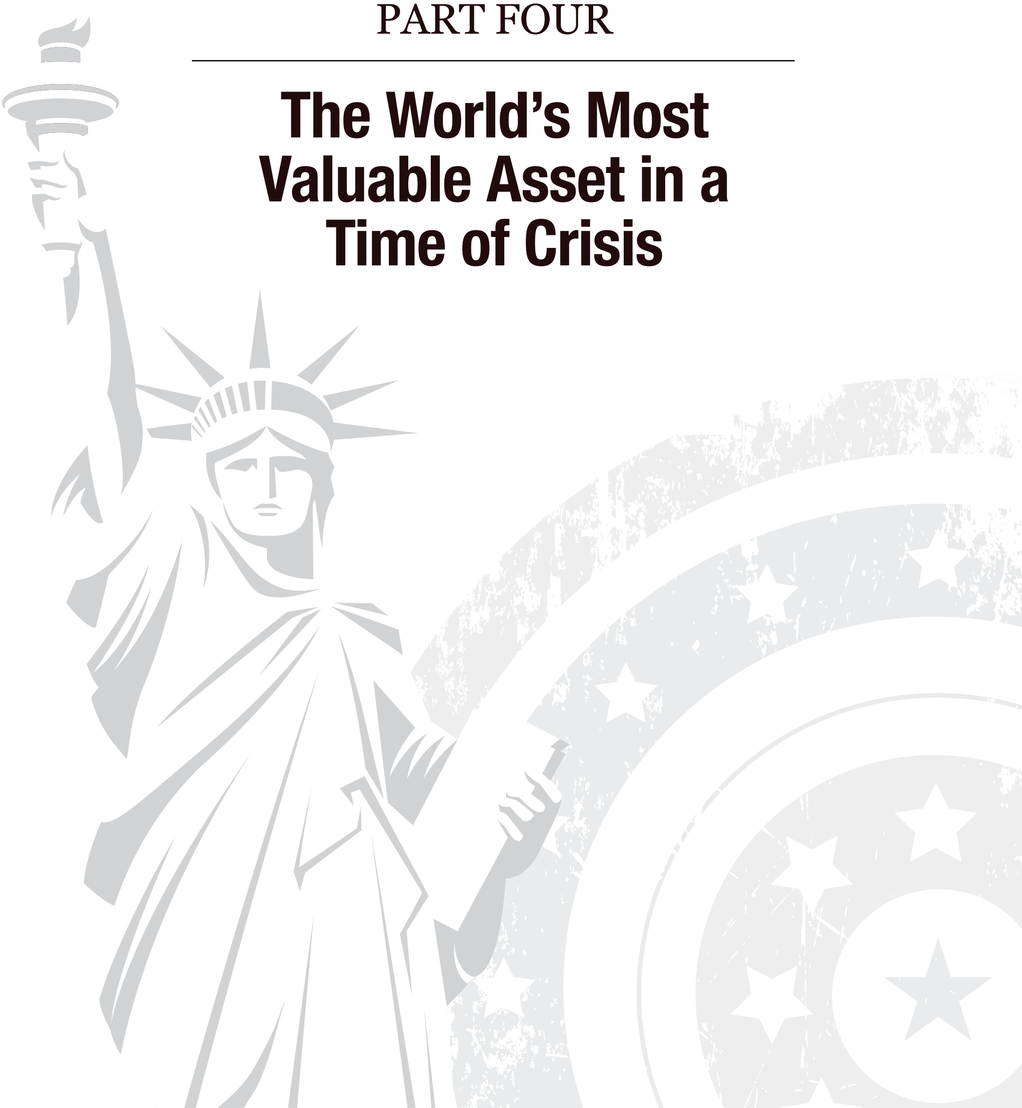
As of September 30, 2014, the company’s total assets equal $4.3 billion. The company carries no goodwill or intangible assets on its balance sheet, so we’ll use its total assets valuation. At the time of writing this, the company’s market cap sits around $7.7 billion. That’s a 79% premium based on its total assets valuation.

But remember this: **From 2004 to 2014, total assets have grown from $156 million to $4.3 billion**. That’s massive growth in 10 years. Now, we don’t expect growth to continue at such high rates. But looking at the past five years of data, the company still enjoyed an impressive 14% annual growth rate.

Given the recent selloff in the precious metals market, along with the company’s ability to grow assets, we believe we’ll get another opportunity to buy at a discount.

PART FOUR

The World's Most Valuable Asset in a Time of Crisis



— Chapter 1 —

How You Can Protect Yourself – and Even Profit – in the Face of a Crisis

If things get as bad as I expect in America in the coming years, most people are going to lose a lot of money.

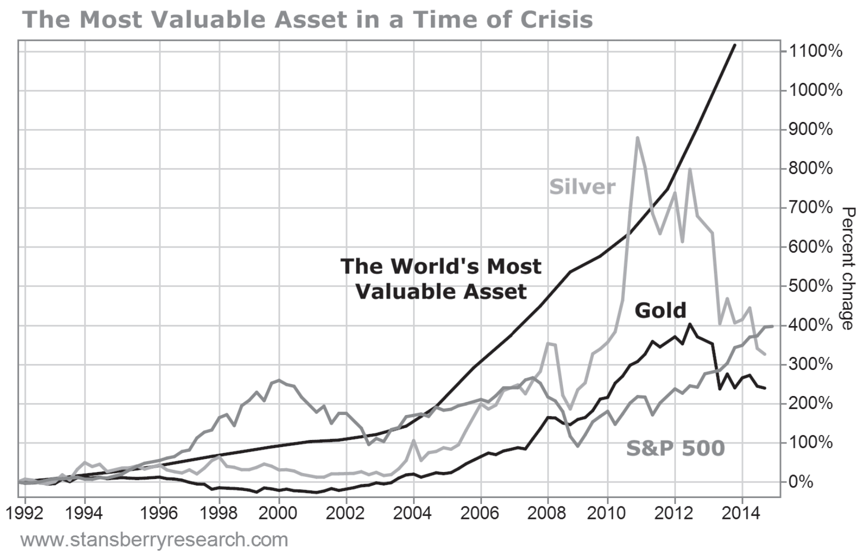
So how can you protect yourself… and even potentially make a profit over the next decade?

Well, you should own a significant amount of precious metals… real, hold-in-your-hand gold and silver. Both of these metals have skyrocketed between 1992 and 2012: Gold rose more than 450%, and silver increased nearly 800%. Both have pulled back more recently, but are still up over the long term.

But guess what…

There's one investment that might prove to be even better than gold or silver when America's currency crisis hits full tilt.

Since 1992, this investment has easily outpaced both stocks and gold, appreciating by more than 1,000%. And if you go back to 1971, a year before the U.S. went completely off the gold standard, the gains are even greater.



So what is this incredible asset that has crushed stocks and gold, and how does it beat these things handily?

We're talking about **farmland**. The chart above shows the total returns of U.S. farmland versus the total returns of gold and silver.

The returns from farmland come from the National Council of Real Estate Investment Fiduciaries. According to *Ag Decision Maker*, published by Iowa State University, roughly half of the overall returns come from the appreciation of the actual land.

The other half comes from the "rent" you can get by farming your land – or hiring someone else to do it for you. Add these components together, and it's easy to see why the overall returns of farmland have outpaced gold, stocks, and just about any other asset we could name.

Some call farmland "gold with yield" – because you book steady income from rents while you wait for the value to grow. I can think of no better asset to own during any kind of financial crisis.

Why does farmland do so well?

When food prices go up, farmland prices go up. There's no shortage of mouths to feed – on this side of the globe or the other.

And as an added benefit, farmland returns have little correlation to the returns on stocks and bonds. Farmland didn't fall in a single quarter during the financial meltdown.

If you believe, as I do, that inflation will only get worse, then you'll want to look closely at an investment in farmland.

Consider…

If you had invested your money in the stock market at the beginning of the 1970s, you would have made about 16%… TOTAL… over the course of the entire decade. Adjusted for inflation, you would have lost about half your money.

But during the same time, the total returns of U.S. farmland were more than 600%. Now imagine what farmland might do…

I can guarantee we are going to experience major inflation.

On top of that, other factors are pushing farmland prices higher…

Just to name a few: A tightening supply of farmland and rising demand for crops. In short, I expect farmland could be one of the best investments of the next decade.

Of course, farmland has another great benefit as well…

It can actually save your family during a serious crisis.

Barton Biggs, in his excellent book, *Wealth, War, and Wisdom*, reports farmland was the one thing that saved families in occupied France, Poland, Holland, Germany, and Italy.

> An unostentatious farm, not a great estate, is probably best. Bricks and mortar real estate can be expropriated or bombed, but the land is always there. Your land can't be plundered or shipped off to somewhere else.

> During World War II in most of the occupied countries, if you had a self-sufficient farm, you could hunker down on it and with luck wait out the disaster. At the very least you were supplied with food in a starving country.
>
> A working farm protected both your wealth and your life.

As my good friend (and multimillionaire investor) Doug Casey likes to say, in a time of crisis, “The best thing you can do is buy a really good farm.”

We began writing about farmland as a “crisis asset” in 2010. Since then, market prices have confirmed our thesis. Iowa State University’s annual survey of land values reports Iowa land prices increased 32.5% in 2011… followed by another 23.7% in 2012… and hit historic peaks in 2013.

Most people don’t realize how important the black earth of Iowa and its neighboring states was to the formation of the American Empire. It’s impossible to overstate it. To this day, the farmland of Middle America is a key component of America’s geopolitical dominance.

This giant chunk of land is crisscrossed by an extensive network of navigable waterways. This allows America to produce stupendous amounts of food… and to efficiently transport that food (via ships) to markets.

There is simply no other region on Earth that can produce such huge amounts of food and ship it at such low cost. Farming this region allowed America to develop a massive, well-fed population. It allowed capital to flow into railroads, factories, and cities. It allowed the build-out of the most powerful military on Earth.

So what’s the best way to capitalize on the booming farmland trend?

Well, just like I prefer owning real, hold-in-your-hand gold and silver rather than owning precious metals on the stock market… I suggest you **seriously consider a private land deal**. You should investigate buying a plot of farmland.

But if your only option is the stock market, there is one company that you should consider…

— Chapter 2 —

One of the Best 'Crisis Asset' Companies in the World

My favorite agricultural company is called **Cresud (Nasdaq: CRESY)**.

Cresud is run by one of the world's best investors, a man I'm almost sure you've never heard of, named Eduardo Elsztain.

I've been a longtime admirer of Eduardo, and I've gotten to know him on a personal level, too. He even invited me to ring the opening bell with him on the New York Stock Exchange in 2013 to commemorate a new business deal.

One of the things I love about Eduardo is he has survived and prospered through more government-debt pileups and busts than any big investor I'm aware of. You see, Eduardo has lived his life in Argentina, which has a history of wiping out investors time and again.

Eduardo's first-hand knowledge of how to invest through an inflationary time is important… as our U.S. government is inflating our money at an unprecedented, off-the-charts rate. To me, nobody is more experienced than Eduardo at profiting from this situation.

Cresud is Argentina's largest cattle raiser and owner of private farmland, with some of the world's best agricultural lands. The company's 600,000-acre Los Pozos farm is recorded on the books at its historic cost of around $4.50 an acre (plus improvements). That's the way accounting works. But according to a sale a few years ago, the land is worth as much as 25 times more than what is on the books.

The company is also the biggest owner of commercial real estate in one of the world's finest cities – Buenos Aires. Eduardo buys real estate (buildings) through a company he built called IRSA. He tries to buy it extremely cheaply, improve its value, and then sell it.

He does this because real property is a proven store of value during government inflations. Argentine farmland is some of the world's most productive farmland… A hundred years ago, Argentina was "the breadbasket of Europe." Its agriculture and natural resources led it to become the world's 10th-wealthiest nation.

So what happened in the last 100 years? How could Argentina fall so far in that time? To me, the blame lies significantly with the government…

For nearly 100 years, Argentina has had bad politicians who consistently rang up large government debts while putting the people through excessive regulation/socialism… only to see this unsuccessful formula blow up on the people, over and over again.

Hopefully, our next 100 years in the U.S. will turn out better than Argentina's. But these days, it sure feels like the U.S. government wants to repeat Argentina's formula for failure – large debts, excessive regulation, and more socialist tendencies.

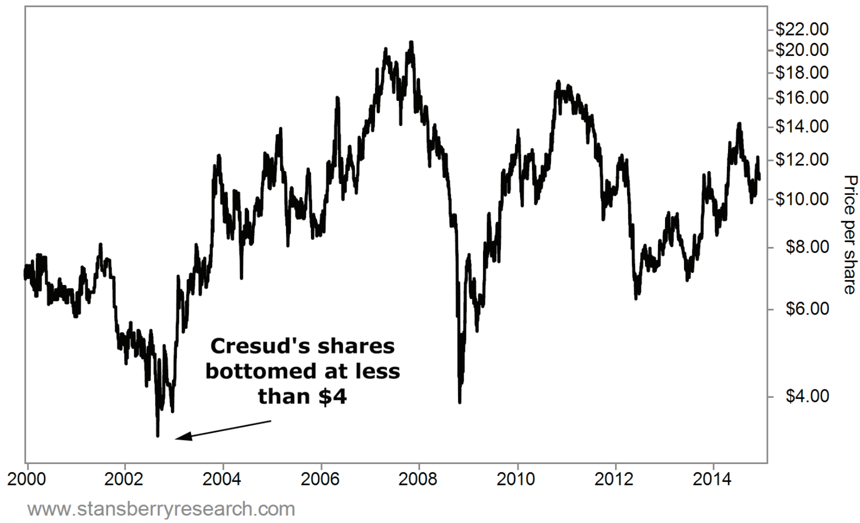
There is one thing we can do to protect our wealth. We can follow Eduardo… we can buy farms, real estate, and gold – REAL things that hold their value when the government goes too far.

Since the 1990s, Eduardo has built one of the world's finest portfolios of real estate. He has made his fortune by being patient for opportunities to appear… and then being bold and aggressive when the time is right.

Cresud manages about 2.5 million acres of farmland. About 1 million acres of this land is in productive use. It has about 66,000 in total cattle stock. About 64,000 are beef cattle stock and around 2,400 are dairy cows.

And Cresud is well-run and incredibly profitable. So what's not to like? There's one catch: The stock is expensive…

Cresud (CRESY)



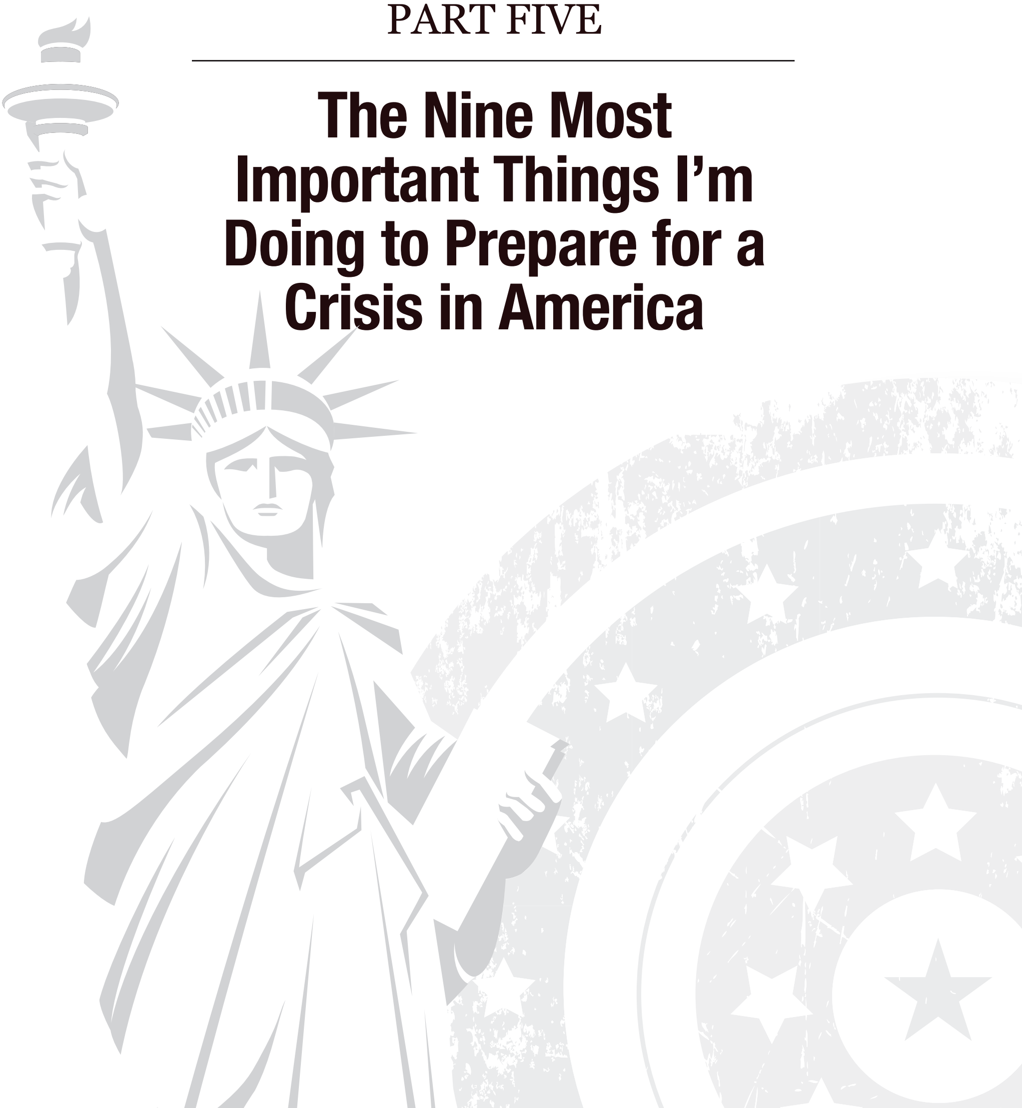
Historically, the time to buy Cresud has been when the stock has been trading for less than book value. When Cresud shares bottomed in 2002... the stock was trading for around 0.8 times book value.

In 2014, shares traded for more than three times book value. No matter how fantastic the business is, that's too much to pay for the shares. Patience will pay off. At some point, shares will dip into buy range.

We recommend you put it on your watch list and buy it when it trades for less than book.

PART FIVE

The Nine Most Important Things I'm Doing to Prepare for a Crisis in America



— Chapter 1 —

An Interview with Porter Stansberry

Editor's note: In May 2014, Stansberry Research sat down for a lengthy interview with company founder Porter Stansberry to talk about what steps he's taking personally to prepare for a financial crisis in America.

In the edited transcript that follows, you'll learn what Porter considers the nine most important steps for protecting your money, your assets, your safety, and your family.

Stansberry Research: Porter, you have been predicting a major crisis here in America for a few years now. I suspect most of our readers know that doesn't mean you think the world will end. But many of them may not be entirely sure about what you think is going to happen.

Porter Stansberry: First, I want to clarify that a major crisis is already going on in our country – and around the world, for that matter. Most people don't realize it. But a currency crisis has been ongoing in the U.S. dollar for years. All you need to do is look at the facts...

The U.S. dollar has lost roughly half of its purchasing power in the last 15 years. You need to spend nearly twice as much cash to purchase something as you had to pay in 1999 or 2000 for the same item. That's really not long ago. So this is a continual currency crisis that we're living in now. The real question people should be asking is whether it's likely to accelerate.

Stansberry Research: Is that where the signs are pointing?

Porter: It's common knowledge that the U.S. economy has an unsustainable debt load. And it's only getting worse. The easiest way for the government to get out of that debt is for the central bank to print a lot of money.

And that's what they're doing... How do we know? Because they're not hiding any of it. So it's only a matter of time until there's a significant loss of purchasing power. When everyday items get expensive, people are going to notice and become upset.

Stansberry Research: That sounds gloomy...

Porter: I'm not saying we'll experience a complete societal collapse. There are several different ways this could unfold. But one thing is for sure: We will have a major currency crisis on our hands soon. It could last a few days, a week, or much longer. But regardless... I'm not worried, personally. I'm confident in the steps I've taken to protect myself and my family.

While I don't ever want something like this to happen – it's going to hurt a lot of hard-working U.S. folks – I'm not going to let denial catch me unprepared. In a situation like this, some things you want to do are just logical.

For example, economies essentially shut down for relatively long periods of time during a currency crisis.

During the 2001-2002 crisis in Argentina, no banking was available at all for a period of about six weeks. There were no ATMs. There was no ability to write checks. There was nothing. The whole economy ground to a halt.

It became basically a barter system. There wasn't enough cash to drive all the transactions. If you didn't have the world's reserve currency – U.S. dollars – you couldn't buy anything. You had to trade for it.

I remember my business partners, whom I probably shouldn't mention by name, bought either a townhouse or an apartment, I forget. But they bought some real estate down there in the middle of that crisis. An attorney had to fly to Argentina to close the deal at a bank. The Argentine seller wanted $300,000 for a property that was worth more than $1 million... But he would only do the deal in U.S. dollars and in cash.

So they wired $300,000 down there, and the attorney pushed it across the table to the seller. The Argentine counted one stack of 100 bills, counted all the stacks, and passed the keys over to their attorney. And the deal was done. The Argentine put the cash in a briefcase and walked out the door. It was classic.

Most Americans have no concept that this type of situation could happen here. People forget that banks have very little cash on hand. The reserve ratio of the U.S. banking industry has been on a steady decline since World War II. So we're more and more at risk of a major bank run.

And let's be honest – being prepared for something like this just makes good common sense. How do you know that there won't be some computer virus that shuts down the power grid or causes banks to have errors? If 11 transformers blew up, the whole national power grid would fail. This wouldn't necessarily have to be the result of terrorism. It could just be a mistake.

A situation like this may not last long. They would probably be able to fix that in a couple days. But we could always face a situation where for a period of three to five days you don't have access to any kind of banking. So the first thing that I would urge people to do is to have **a safe place outside the bank to store a reasonable amount of currency, gold, and silver**… and believe it or not, also guns and ammunition.

Stansberry Research: When you talk about holding cash, are you referring to the U.S. dollar?

Porter: Yes, because the U.S. dollar still remains the world's reserve currency. Now if you really wanted to protect yourself, you could diversify easily. You could get some euros. I would maybe get some Canadian dollars. That seems to be a much safer alternative because it's a commodity-based currency.

The safe currencies are basically going to be the Swiss franc, the Singapore dollar, and the Canadian dollar. I imagine you would be safe with a healthy mix of any of those currencies.

Stansberry Research: Where exactly do you suggest storing it? In your house or a safety deposit box?

Porter: Well, I'm not going to tell you exactly where I keep my money… That wouldn't make it very safe, now would it?

All kidding aside, it's reasonably secure to keep these things in a safe somewhere in your house or on some piece of property you own. But make sure the safe is well-hidden. I wouldn't leave it in my closet.

And you don't have to spend a fortune on this kind of thing. A simple way to do this is to get a self-storage unit. They have 24-hour surveillance. And you use your own lock. Who's going to go looking in a self-storage unit for gold bullion? It's not going to happen. So you could just put a small safe in a self-storage unit and put a bunch of other junk on top of it.

So if somebody does happen to break into it, what are they going to see? Just junk. They're not going to find your bullion. Just make sure that you don't tell anyone where you've hidden your gold, and you pay your storage fees.

Another obviously cheap solution is burying it. You can rent a Bobcat for a day and bury anything you want. If you do that, be careful you don't run into power lines or sewer lines.

Some of this may sound a bit crazy, but it's crazier to be unprepared. The far more dangerous thing is not taking these precautions, right? You're not increasing your risk by taking a small amount of currency and bullion and pulling it out of the bank. You're actually reducing your risk.

Stansberry Research: It certainly can't hurt.

Porter: But really the gold standard is a Swiss passport. If you have all the money in the world and you want the ultimate bug-out plan, then get an apartment in Zurich and a Swiss passport. You can get that done for about $5 million.

Stansberry Research: Well that's great, but how many people can actually afford to do that?

Porter: Not many. Like I said, it's the gold standard. That's what I'm working for. But the important thing I want to get across is that you need to become less U.S.-dependent.

I'll give you another kind of extreme example. I have a friend who is the UN council of some tiny island nation in the pacific. Someplace I can't pronounce.

He gave the government there a quarter-million dollars or so, and they made him part of their UN staff. So he has a diplomatic passport that allows him to travel anywhere in the world.

Stansberry Research: So what could someone who isn't a millionaire do to become less U.S.-dependent?

Porter: It depends on where you live. I have a place in Miami. If I lived there full-time, I would get a bank account in the Bahamas with a safety deposit box. That would be a very easy solution for me. It's easy for me to transfer bullion and paper bills to those locations. If you live in the northeast, Canada is a great solution. Or if you live near the U.S/Mexico border, then you can do the same in Mexico.

The idea is just to diversify your savings in a way that would allow you to prosper even in the event of a breakdown of the U.S. banking system, whether that was due to a currency collapse or due to a technological failure or do to some kind of malfeasance. You know, maybe hackers break into your bank and steal all the money or something.

Stansberry Research: So just to reiterate, you think the most important things our readers can do in preparation for a currency crisis is having some of their assets outside a bank and becoming less U.S.-dependent…

Porter: Yes, but don't forget about having plenty of currency on hand. And that is especially true if you are traveling.

I've got a good story about that, by the way…

What would you say is generally associated with carrying large sums of cash? After all, it is very frowned upon in the world.

Stansberry Research: I don't know… Probably drugs or prostitution. Something illicit like that.

Porter: Right, it is very frowned upon in the world. But a lot of the older, very successful people I know simply think it's prudent to carry a large amount of cash.

So one senior newsletter writer I know very well always carries at least $100,000 in cash with him everywhere he goes, and it came in handy one time we were traveling in Argentina…

We were in the Salta Province in northwest Argentina, and it was about 7 o'clock at night. Once we got to where we were going, a close colleague of mine picked up a call on his cell phone from his wife. She said the worst thing you could possibly imagine hearing, "Our daughter has viral meningitis, and she's not going to live through the night. You have to come as soon as you can."

So think about that…

It's 7 o'clock at night. You're in the middle of nowhere in rural Argentina. And your daughter's not going to live until the morning, what do you do?

What would any good friend do? You pick up the phone and call the concierge at the hotel back in Buenos Aires. You say, "My colleague's daughter is dying back in the U.S. We need a Gulfstream here ASAP, and we need to get my friend to the hospital back in the U.S. as quickly as is humanly possible."

And the concierge says, "The plane will leave in 45 minutes." He hangs up and makes it happen.

The plane is in the air. The pilot calls me. "Listen, buddy, we're in the air, but I'm turning the plane around right now unless you can assure me that there's $85,000 in cash when we land."

"How about we wire it to your bank in the morning?" I ask.

"No can do," he says. "We need it on the tarmac."

There are 10 of us in the group. Now, it's 9 o'clock at night, and of course, we're still in the middle of nowhere, Argentina. "Hey, anybody got $85,000 I can borrow?" I ask.

That's not a made-up story. That really happened. I was there, and there was no substitute for having $100,000 in cash. My cash-carrying friend saved the day. Without this cash on hand, there's no way this could have happened.

Stansberry Research: Was his daughter OK?

Porter: It's a long story, but eventually he got there at around 2 p.m. the next day. And fortunately, his daughter survived.

Stansberry Research: Wow.

Porter: But yeah, it was unpleasant. Anyway, things can happen... especially if you're traveling. Often when those things happen, there is no substitute for cash. A lot of times when I'm on my boat in the Bahamas and we're running low on fuel, we'll find an island with a tiny dock... like you'd see on a Microsoft screensaver, you know?

There's a little tiny island with one dock and a Texaco fuel pump. You know there's no way you can use a credit card because the cellular system's never working. So unless you have cash, it's a no-go.

Stansberry Research: Those are some amazing stories. It really sounds like something straight out of a movie, but I'm glad his daughter was OK.

Porter: Trust me, it's not something you want to go through. My son got very sick and was hospitalized for a while. It puts things in perspective. Nothing's more important than your family's health.

But people don't think about that sort of thing. If something were to happen – even if you couldn't go to a pharmacy for a few days – do you think people are prepared for that?

No way, nobody even considers what it would be like if you couldn't get medicine or go to the grocery store for a week or a month at a time. If you require medication for your health...

Stansberry Research: Or your kids...

Porter: Right, especially if you're a diabetic or something like that. Believe me, those things will be the most important things to have stockpiled.

Stansberry Research: Even basic antibiotics.

Porter: Yes, it's smart to have a secret stash of antibiotics and first-aid supplies. I don't want you to think I'm a "doomsday prepper"... I'm not.

I don't think it makes any sense to believe you can live in a hole in the ground for a year. But I definitely believe in having the resources and the ability to take care of yourself and your family for a seven- to 10-day emergency period... and ideally having the wherewithal to be able to leave the country if the crisis were to get worse.

Stansberry Research: It's always smart to have an exit strategy...

Porter: Definitely. I would have an escape plan, not a hole in the ground. But in any case, it's reasonable to keep a seven- to 10-day supply of cash, medicines, food, water, and guns and ammunition. There's no doubt that the social order in our country could break down.

Stansberry Research: But if the social order seriously begins to break down during a currency crisis and things get dangerous, what can our readers to do, other than trying to get out of the United States? I mean, that might not be an option for everybody.

Porter: Right, it probably isn't. I can tell you which neighborhoods you don't want to go into. And I think we all know where those places are.

Stansberry Research: Don't head to Baltimore?

Porter: Don't head to Baltimore. There's a reason why we built a 12-foot wall around our building, right?

I saw a recent infographic yesterday in Chicago that showed the demographics of the city. It showed how the very poor had expanded out into the suburbs in Chicago, and the very rich had become more and more isolated in the center of the city on the shore.

I would try to find a way to get to any of the 50 or so places in the country that have real concentrations of wealth.

You know those signs that say, “We accept EBT”?

Stansberry Research: Yeah, those are places that take food stamps, right?

Porter: Exactly. Those are the areas you want to avoid.

Stansberry Research: I get what you’re saying. But couldn’t the really wealthy areas become a target? If you’re in the center of the city with all the wealth but surrounded on all sides by neighborhoods where people are collecting food stamps, is that really a good idea?

Porter: Yeah, in fact it is. That’s where I want to be. The rich people are going to take care of themselves. I remember when Hurricane Katrina hit New Orleans. The people living in one really wealthy neighborhood, Audubon Place, flew in a team of Israeli mercenaries on a private jet and put their whole neighborhood on lock down. Nobody came in or out.

Stansberry Research: Not a bad private security force to have in a pinch.

Porter: Exactly. So if you asked me whether I’d rather be in Compton or Beverly Hills, I’m going take Beverly Hills. And this type of advice applies to everyone. If you have the option to live in a big house in a transitioning neighborhood or an apartment in a wealthy area, it’s safer to choose the apartment every time.

Stansberry Research: I was just suggesting that maybe you would leave the city and go out into a more rural area?

Porter: If you study past breakdowns of society – the riots in ‘68, for example, here in Baltimore or the ones in Detroit – the rioters always burn their own stores.

And just think about it. People out in Baltimore County are armed to the teeth. You don’t want to go there.

Stansberry Research: Yeah, you probably don’t want to test your mettle against a bunch of angry farmer’s with shotguns.

Since we are on the subject, any other worst-case-scenario precautions? What about generators or anything like that? I know you're not a prepper, but being without power for a week or a month during a crisis seems like it could make things worse.

Porter: Listen, if you can afford it, a generator is always a smart idea. Plus, they are great for things like hurricanes, blizzards, or even just Baltimore's power grid. I've got backup generators and all that, but...

Stansberry Research: Do they run on natural gas?

Porter: They run on propane. I've got really big propane tanks. But they're only going to keep that generator going for a maximum of seven to 10 days before it runs out of fuel. So I don't really think that generators are the answer except for in a very short-term scenario, like a hurricane or a power outage.

Like I said, if there's a crisis that's going to be longer than a week, I'm not staying... I'm leaving.

Stansberry Research: Got it.

Porter: And so I think the best thing you could have is a boat or the ability to get to Canada or to Mexico or somewhere of your choice. But I don't think of this is a currency crisis precaution... more like an end-of-the-world thing. Most of the precautions people should take are really just common sense kind of things

Stansberry Research: Like what?

Porter: I'd recommend like once a year maybe go through a folder in your safe that has your critical documents: birth certificates (the originals), your passport, your insurance policies, etc. All those critical documents should be in the same place. I do it on my birthday.

I also have a cover letter on my folder that tells my wife where all of our assets are, what the account numbers and passwords are. All that stuff.

And you might say that's a security vulnerability. It is. But if they've already broken in and forced me to open my bullion safe, I got bigger problems than the fact that they now have all my account numbers and passwords.

Stansberry Research: What about specific cash holdings? I know you said to have cash on hand, but people always wonder exactly how much cash they actually need. How much should I have in cash?

Porter: A good thing is to have enough cash so that you can pay all your bills for 30 days. Figure out what your requirement of cash is for 30 days and assume that you can't write a check or go to the ATM machine. I don't think you have to be paranoid to know you don't want to end up in a situation where you don't have any money.

Stansberry Research: And gold or silver? How much gold should people keep on hand?

Porter: I think it makes sense to hold, you know, 5% to 10% percent of your net worth in precious metals. And whether it's gold or silver really doesn't make any difference. I would look at the silver-to-gold ratio, and I would allocate the value.

Traditionally, the "gold to silver" ratio has been as low as 16 to 1. Meaning the price of an ounce of gold cost 16 times more than the price of an ounce of silver.

In recent years, the ratio has been much higher than 16 to 1. If it's above 50, I would probably buy silver. Meaning if gold is 50 times more expensive than silver, then I think silver's cheap relative to gold. If the silver ratio is 25, then I would buy gold.

And what I do is very simple. Every year in January, when I'm done paying my taxes and paying off my Christmas gifts, I take the money left over from the previous year, call up my broker, and put it into gold bullion. I've never sold a single ounce of it. And to tell you the honest-to-God truth, I don't even know exactly how much I own. I just keep putting it in a pile, so to speak.

I just don't keep all that much money in my checking account. Anyone who reads my newsletter knows I don't recommend keeping much money in your checking account. I keep far more of my assets in my brokerage account.

Stansberry Research: Do you have the physical, paper shares?

Porter: No, I don't bother with any of that.

Stansberry Research: You're not worried that all of that just might disappear one day?

Porter: I'm not worried about it.

Stansberry Research: All that money in your brokerage account?

Porter: I have a significant portion of my net worth in physical things – houses, farms, gold, and real estate. I've got a business that's worth a lot. So if the worst were to come, I'm sure I'd be OK. Henry Ford has a great quote that your only real security in life is the people that you know and the skills that you have. So I don't live in fear.

But for people who are retired, these are much more important questions. Those folks want to make sure that they understand who controls the title to things. And if they're going to own stocks like IBM and Hershey forever, it might make a lot of sense to demand the paper shares and put them in the vault. It can't hurt.

Stansberry Research: If you don't plan on selling them any time soon...

Porter: Yes, and in fact, that might be a really useful thing for some people. A lot of people have a really hard time just sitting still and hanging on to financial assets because you can just go trade them any time you want. So if you find yourself having that problem of not being able to hold onto things for the long term, then get the paper stock.

Stansberry Research: I've been thinking about doing that myself lately. I have some stock that I don't plan on selling for at least a decade or two.

Porter: That's smart then. It can also be very comforting.

Stansberry Research: Yes... until you start worrying if there's a fire.

Porter: Well, I'm sure there's a corporate registry if that were to happen. I believe there's an account somewhere that shows that you own a certain percentage of the shares.

*[**Editor's note:** It is possible to recover your stock if your physical shares are lost, stolen, or otherwise damaged. Typically, you must contact the company's transfer agent, and it will help you begin the process of recovering your shares. You will have to give the details surrounding the loss of the shares, as well as provide some information to verify that you are indeed the rightful owner.]*

Stansberry Research: Speaking of stocks, Porter, what kind of investments should people make to protect themselves and some of their money during a currency crisis?

Porter: The important thing you want to do is make sure that your savings are being held in an asset that can manage an environment of sharply rising prices. So the most important thing for you to do is to not own bonds, especially long-term bonds. There is a mania in the bond market. People have responded to this global uncertainty by buying fixed income and that has forced the yield way down on these bonds.

First, it's important for people to know that when the price of a bond goes up, the yield goes down. So you'll see bonds now, low-quality, risky bonds – not investment-grade bonds – trading at prices way above par so that their yields are actually less than 5%. It's absolutely insane to purchase these low-quality bonds. You know through history that more than 5% of these bonds are likely to default.

If you bought a broad portfolio of these bonds, over time you would make nothing. Meanwhile, over a 10-year period, the purchasing power of the dollar is going to decline by 15% or 20%, even if we're wrong about any kind of crisis.

The simple reality is that you're going to lose money in real terms with these bonds, but most people don't understand that.

Something else you want to be cautious about is life-insurance policies. If you have an insurance policy you've been paying for a long time and the death benefit isn't likely to be paid until 20-25 years from now… the real value of that payout is nothing compared with the value that you are giving the insurance companies. The insurance companies got pre-inflation dollars, and they only have to pay out post-inflation dollars.

Instead of buying life insurance, buy the life-insurance company instead, right? If it can afford to pay out those benefits, it's not doing it for free. It's getting something more out of the deal. So watch out for bonds, especially long-term bonds. Watch out for insurance policies.

Stansberry Research: What about specific types of companies that you should own?

Porter: A lot of people want to buy mining companies as a shield against inflation. They think, "I'll go buy a gold mine and if inflation drives up the price of gold, I'll be protected."

But the reality is these companies don't tend to perform well during periods of inflation. It costs them more to replace their production than they're able to earn selling their gold.

Think about this for a second… say a gold mine has $100 million of gold in it. And you buy it with today's dollars. You're only going to get paid for your gold in the inflated currency. Now, you'll get paid more for it. But in terms of real purchasing power, there's no great increase.

And what happens when the $100 million is gone when all the gold has been produced?

Stansberry Research: There's nothing left.

Porter: Exactly. You own nothing.

So in 10 years, you've got nothing but some inflated dollars back. Meanwhile what really happens is the manager of the gold mine says, "We need to find a new resource." He takes all the money he made selling the gold and buys another hugely expensive mine. And the shareholder gets nothing.

Stansberry Research: What about asset-rich companies that aren't mines or resource-producing companies? Something like a real estate trust or something along those lines.

Porter: What you really want to do is focus on what we call "beachfront property." Not literally beachfront property... but the best assets in the world. You want to focus on what we call "Trophy Assets" that can't be replicated.

The key is you've got to make sure you don't pay too much for it because the prices of these asset prices will soar in anticipation of inflation. And we've already seen that in real estate. The great example of this is the Empire State Building went public in 2013.

Stansberry Research: Wow, I didn't know that.

Porter: Yeah. So think about this for a second. Are the folks who own the Empire State Building likely to know more or less about the real estate market than the general public?

So when you see that kind of thing you have to be very, very cautious. Likewise, the best portfolio ever assembled of corporate real estate was a business called Equity Office Properties.

A famous Chicagoan named Sam Zell built that business over a 30-year period. Sam is one of the people we quote warning about the potential for the loss of the world reserve currency. And Sam sold all of his real estate in January 2007. He sold the company he spent his life assembling, and he did it because people's expectations of inflation were even greater than the risks of inflation.

And so you have to warn people that this Trophy Asset strategy is well-known and you have to be cautious about when you decide to follow it. Our bias is you should try to buy these things when they're trading at half of whatever their estimated asset value is.

And you're only going to get those opportunities during certain rare crisis moments. You have to watch them all and be ready to acquire them at the appropriate time.

But **the best way to protect yourself from inflation is by owning your own asset-light business**. Just for a moment, imagine what would happen to our publishing company if the dollar fell by 50% overnight.

Stansberry Research: You probably wouldn't have to pay me as much.

Porter: Exactly… all of my costs would fall in real terms because all of my labor costs would be decimated. The amounts we're paying you guys in real terms would fall in half. Meanwhile what are my real asset costs? I have almost none. I'd send everybody a note and saying I can't afford postage and printing anymore, so if you can't get your newsletter online, you can't have it.

Stansberry Research: Not a bad business to be in…

Porter: That's what I want people to understand. Cutting a few costs would eliminate all of the damage of inflation to my business. And it would be great because it would reduce my labor costs tremendously.

So for folks who have the wherewithal to structure their own businesses in an asset-light basis, that's the very best way to deal with inflation.

If you can't have your own business that's asset light, you need to look in the stock market for businesses that have that characteristic. We call these "capital efficient" companies. I've written volumes and volumes and volumes about this.

We recommended Hershey in my *Investment Advisoy* in December 2007, which was pretty much the worst possible time that you could imagine to buy stock, right?

It was right in front of 2008, and we didn't stop out of it – meaning it didn't drop 25% from when we purchased… which would have triggered us to sell from our portfolio. This simple fact alone tells you how resilient that business is.

I studied the price per ounce of chocolate versus the price per ounce of gold over a 100-year period. And it turns out that Hershey's chocolate bars were a better hedge against inflation than gold was. I think that's a really valuable secret.

It just goes to show you that there's a mindset out there that the only way to protect yourself against inflation is gold. That mindset is wrong. There are many consumer products that people value more than gold.

And you know I would put medicine in that category. I would put oil in that category, and I would put beloved consumer goods like Coca-Cola and chocolate in that category.

Stansberry Research: All right. Well I think we got good stuff. I think we have some really solid advice that our readers can use to their advantage.

Porter: Before you go, I just want to make one thing clear. I want people to know they shouldn't feel paranoid or scared. What's happening now has been going on for 50 years. There's an easy, sensible strategy that will make you wealthier than you otherwise would be so long as you understand the forces at play and prepare accordingly.

Stansberry Research: Thanks again for your time, Porter.

Porter: Thank you.

— Chapter 2 —

Summary: Porter's Nine Keys to Survive a Currency Crisis

1. Have a safe place outside the bank to store a reasonable amount of currency, gold, and silver.

2. Become less "U.S.-dependent" by holding assets overseas and/or having a plan to evacuate to another country.

3. Keep a seven- to 10-day supply of cash, medicines, food, water, and guns and ammunition.

4. Find a way to get to any of the 50 or so places in the country that have real concentrations of wealth.

5. Review your critical documents (birth certificate, passport, etc.) once a year.

6. Do not hold bonds.

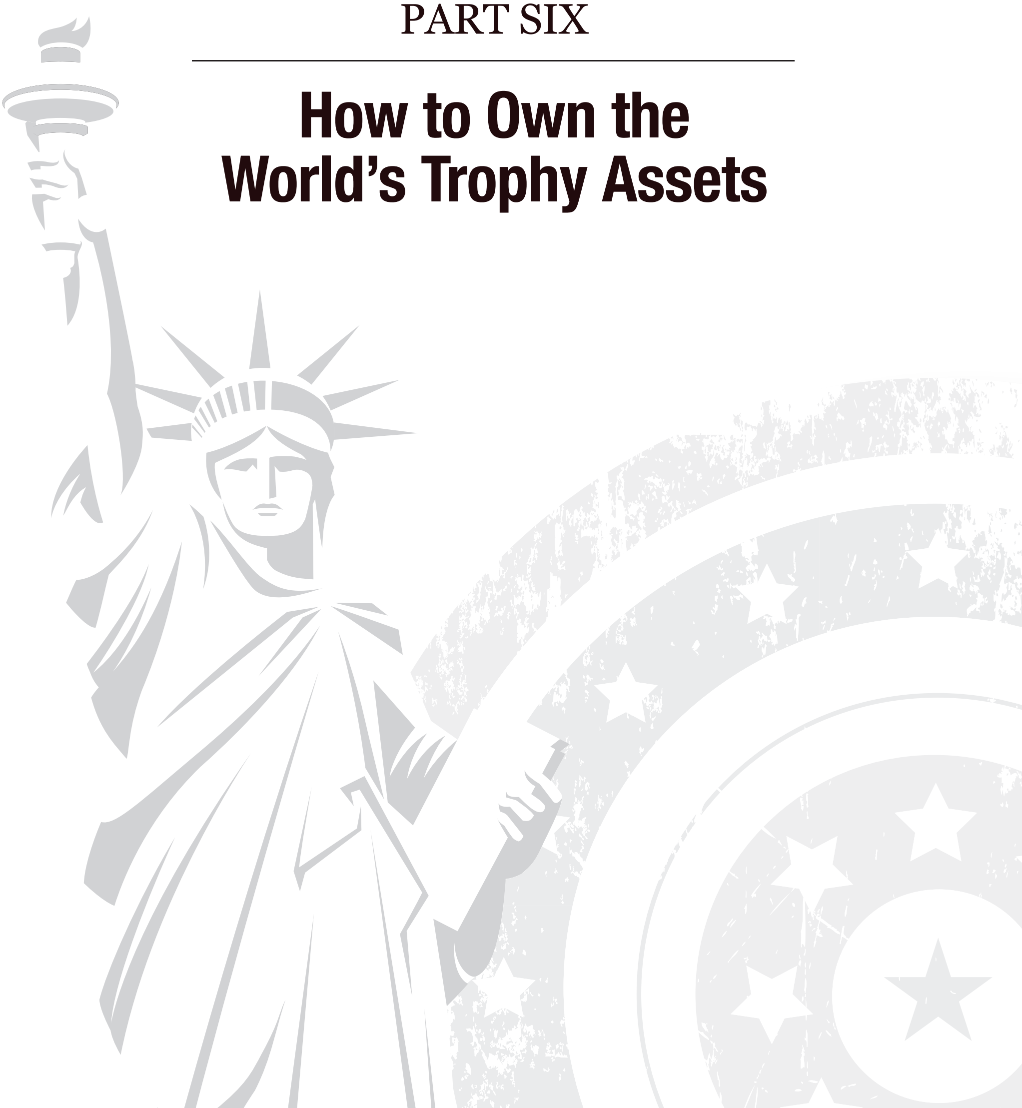
7. Be cautious buying life insurance.

8. Own your own "asset-light" business.

9. Focus your stock investing on "Trophy Assets" and capital-efficient businesses.

PART SIX

How to Own the World's Trophy Assets



— Chapter 1 —

The Most Profitable and Stable Form of Leveraged Investing

In mid-2007, private-equity firm Blackstone Group went public in a huge and highly publicized initial stock offering.

The public was so eager to buy the stock, bankers were able to push the value of the firm to nearly $40 billion. Blackstone had roughly 1,500 employees at the time. According to the stock market, these employees were worth $26.6 million each, making them the most valuable people in the history of capitalism... at least, for a few months.

Due to the outrageous valuation and the incredible hype, the stock soon cratered. It fell from more than $30 per share to less than $5 in a little more than a year. We wrote at the time of the initial public offering (IPO) that Blackstone's shares were not safe. We saw the IPO as one of the most obvious signs of a general stock market peak...

> Chief Executive Stephen Schwarzman and his partner Peter Peterson started this company in 1985 with $400,000. They've worked hard for 22 years. And they're no dummies. They've seen a top in the credit markets before... and this time they're cashing out.
> – *The Stansberry Digest, June 17, 2007*

The Blackstone IPO turned out to be the metaphoric bell ringing at the top of the credit/housing/stock market bubble of 2004-2008. Within only a few weeks of the IPO, the credit markets began to crater, making it harder and more expensive for private-equity firms like Blackstone to get the financing they needed for their deals. Within a few months, credit was simply not available at any price. The stock's share price collapsed.

It would be easy to write off the success of the private-equity funds in the 1990s and early 2000s as simply an aberration – part of the excesses created by a credit-fueled bull market. Except that Blackstone survived the crash.

Blackstone didn't just survive… It prospered and became even larger, in terms of assets under management. At more than $32 billion in market cap, investors value the firm at around $33 million per employee in 2014. With $265 billion in assets under management and $6.9 billion in revenue in 2013, these folks are still incredibly good at making money.

Blackstone's survival, even more than its earlier success, argues its strategy is no fluke. Its acumen is real.

Whatever your particular opinion about Blackstone's future is, you can't deny the private-equity model has proven to be the most profitable and stable form of leveraged investing. In the Securities and Exchange Commission filings that accompanied the IPO, Blackstone disclosed that, while still a private company, its co-founder Stephen Schwarzman earned more than $300 million a year in compensation.

These numbers and the success of so many of Blackstone's investments raise the question…

How do they do it?

How does Blackstone make so much money with so few people? And what can we learn from its success?

— Chapter 2 —

How Private Equity Works

Private-equity firms are mysterious and often portrayed in the liberal media as sinister. Few investors understand how they work.

But everyone knows one thing: They make a lot of money. *On average, Blackstone's clients have earned about 22% annually from their investments in Blackstone's private-equity funds since the firm's inception in the 1980s.*

That's after accounting for the firm's 2% annual management fee and the 20% of profits it takes as its carried interest.

The clients are happy to pay those fees because that 22% rate of return doubles their money in a little more than three years. These kinds of returns aren't normally available to equity investors. Even Warren Buffett, the greatest investor who ever lived, has only averaged about 20% over the long term.

How do they do it?

Simple: They borrow money. Private-equity firms use other people's money to buy assets. Then they use the earnings from those assets to pay back the debt. After a few years, they're left owning the assets outright and can sell them back to the public via a new IPO. In short... they engineer deals that enable them to transform debt into equity.

That might sound complicated, but it's not.

It's essentially the same thing that mom-and-pop real estate investors do all the time. They buy a house, putting only 20% down in equity. They get a bank to loan them the balance, using the asset (the house) as collateral. Then they find a renter to pay the interest and the principal (by renting the house).

After a while – usually seven to 10 years – the mortgage is gone. The owners, who only paid 20% of the initial cost, are able to sell the property to a new buyer for more than they paid, resulting in a huge gain.

Private-equity firms do the same thing, using stocks instead of houses.

Like real estate investors, they start by searching for assets that are "diamonds in the rough" – companies that are managing their assets poorly and/or have seen their shares badly mispriced by the market.

Then, using good contacts and relationships with the major commercial and investment banks, they raise colossal amounts of credit, borrowing billions to buy the companies they target. A lot of the big takeover deals you see written about in the papers are private-equity deals. A typical private-equity fund will buy around 20 different companies over seven years.

But... chances are good that you've never been invited to invest in a private-equity fund.

These pools of capital typically only serve very high net-worth individuals and large institutions, like sovereign-wealth funds, pension funds, and insurance companies.

To see how a private-equity deal really works, from start to finish, let's look at an actual deal...

Back in 2006, Richard Kinder, the CEO of Kinder Morgan (NYSE: KMI), the huge natural gas and oil pipeline company, was frustrated with his company's share price.

The firm had added billions in assets, via a new pipeline constructed under the Rocky Mountains. Yet the stock market didn't seem to notice. Kinder told his investors on a conference call in April 2006 that, at that current price, he'd like to own a lot more of the company. (He held 18% at the time.)

He meant what he said. He called his bankers at Goldman Sachs, who organized a group of private-equity funds (led by the Carlyle Group) to buy the company for $15 billion. To raise the money, the Carlyle Group tapped the banks it had worked with over many years. Since Rich Kinder already owned 18% of the company, the private-equity firms borrowed something on the order of $10 billion.

Nothing really changed about the company, its employees, or its management team. Rich Kinder is one of the true titans of the energy industry. A bunch of guys from New York weren't going to tell him how to do his job better.

But by only putting up $3 billion in equity to buy the company… the private-equity fund was positioning itself to make a windfall return. That is, it invested $3 billion to get a business that was already worth $13 billion, not including Kinder's stake.

The company – not the private-equity funds – then spent the next few years paying down its debts and growing its pipelines. By the end of 2009, the long-term debt was down to only $2.7 billion. And in early 2011, the stock was again sold to the public. Investors paid $30 a share, valuing the business at $21 billion.

The private-equity firms took $3 billion and turned it into roughly $15 billion in a little less than six years. Richard Kinder ended up with 30% of the company, which he kept. And the private-equity investors made five times their money. Plus, the company paid them roughly $1 billion a year in dividends along the way.

Look at the math: The private-equity firms bought a company from other investors worth $13 billion (with $3 billion of their cash and shares and $10 billion in bank debt). Then, thanks to growing earnings and a few acquisitions, they paid themselves roughly $6 billion in dividends (which doubled their money) before selling the entity back to the public for $21 billion.

Did you follow what happened? The answer is, almost nothing changed in terms of the company or its operations. The only thing that changed was the firm's capital structure. **A lot of debt was added and this capital flowed through the company and into the hands of the shareholders**.

It's a great deal, eh? Too bad we can't invest the same way, right?

Well… what if we could?

— Chapter 3 —

Private-Equity-Like Stocks

We have a few obvious ways to invest in private-equity deals. The simplest thing to do is buy the private-equity firms, many of which went public following Blackstone's 2007 IPO.

In fact, the stocks of private-equity companies like Blackstone Group (NYSE: BX) and Kohlberg Kravis Roberts (NYSE: KKR) are some of our favorite equities in the market. Thanks to the Federal Reserve's loose-money policies, they're in their "sweet spot."

They have nearly unlimited access to cheap capital, thanks to falling interest rates and the increasing money supply. This allows them to finance bigger and bigger deals – or in Blackstone's case, unload assets at rich multiples to their original prices.

And as the world's central banks continue to create trillions of dollars of paper money, private-equity firms gather more and more assets.

To take advantage of private-equity deals, you could also buy the shares of the companies private-equity firms are selling back to the public. The firms typically hold their stakes in these companies for several years. Often enough, these stocks perform well because they're highly leveraged, well-managed, and pay big dividends.

But a third way to invest in private-equity deals holds even more promise…

There is a group of companies whose assets are so valuable that they always have access to the credit markets. **We call them "trophy assets."**

These companies own one-of-a-kind assets. When managed the right way, they give public market investors the same high returns as private-equity investors because they can be safely leveraged to produce high returns on equity. While we wouldn't recommend investing in highly leveraged stocks in most cases… there are some important exceptions.

Some assets are of such high quality, they always have access to debt financing.

For example, take the most valuable mine in the world – the Grasberg complex in Papua, Indonesia.

Discovered in the late 1930s and developed by the Rockefeller family in the 1960s, the mining district began producing copper, gold, and silver in the early 1970s. In 2014, the mine is still the world's largest source of copper (averaging 1 billion pounds a year over the past five years) and gold (averaging 1.6 million ounces a year over the past five years).

The mine is so valuable, its eventual discovery was among the motivations that led the Japanese to invade the South Pacific. Likewise, when the Rockefellers' interest in the mine was threatened in the 1960s, the U.S. government engineered a civil war in Indonesia. The coup included one of the largest mass killing sprees in history, which followed a CIA-orchestrated revolution in September 1965.

A reliable death toll number has never been published, but eyewitnesses claim at least 1 million people were murdered in Indonesia. The number of floating corpses seriously impeded the country's river traffic. One of the first major acts of the new government was to annex Papua and take control of the mine.

Despite its bloody political origins, the mine itself is a stupendous human achievement. It sits among the highest mountain peaks in the world (more than 14,000 feet high) in one of the most remote places on Earth. Grasberg is a gigantic open-pit mine, with a mile-wide crater, which can be seen from space.

The facility also includes the world's largest milling equipment, which can process 240,000 metric tons of ore per day. The ore is sent via a slurry pipeline that runs more than 70 miles through the jungle to a seaport built to serve the mine.

Grasberg is a global trophy asset, perhaps the single-greatest trophy asset in the world.

Ownership is split between the Indonesian government (which controls 10%) and the public investors of global mining giant Freeport-McMoRan (NYSE: FCX), which owns 90%. The company estimates the mine still contains 30 billion pounds of copper, 30 million ounces of gold, and 113 million ounces of silver.

Now, you should know that Freeport-McMoRan has found itself in the midst of some hot-button issues, including a labor strike in 2011. And as recently as 2014, the company is mired in a spat with the Indonesian government over taxes. But the assets are there, and Freeport-McMoRan owns 90% of them.

Investors willing to buy at the right price and ride out the volatility will do well. To its credit, company management has done a fantastic job diversifying into some other high-potential areas, including huge investments in the oilfields deep below the Gulf of Mexico.

But the company's real assets are in the Grasberg mine. The gold alone would be worth around $35 billion at today's prices. Given the copper and silver resource in the ore, the gold could certainly be mined for free.

Interestingly, though... the company's market cap is only $30 billion. The discount to the company's obvious asset value isn't unusual. In fact, Freeport-McMoRan is one of the more volatile stocks we regularly follow. The value of its assets changes slowly. (In general, the value rises thanks to the impact of inflation.) But its share price bounces all around.

For example, in 2008, Freeport-McMoRan shares fell from $60 all the way down to almost $10 – a collapse of almost 80%. You can bet nothing changed about the Grasberg mine during that year. All that copper, gold, and silver was still sitting there, roasting under the equatorial sun.

Folks who claim that the stock market is perfectly efficient... that there are never important discrepancies between the price of a stock and the value of the underlying asset... should spend some time watching this stock. It often shows huge discrepancies between share price and asset value.

And as you'll see in the next chapter, that's exactly what we're looking for...

— Chapter 4 —

To Maximize Your Returns, Buy Right

To replicate the returns of private equity, our strategy is simply to buy the highest-quality assets in the world – assets that can safely carry a lot of debt – when those assets are trading at a broad discount to both their historic valuation and their proven tangible asset value.

In essence, **we want to buy the Hope Diamond... but only at a cubic zirconia-like price**. The discounted price alone assures us of a good return over time. But there's something else that will help us make even more money... leverage. The quality of the assets these kinds of companies hold allows them to safely employ a lot of debt, which greatly boosts returns.

Take MGM Resorts International (NYSE: MGM), for example. The company owns most of the Las Vegas strip, including half of CityCenter, a $9 billion hotel and casino development.

CityCenter was at one point the largest privately financed development in the history of the United States.

MGM owns a host of similar, one-of-a-kind properties in the world's leading gambling cities, including Macau, the only place in China where gambling is legal.

According to the company's accountants, its properties are worth "only" $14 billion. It's important to realize that these balance sheet valuations almost always significantly understate the actual current market value because most of these assets are kept on the books at their acquisition cost.

MGM's assets may be worth more than the $14 billion accounting "acquisition cost." MGM's assets include nearly 1.2 million square feet of casinos on the Vegas strip, another roughly 470,000 square feet of casinos elsewhere in the U.S., and 50% of the 300,000-plus square feet of MGM Macau.

Consider that in 2009 (in the middle of one of the biggest Vegas recessions in history), MGM sold its Treasure Island casino on the strip for nearly $14,000 per square foot. At those prices, MGM's Vegas strip properties are worth more than $15 billion all by themselves... you get the Macau property and the other U.S. property for nearly nothing.

Against its assets, MGM has borrowed $13 billion. For many companies, this would be too much debt... But MGM can easily afford the $600 million it paid last year in interest because the quality of its assets is so high.

In a few years, the company could pay down these debts, leaving investors with massive increases to equity. Now, the company may not do this. It could buy additional assets, instead (more likely). **But the point is, as long as interest rates are so low, the company gets to use this capital for next to nothing, which means its shareholders are going to get rich**.

It's the same thing private-equity investors do: They convert debt into profit.

So... how much should you pay to own almost all of the Las Vegas strip... and a bunch of other first-class properties in the world's gambling centers? How much would you pay for the equity, knowing its growth potential? Well... you might be surprised.

The stock fell from almost $100 per share to less than $10 during the crisis of 2008. Again, nothing much changed about its business. Its hotels are still one-of-a-kind. They are still full of gamblers. And last time I checked, Vegas is still there.

What changes, as you know, is the market's appreciation of these assets. But the assets themselves don't change much. They can always be used as collateral. They always turn a profit. MGM proved this by surviving the crisis.

— Chapter 5 —

Why This Kind of Investing Is So Profitable

Trophy asset investing is special for two reasons.

First, unlike a lot of other investments, you can know what these assets are worth because they always carry a premium value to comparable properties thanks to their prized nature.

We could spend years trying to figure out what, say, Google, is really worth. And we might never figure it out… But with companies that hold trophy assets, we can know with tremendous confidence that the underlying assets are always going to be worth a lot.

And that brings us to the second key part of the strategy: **high returns on equity, thanks to leverage.**

Financing for these kinds of assets is always available. That enables the companies that own these assets to use a lot of debt to increase their annual returns on equity, which is exactly the same thing that private-equity firms do. That's why the ongoing profits from holding these stocks can be so high. This is what gives us our biggest advantage.

Private-equity firms earn high returns by taking big risks. They manage those risks by playing an active role in managing the businesses they buy.

Since we're public investors and don't have a voice in the day-to-day operations of the companies we own, we can only invest in highly leveraged companies when we are certain the underlying assets are of the highest quality. By limiting ourselves to watching only the highest-quality companies, we greatly reduce our risk.

Here's a list of stocks that qualify as bona-fide trophy properties…

Name	Ticker	ROE %	Discount or Premium to Tangible Assets
Chesapeake	CHK	4%	-65%
Transocean	RIG	11%	-64%
Cresud	CRESY	-38%	-57%
Freeport-McMoRan	FCX	11%	-54%
Posco	PKX	3%	-53%
Calpine	CPN	10%	-46%
MGM	MGM	4%	-38%
Teekay LNG Partners	TGP	11%	-23%
Kinder Morgan	KMI	10%	-21%
Rio Tinto	RIO	13%	-14%
BHP	BHP	18%	2%
Boston Properties	BXP	6%	4%
Plum Creek Timber	PCL	13%	29%
Royal Gold	RGLD	3%	37%
Silver Wheaton	SLW	9%	49%
Cheniere Energy	LNG	-147%	50%
Potash	POT	15%	60%
Walt Disney *	DIS	17%	88%
Union Pacific	UNP	23%	106%
Hershey *	HSY	58%	260%

** Evaluation uses total assets rather than tangible assets due to brand value*
Data Source: Bloomberg
Data as of November 3, 2014

As you can see, most of these firms are in the natural resource industry. There was a huge bull market in resources for 14 years. Many modern investors don't believe these "Hope Diamonds" will ever trade at cubic-zirconia prices. But trust us... they will.

As a general rule of thumb, **we want to wait to buy these stocks when we can get at least a 25% discount from tangible asset value.** (There are a few exceptions, which we'll explain.) The larger the discount, the more interested we become. Keep in mind, 25% is a broad guideline, not an automatic "buy" trigger.

When we see one of these companies trading at that size discount, we must evaluate the individual stock before making specific buying recommendations. In some circumstances, we may demand an even larger discount…

This kind of investing is a little like buying real estate. As good real estate investors know, you're buying "location" – the quality of the property – not countertops or flooring. All of the cosmetic stuff can be fixed.

We will focus on two key variables: **First, we need to understand a lot about the history of the stock price relative to the value of the tangible assets the company owns**.

Obviously, we want to buy these assets at the biggest possible discount. But in some cases, that's not possible. So *we need to make sure that in the context of the company's trading history, we're buying at the right time*.

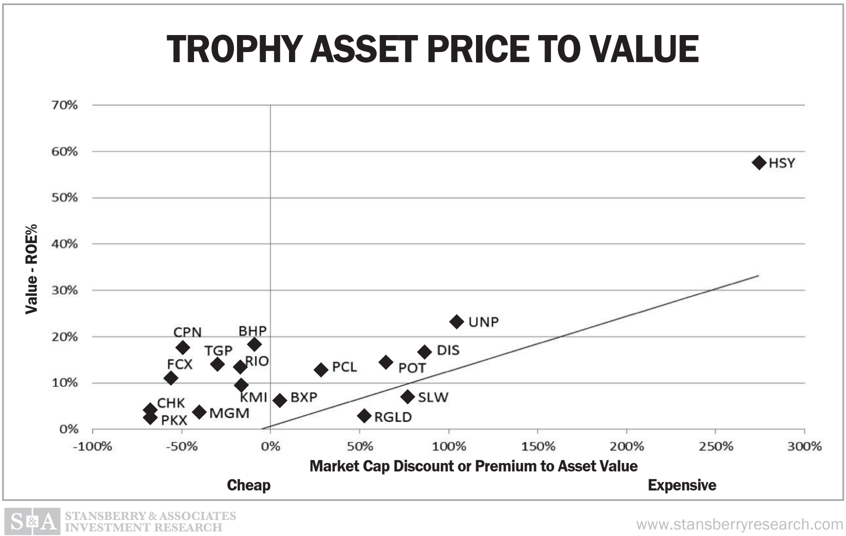
Second, we have to make sure nothing is fundamentally wrong with the assets we're buying. To make sure they're not impaired, we look at the current return on equity. This gives us a good indication about the future rate of return. Ideally, we want to see annual returns on equity of 20% or more… as our plan is to make about 20% annually.

To do that, we've got to buy the world's best assets when they trade at a significant discount. Leverage will help us too, as it will ramp up the returns on equity.

The hard part is, the companies with the best annualized return on equity are normally going to trade at a big premium to asset value. We're looking for outliers… stocks with great assets and a great return on equity but that trade at huge discounts to asset value.

Looking at the summary table above, you can immediately see several companies trading at a substantial discount to tangible asset value. But to decide if any represent good investing opportunities, we start by comparing the size of the discount to the return on equity. That shows you where you can get the best quality and the biggest discount.

Below, you'll find a comparison of the individual stocks in this report across two variables: discount to asset value (price) and return on equity (quality).



This chart compares return on equity to the discount (or premium) of each stock compared to the value of the company's tangible assets. Companies above the trend line have a higher return on equity than expected, given their price.

As you can see, the highest-quality companies, like Hershey (NYSE: HSY), trade at the highest price (premium to asset value). The intangible nature of Hershey's brand makes it unlikely the company will ever trade at a discount to tangible assets.

Otherwise, there are no obvious outliers. That's OK. Great opportunities don't come around every day. That's why we've built this screen... to monitor the companies with the world's most prized assets so we can buy them when the market loses sight of what they're really worth. You can't always buy the Hope Diamond at a cubic-zirconia price. But when you can, it's an exceptional opportunity...

Just remember: With this kind of investing, you make your money based on when you buy. As a general rule... Buy these stocks when they trade for less than 75% of asset value (said another way, at a 25% discount to asset value) and when a confirmed uptrend is in place.

Waiting on the trend to turn in the right direction is important because we've seen in the past that the market participants will often dump these asset-rich companies at prices that don't make any sense. We want to wait for that irrational selling to subside and buy when the shares are on their way back up… as opposed to trying to catch a "falling knife."

Doing so will produce profits of more than 20% a year. And the best part is… it's not hard. All you have to do is follow a few of the world's best assets. Then buy them when they're trading at huge discounts to their underlying values.

— One Final Thought —

Think of These Steps as Insurance for a Storm

Please take the simple steps necessary to protect yourself and your family.

I hope you'll take the research my team and I have spent an incredible amount of time and money preparing seriously. I know in my heart it will be one of the best financial moves you ever make. And I want you to remember one more important point:

All of the steps I am recommending are simple, cheap, and easy… at least for now.

But as you know from your own experience, "storm insurance" and provisions get much more expensive, and even impossible to buy, as a storm approaches.

Think about what happens every time there's a hurricane or snowstorm. As the storm nears, it becomes impossible to buy batteries, water, or a generator, anywhere within 150 miles of where the storm is likely to hit.

Well, it's the same with safeguarding your money. There has been a huge crisis going on in America for years, and it is about to get much worse.

Few people are thinking about these financial moves, so they are still simple and easy to execute. But as the coming financial storm nears, and more people clamor to save themselves, these moves will become extremely expensive, and even impossible, to make.

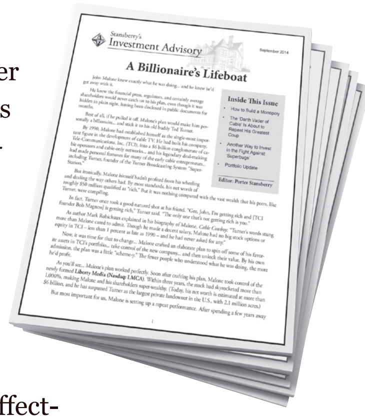
You want to take action now.

Because the thing to remember about a currency collapse is that it happens gradually… gradually… gradually… and then very suddenly.

Americans and foreign investors are clearly losing faith in the U.S. dollar. Over the past few years, it has been a progressive and steady decline. But when the final collapse occurs, there will be no announcement. There will be no warning. It will be devastating and swift.

So please do the smart and prudent thing: Take the necessary actions now to protect yourself and your family.

How to Follow Porter Stansberry's Latest Research and Ideas



In 1999, Stansberry Research founder Porter Stansberry launched the company's flagship newsletter, *Stansberry's Investment Advisory*. Hundreds of thousands of investors in 120 countries read Porter's work each month.

In his newsletter, Porter has predicted the most promising emerging trends and the most influential economic forces affecting the market – with uncanny accuracy.

From the Internet boom and bust… to the real estate boom… to the collapse of natural gas prices… to the oil boom in the U.S., these and other accurate predictions have led *Stansberry's Investment Advisory* subscribers to incredible gains.

But that was just the beginning. What Porter is most well-known for is how he helped his *Investment Advisory* readers avoid the big disasters associated with the 2008 financial meltdown.

Starting in late 2007, Porter repeatedly warned of the financial crisis about to come. In August 2008, he told readers: "*GM is now in a death spiral.*"

By December 2008, GM was down 88%, trading at an all-time low. And in June 2008, Porter predicted Fannie Mae and Freddie Mac, the two largest and most-leveraged owners of U.S. mortgages, would go bankrupt in the next 12 months.

Just three months later, both enterprises had to be bailed out by the government.

Porter's work on Fannie Mae and Freddie Mac was considered so accurate, financial reporter Alan Abelson wrote about his analysis in the popular "Up and Down Wall Street" column in *Barron's* – calling it "remarkably prescient… Nothing, as far as we can see, has happened to contradict his dire prophesy."

Subscriber Robert R. wrote us to say, "I knew that our country was headed in a very wrong direction, I did not know how to minimize the personal impact to our family… But you have given me many ways to help protect my family financially."

"You're my new American hero," Harry J. told us.

"Your investment ideas and commentary should be mandatory reading for anyone in Washington involved with the current debacle, as well as the morons on Wall Street whose overleveraged house of cards has now collapsed. Thanks for all you do for us," wrote subscriber Ben T.

Stansberry's Investment Advisory costs just $49.50 per month. And Porter offers an unconditional, 100%-money-back guarantee to new members. To try it out for four months without risking a penny, **call 888-261-2693**.

Or you can go directly to our *Stansberry's Investment Advisory* order form by typing this unique, safe, and secure website address into your Internet browser: **www.sbry.co/b4ggps**.

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The Living Cure:
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