



# — *The* — **BAUMAN LETTER**

— YOUR GUIDE TO ROGUE FREEDOM & BOLD PROSPERITY —

## Keep Your Gold Safe Under the Southern Cross

**T**HE men of U-211 were cautious ... even here, where there was no enemy for thousands of miles.

To those manning their launch's oars, the sensitivity of their unusual arctic mission was obvious: It was rare for an experienced U-boat Kapitänleutnant to accompany a routine landing party, especially since they were in such short supply this late in the war.

As they approached one of the New Siberian Islands, high in the Arctic Ocean, the coxswain noticed an oddly regular aperture at the base of a towering rock. The Kapitänleutnant instructed him to steer for it, their boat nudging aside chunks of sea ice.

As they approached, the coxswain realized it was just high enough to permit them to enter now. It was low tide. A few hours later it would be invisible.

Once inside, the men gasped at the unmistakable signs of human activity. In the rough-hewn walls, there was a series of shelves cut out of the rock, covered with thick steel shutters painted to match the surrounding stone.

The Kapitänleutnant instructed the crew to tie off to cleats bolted to the cave wall. He then ordered the

oarsmen to pull canvas covers from a set of heavy wooden crates stamped with the Nazi Reichsadler, which they hefted into the steel-shuttered alcoves.

Once they were inside, a bosun's mate welded them shut and unbolted the mooring cleats, tossing them overboard. They made a muffled "plop" as they sank into the frigid water.

Of the 12 men in U-211's landing party that night, none survived the war ... for some reason they were all quickly reassigned to the few remaining U-boats patrolling the Mediterranean ... a certain suicide mission.



The Nazis were monstrous. But some of them were prudent ... especially in the late winter of 1945, when their future was more than uncertain.

Nobody knows whether the apocryphal story of the Nazi arctic gold is true. I've heard several versions, involving islands from Spitzbergen to Novaya Zemlya to the Canadian Arctic Archipelago.

But the underlying impulse is unmistakable ... which probably explains why it and similar

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rumors such as “Hitler’s Polish gold train” are so compelling.

For thousands of years, people have put aside gold and other precious metals for safekeeping against an unknown future.

Early modern human burial sites, recently discovered in the Central Asian steppe, contained gold ornaments and other items that were clearly of great value to the deceased. They must have thought it prudent to take it with them in case whomever was waiting on the other side required a bribe.

Roman hoards regularly surface all over Western Europe. Just a few months ago, a chest of freshly-minted, uncirculated Roman gold coins was discovered at the bottom of the Rhône.

All around the southeastern U.S. coast and the Caribbean — even in places as far away as Madagascar — English pirates with beards of various hues buried hoards against the day when they would retire from a life of seaborne larceny.

Our own urge to salt away gold in a safe, far-away place is rooted in more mundane — and certainly more righteous — concerns than those of fascists, ancient imperialists and bloodthirsty pirates.

But the uncertainty we face in a turbulent modern world is no different than that which confronted them. (Even if they brought their own misfortunes on themselves.)

Indeed, one of the most frequent questions I hear

#### ABOUT TED BAUMAN

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from you is this: Where and in what form can I store some of my wealth safely?

I don’t have to tell you that most of us at The Sovereign Society are bullish on gold. And for good reason: As I write, the spot gold price is up 7.4% month-on-month, and up nearly 25% since this time last year. The metal has ups and downs, but the trend during troubled times like these is unmistakable: up.

But gold’s market value from time to time isn’t the most important thing to most of us. We acquire gold because it’s nearly universally accepted as a form of value. Nothing else combines its long-term stability and universality.

That’s why, throughout history, people under threat have squirreled it away. Some never came back to claim it, like those I described above ... but they are the exception.

Most people who found the need to use stored gold in a crisis did just that, and survived thereby.

The question is: Are you prepared to be one of them if the need arises?

If the answer so far is “no” — because it’s too difficult, expensive or risky — I’m about to show you something that will certainly change your mind.

## It’s All About Access

In an unassuming building a few blocks back from the beautiful harbor precinct of Wellington, New Zealand, is one of the world’s safest — and yet most accessible — vaults.

That sounds paradoxical. If something is accessible, it’s not safe, surely? Something really safe should be hard to access.

It depends on what you mean by accessible.

There are many secure storage vaults around the world. There are plenty in the U.S.; if you have gold in your IRA, it’s probably in one of them. They are the most accessible to U.S. persons ... and, of course, to the IRS and other increasingly lawless government agencies.

Then there are foreign vaults. I’ve written about secure storage in places such as Austria, Singapore,

Canada, Panama, Switzerland and Hong Kong. Many of them no longer do business with Americans for fear of entanglement with U.S. laws like the Foreign Account Tax Compliance Act (FATCA). Others will happily take an American client, as long as he or she has a sizable stock of bullion — think seven figures — and can afford the big fees.

What about the rest of us?

Many Americans have bullion coins or bars stashed in a safe-deposit box at a U.S. or foreign bank. It's a low-cost way to store gold.

A safe-deposit box, however, is subject to the same confiscation decrees as regular bank accounts. Indeed, during the recent Greek financial crisis, banks in that country were instructed to open and inventory clients' safe-deposit boxes in case the government needed to take any gold to meet the demands of the European Central Bank.

Here in the U.S., I've received many reports of local banks sending circulars to customers instructing them to remove gold bullion from their safe-deposit boxes, and rewriting storage agreements to exclude the metal from insurance and other protections.

Nobody is quite sure why, but some suspect that the Department of Treasury's Financial Crimes Enforcement Network (FinCEN) has dropped hints that it "unofficially" disapproves ... which is usually all it takes to spook a U.S. bank.

Others have gold stored in a safe at home. I recommend this as a part of a prudent strategy against wealth confiscation.

But home storage isn't suitable for all of one's gold holdings. No matter how highly rated your safe may be, it's still a target for thieves ... and for the government, if push comes to shove.

## Why Gold Is an Essential Part of Your Portfolio

These days, money in the bank just isn't safe.

Wealth taxes have been on many people's minds since the International Monetary Fund (IMF) first mooted the idea of a mass "bail-in" back in

## Allocated Vs. Unallocated

Many offshore gold-ownership programs involve certificates of fractional ownership of a pool of gold. In such cases, there is no specific gold with your name on it. Instead, you own a financial interest in a stock of bullion that is managed by a specialist company. This is what's known as "unallocated" gold ownership.

"Allocated" ownership, on the other hand, is when you own specific bars or bullion coins. Their serial numbers are recorded and regularly audited in your name. It is possible to store allocated gold in a common value with other people's gold, but in that case you lose some protections — the most obvious of which is having restricted access to it.

For "trading" gold — the stuff you use to make money on the gold market — certificates or allocated shares are fine. It's cheaper to trade, and you don't have to worry about delivery to your buyer.

But owning unallocated gold means you have a financial relationship with the company in question. That means your gold holdings must be reported to the IRS under FATCA — and may be at risk if the company in question runs into financial difficulty.

That's why allocated ownership is my preference for your long-term gold holdings. n

November 2013. They've been imposed already in Cyprus. Central bankers and analysts have been dropping hints ever since that a "wealth tax" could be coming soon to a country near you.

A bail-in — or wealth tax — is a one-off statutory procedure to seize a proportion of private wealth in order to reduce government debt rapidly. It could be imposed on your net worth — including your shareholdings and fixed assets such as real estate — but this would pose liquidity problems for many people, and enforcement problems for governments.

The scenario I predict is a levy on bank balances, as in Cyprus. Banks would simply be instructed to

deduct a certain percentage of the balance — say, 10% — of each savings, checking or deposit account and transfer it to the government or central bank.

There's only one sure way to stop this nightmare scenario from happening to you. You've got to convert some of your portfolio into physical assets that are hard to track, value and attach ... and aren't reportable to our kleptomaniac Uncle Sam.

But in this era of the "Panama Papers," let's be clear: You won't be hiding your wealth.

You're just taking advantage of legal provisions that allow you to keep your wealth in forms and places that aren't subject to offshore reporting requirements like FATCA. Perfectly legal strategies I've recommended include:

- Keeping cash, in U.S. dollars and select foreign currencies, in a home safe and/or in secure private storage.
- Investing in tangible assets such as rare

collectible stamps, gemstones and other nonmonetary stores of value.

- Investing in a "dirt bank" of foreign land holdings.
- Creating offshore and onshore legal holding structures that make it difficult for a creditor (including the IRS) to attach your wealth, putting you at the "back of the queue" for wealth confiscation.

Accumulating gold or other precious metals in bullion form, whether coins or bars, is an essential part of such a strategy.

Gold is one of the best countercyclical assets around, and tends to appreciate in value just when it is needed most — in a crisis. And owning actual bullion is far better than owning a gold ETF or shares in a mining company — neither of which would be worth anything in a real crisis.

There's also the question of how much of it to keep.

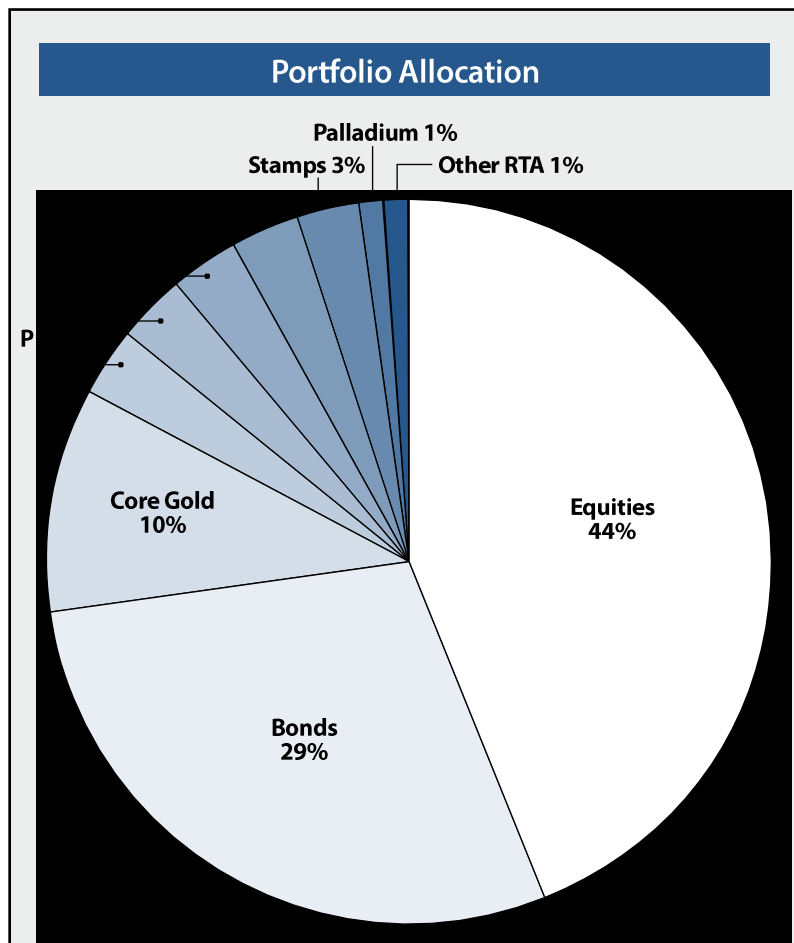
In my [report for March 2016](#), I set out a strategy that recommends approximately 10% of your wealth be held in "core gold" — a long-term asset that you don't touch until absolutely necessary. (Another 3% to 5% of your wealth can be held in tradable gold that you buy and sell to realize income gains.)

Whether you invest in Good Delivery gold ingots — the ultrafine "four nines" 400 troy-ounce bars you see in the movies — or smaller bars and wafers of the metal, the question of storage arises immediately.

## Your Golden Options

"So you want me to buy some gold," you say, "and store it safely. Great idea, Ted ... but how can the average person accomplish this?"

I don't have to tell you that gold is one of the most popular targets for thieves (a term some use to describe the IRS itself). Secure storage goes with the territory.



Broadly, you have three options for secure storage:

1. Bank safe-deposit boxes are ubiquitous and easy to obtain, at least in the U.S. To get one in a foreign bank, however, you have to open an account, and that isn't always easy in this age of FATCA. But safe-deposit boxes are nowhere near as safe as specialized vaults, and they are significantly more expensive. Banks can and do open safe-deposit boxes under court order — even in foreign countries, although not as easily as in the U.S.

Vault companies, on the other hand, enter into a legal undertaking not to open your storage under any circumstances other than default of payment for storage fees, and even then there is a lengthy legal process involved. Rental fees for safe-deposit boxes as a proportion of the value of the amount of bullion you can hold in them are on the order of 3% to 5% per annum, which is pretty steep.

2. A home safe is much better than the proverbial mattress for home storage. But anything less than a built-in and bolted-down safe with the highest security rating, accompanied by drug-lord-level security and alarm systems, is likely to be less safe than a safe-deposit box and is not the place to keep your core gold holdings. It's also more

expensive per unit of stored gold value. Sure, keep some of your “trading gold” in a secure and hidden home safe ... but for the 10% of your portfolio that's meant for the long term, you need more.

3. Private vault companies exist all over the world. If you have physical gold in your Individual Retirement Arrangement (IRA), it's almost certainly in one of them in the U.S., as per IRS requirements. Private vault companies abide by rigorous standards that are audited regularly by third parties. Their operations are bonded and insured, usually by top-drawer firms such as Lloyd's of London.

They provide storage arrangements on a strictly private basis, in which you or your legal designee have exclusive access to the storage unit. The vault company has no ownership or other financial interest in what's in your vault, and, in most cases, doesn't even need to know what it is. Paradoxically, despite all of this, private vaults are often less expensive than safe-deposit boxes.

Of the three, I vote for the vault, hands down.

Of course, there's another critical question: here in the U.S. or offshore?

Longtime readers of The Bauman Letter will know

## Is It Legal?

There's no legal obstacle to buying gold overseas. Ditto for buying it here and sending it abroad. And there's certainly nothing illegal about storing it privately.

The fundamental reason for this is that *gold bullion isn't money*. That means it isn't subject to the sorts of reporting requirements of actual currency.

If you bring into or send out of the U.S. “negotiable monetary instruments” (i.e., currency from any country, personal checks (endorsed), traveler's checks, noncollectible gold coins, securities or stocks in bearer form) valued at \$10,000 or more, a “Report of International Transportation of Currency or Monetary Instruments” form FinCEN 105 must be submitted to U.S. Customs and Border Protection. If you don't and they find out about it, they will take it away from you — permanently.

Bullion gold, on the other hand, is a “commodity” like any other. It isn't currency. When it comes to reporting to Uncle Sam, \$10,000 worth of gold is no different from \$10,000 worth of corn, car tires or paintings.

That means you can ship it in and out of the U.S. without being obliged to tell anyone. n

that I don't trust the U.S. government to abide by the Constitution, or even by its own laws.

Nor do I trust most U.S. banks. Most will do anything the government tells them to do to stay out of trouble. Many are financially unsound, and I certainly wouldn't want to keep my core gold holdings with them — especially since the contents of safe-deposit boxes aren't covered by Federal Deposit Insurance Corporation (FDIC) depositor insurance.

I also extend that caution to most U.S. storage companies. It's not that I don't trust them. It's just that no matter how principled and honest they are, they are located inside a country whose government thinks it can do anything it wants and almost always gets away with it.

## The Offshore Option

If the feds come to take your gold, they will get it, regardless of where it is inside the U.S. That leaves offshore storage.

When I say those words, some people immediately envision a complex process of setting up a storage relationship in person in some expensive foreign city where they don't speak English; buying and transporting gold bullion; and having to deal with legal and reporting hassles every step of the way.

It can be like that if you try to do it yourself. But it needn't be.

In fact, there are ways you can acquire and store gold overseas without getting up from your computer — except for the occasional trip to the postbox to receive and send some documents.

Before I tell you about a really great option I've just discovered, let me point out some of the things you need to think about before you even start looking at a specific company: choosing the right country.

- **The Legal Environment:** The U.S. likes to call itself the land of the free. But the reality is that government at all levels — from the White House to the local traffic cop — is increasingly able to act with impunity. Neither judges nor legislators show much appetite to rein in things like civil asset forfeiture and administrative subpoenas. U.S. banks routinely accede to any demand made

by the feds. You want to keep your gold in a country that still respects the rule of law, and has asset-friendly laws on its books.

- **Import Duties:** You don't want to do storage business in a country that imposes import duties on gold brought into the country. Most "good" countries don't, as long as it's "fine" (pure) metal.
- **VAT on Gold Purchases:** Americans are often surprised to find that some foreign countries levy value added taxes (VAT) on bullion purchases. But some countries don't for fine metal. You want to store yours in one of those places — even if it's gold you acquired elsewhere — because VAT will influence the price you get if you decide to sell it down the road.
- **Taxes on Sales and Transfers:** Most countries impose taxes on profits from the sale of bullion, either as capital gains or as ordinary income. Unlike stocks, which produce a stream of income (if they're good ones, that is), gold bullion is usually owned in anticipation of a future time when it will be sold in exchange for currency. That makes it an asset subject to capital gains. Look for the lowest-tax jurisdiction possible.

Of course, there are many other things to consider, such as long-term stability and the likelihood of cooperation with the U.S. government in any future financial crisis. I'll return to those in a bit.

## The Sailing Capital of the World

The view from my hotel room across the street from Queens Wharf was unbelievable. The water before me was studded with what seemed like thousands of symmetrical snowflakes, each with a little fluffy tail.

No, I hadn't been drinking. But I hadn't yet had my first cup of coffee, either. It had been a long flight from Johannesburg.

The snowflakes were sails, of course; their tails were the wakes generated by sailboat hulls slipping through the water on their way in and out of Waitemata Harbor. It was only a Tuesday afternoon,

and there were more sailboats out there in the fresh South Pacific breeze than I'd ever seen in one place.

That's saying a lot, considering I grew up on Maryland's Chesapeake Bay, considered by some to be the sailing capital of the world. That may be true for Americans ... but those in the know recognize Auckland, New Zealand, to be the holder of that title.

Auckland is also home to a firm I recently discovered that meets all of my criteria for secure offshore gold storage for U.S. clients. That firm is New Zealand Vault (NZV).

NZV was established in 1931 — it's New Zealand's oldest vault business. Its vaults are "Treasury Grade," which means they're on a par with those used by major banks and reserve banks, and guarded 24/7. It's insured by Lloyd's of London.

Best of all, NZV is privately owned and independent of the banking sector and government. Its corporate finances aren't mixed up with other business lines, so there are no counterparties involved. NZV's management are all ex-senior executives from the banking industry.

NZV is highly concerned about client privacy. They have a low-key web presence and don't do a lot of advertising, preferring word of mouth. When I asked them if they could share any case histories of clients, they said: "Well ... only if it's anonymous."

We got a phone call from a North American man who was responsible for his family office. They had a Swiss bank account, and the bank was giving them hassles. He wanted to move several million in USD to a New Zealand bank as well as open a vault.

He told me that he had been researching vaults and destinations for over a year, and he decided that New Zealand and New Zealand Vault was the best place to have a bank account and store bullion.

He opened a safe-deposit box online and sent us his notarized photo ID and proof of address. I put him in touch with my private banker at Bank of New Zealand, who established an account for him. His Swiss money was transferred to his new BNZ account; he then

transferred funds from it to our NZV account.

He then went onto our trading platform; established a trading account; set up a live quote; and when he was happy with the price, he confirmed the purchase and locked in the price.

The bullion arrived at our vault approximately 10 days later, and Grant Thornton and our bullion manager deposited the bullion into his safe-deposit box, Grant Thornton keeping his key in their safe custody.

## Your Personal Representative

You'll note the reference to Grant Thornton in the story above. Grant Thornton is a global accountancy firm — with more than 35,000 employees — which has partnered with NZV to act on behalf of its offshore clients. It has branches in over 100 countries, including the United States.

When you do business with NZV, Grant Thornton is essentially an extension of you as the client — they act on your behalf, not NZV's. If you like, you never need to go to New Zealand at all. (Although you'll miss out on what this stunning country has to offer.)

An NZV safe-deposit box can only be opened with two keys — one for the client and one for NZV. Both keys are required in order to open the safe-deposit box. NZV cannot access the client's safe-deposit box without the client's key, and the client cannot access it without NZV's key.

If you choose not to go to New Zealand personally, Grant Thornton will keep your key and undertake all this for you. But that's not all. A Grant Thornton representative will also personally deposit your bullion into your box, whether it's purchased via NZV or shipped in, and confirm in writing that it's securely stored as agreed. They'll hold the key to your box in the safe custody of their own NZV box, and control access to your box to ensure that it's only ever opened when you request and authorize it.

Of course, as the primary box holder you can nominate other people to have access to your safe-deposit box, such as an attorney or trustee. In the

event of the death of a sole hirer of a safe-deposit box, the safe-deposit box will not be accessible by anyone other than the legal personal representative appointed by the hirer's estate.

## For Your Peace of Mind

Above, I explained why it's important to consider the country as well as the vault company. What about New Zealand? Here's what you need to know:

- **The Legal Environment:** New Zealand is rooted in the same legal system as the U.S. and the United Kingdom. Although specific terms might be

### Add an Offshore Account to the Mix

I spoke to John Mulvey, NZV's managing director, about combining a personal account at the Bank of New Zealand with vault storage. He told me that it's an increasingly popular option, especially as banks in places like Switzerland turn away U.S. clients:

*Most people simply open a safe-deposit box online, wire us the funds from offshore and then purchase bullion online through our online trading platform. However, I would imagine some of your readers may be interested in setting up a bank account in New Zealand.*

*There are some good reasons to do this. The New Zealand banking system is well-capitalized and considered very sound relative to some banking systems. Opening a bank account is straightforward and can be done online.*

*The only catch is that you will need to appear in person within the first year to provide photo ID and proof of address in order to comply with New Zealand anti-money laundering legislation. Until you do that, you cannot withdraw funds. That might be a very good excuse to take a vacation here in New Zealand.* n

different, the underlying concepts are largely the same as ours.

The great difference is that New Zealand is a vibrant democracy, and the government simply cannot get away with the sorts of things we see here in the U.S. The rule of law is sound, and property rights are respected. Note, however, that like any other country, New Zealand has a process by which a court can order a search of a safe-deposit box.

It is very rare for this to happen, and can only be done after a case has been argued in New Zealand in front of a local judge. Foreign judgments are not automatically honored. New Zealand is ranked No. 1 in personal freedom by Forbes.

- **Import Duties:** There are no import duties on gold bullion brought into the country.
- **VAT on Gold Purchases:** There is no VAT charged on sales of investment-grade "fine" bullion.
- **Taxes on Sales and Transfers:** New Zealand taxes locally-sourced income. The maximum rate is 33%. There is currently no long-term capital gains tax on bullion sales. However, even if one is eventually implemented, New Zealand has a double tax agreement with the U.S., which means that you will receive a U.S. tax credit for any profits from the sale of your bullion inside New Zealand.

Of course, gold bullion stored in a private NZV box is not reportable to U.S. authorities under FATCA or the Report of Foreign Bank and Financial Accounts (FBAR).

## Opening an NZV Account

Opening a safe-deposit box and depositing your bullion at NZV is dead simple, and can be done from your own home. Here's how it works:

- **Step 1:** Complete NZV's online registration here: [www.nzvaultbullion.com/NZVB\\_OpenAccount.aspx](http://www.nzvaultbullion.com/NZVB_OpenAccount.aspx).
- **Step 2:** Make a credit-card payment through NZV's secure online-payment engine.



• Step 3: Obtain a copy of each of the following forms of ID and have them authorized as a true copy by a notary:

1. In order to comply with the New Zealand Anti-Money Laundering and Countering Terrorism Act 2009, NZV requires one primary form of ID issued by state or federal government that has your photograph, full name, signature and date of birth, such as a driver's license or passport; and
2. One secondary form of ID such as a utility account or bank statement which is no more than three months old, and has your current residential address on it.

• Step 4: Post your notarized identification documents to NZV.

Accounts can also be created in the name of limited liability companies (LLCs), trusts and other vehicles, both U.S. and non-U.S. In this case, the documentation will reflect the details of the director or trustee.

## What it Costs

NZV stores offshore client's gold in its vault in the North Island city of Wellington. The annual cost (in USD) is \$395 for a box that can hold up to 10kg or \$790 for a box that can hold up to 80kg. There is a fee of \$175 each time you request Grant Thornton to come on site to access your box.

NZV can also cover the content of your box under its Lloyd's of London insurance policy. Insurance coverage is offered in bands of \$10,000, up to an unlimited amount for any one box at 0.2% of the dollar value you specify for the contents of the box. NZV doesn't need to know what's in the safe-deposit boxes being insured. Alternatively, you could have your own insurer cover the contents of your box.

## Getting Your Gold Into an NZV Box

U.S. clients can ship existing gold holdings to NZV with the assistance of Grant Thornton in the U.S. As always, top-tier secure companies are used, like Brink's

But what if you don't have any gold to send?

NZV is a fully accredited broker in gold, silver and palladium bullion, in both coin and bar form. Gold comes in various sizes, from 1-ounce wafers to kilogram bars. Bullion coins include 1-ounce Australian Philharmonics and Kangaroos, and Canadian Maple Leafs. All metals are quoted in U.S. dollars.

If you wish to purchase gold through NZV to add to your box, you'll simply send the required funds via wire transfer to their Bank of New Zealand account.

Alternatively, if you take advantage of their assistance in opening your own BNZ account, you can use that to pay for gold. If you plan to make regular purchases, that's the best bet, since it'll save on wire-transfer fees.

NZV can also sell your gold for a small brokerage fee.

## Let's Do This

I've been consistently impressed with NZV and recommend them without hesitation for rapid, low-cost acquisition of storage facilities and gold brokerage.

There are many reasons to own gold. As I've stressed several times, 10% of your portfolio should be long-term gold holdings. NZV is an ideal place to keep it, and, if need be, to acquire it as well.

If you'd like to pursue this great opportunity, contact them as follows:

New Zealand Vault Limited  
P.O. Box 10206  
Wellington 6143  
New Zealand  
Web: <http://www.nzvault.com>  
Email: [support@nzvault.com](mailto:support@nzvault.com)  
Tel: +64-4-915-1168

(Please phone after 1 p.m. on the West Coast and after 4 p.m. on the East Coast. During U.S. daylight savings, New Zealand is 16 hours ahead of the East Coast and 19 hours ahead of the West Coast.)

Oh, and tell them I sent you