

Where Should I Store My Gold and Silver?

By Larry LaBorde

As a metals broker I get a lot of questions about storage of silver bars, rounds and other forms of metals that investors buy. Here's my philosophy.

Store outside the financial system

This means holding no Exchange Traded Funds (ETFs). Even though they are ever so easy, you should exercise caution. Read the prospectus and zoom in on the custody section---if you can stay awake long enough to read it.

It might surprise you to learn that storing outside the financial system also means avoiding bank safe deposit box storage. Safe deposit boxes are the worst of both worlds: They are **not** insured by the bank, yet they are subject to banking regulations.

Storing metals outside the financial system also entails holding no commodities contracts held by financial firms such as MF Global. Having the actual metals, rather than a contract for delivery of metals, protects you when financial firms go bankrupt and cannot deliver on their promises.

Take possession when at all possible

Sure, your metals can be stolen, so just like with anything else, you must take appropriate precautions, including locating a suitable storage option.

If for some reason you feel uncomfortable storing all of your metals yourself, look for a non-bank storage facility (that is, a vault), preferably one that is insured against loss. It will cost a bit more than a private deposit box facility, but you will be insured against theft.

Also make sure that your metal is in "segregated" storage, such as that offered by vault operators, as opposed to "pooled" storage such as that offered by facilities known as depositories. You want to make sure that your exact metal will be returned to you when you are ready so that there is no confusion caused by the facility's recordkeeping. Visit the storage facility to see exactly what is involved in depositing metals and, more importantly, what is involved in withdrawing those same metals.

Just how much room will you need?

A box of 500 one-ounce Silver Eagles is about the size of a big shoe box, or about 9" x 15" and 6" tall. A box is worth about \$17,000. So if you want to store \$100,000 in silver, you will need a space about the size of six large shoe boxes.

Large 100 ounce silver bars are a bit more compact and stack much more easily.

90% silver (U.S. silver coinage made before 1965) is a bit bulkier. Since the coins are loose, it doesn't stack well in the bulk bags in which it's sold. However, you could move the coins to sturdy boxes and store them that way.

Gold, on the other hand, is much more portable than silver and is easily stored. Just 60 one-ounce gold coins hold a value of a bit over \$100,000 and do not take up much room

at all. They could easily fit inside seven and a half inches of cardboard tubing from a roll of paper towels.

Weight considerations

\$100,000 worth of silver (six 500-coin boxes of Silver Eagles) weighs about 206 pounds.

The same \$100,000 worth of gold (60 one-ounce coins) weighs a little over four pounds. A million dollars in gold would only weigh 40 pounds or so and could be easily carried off by one person without much effort. In contrast, one million dollars' worth of silver weighs 2060 pounds and would require quite a bit of effort—and a truck—to carry it all away.

A brief history of hiding valuables

For centuries, people have worried about how to store their wealth. If you can find someone in his nineties who lived through the Great Depression in the U.S., he will tell you that many people didn't trust banks and hid their money around the house. The last three or so generations have always trusted the banking system and have never given much thought to holding their wealth. However, over the course of history, it has been a more common practice than you might think to store one's own valuables.

Visit any old European city, affluent sections of Central or South American cities or even old Charleston or the French Quarter in New Orleans, and you will start to notice something about the architecture. Most of the homes are built like fortresses. They have very nice interior courtyards but also have walled fronts with heavy doors and shutters on the street windows. In some locations, it was common to set beer bottles into mortar along the top of the masonry outer wall and then break off the tops to deter intruders. During normal times, the heavy main door to the courtyard and thick window shutters remained open, but at night or in times of trouble, these places could lock up fairly securely and very quickly.

Precautions for the modern home

While the modern home in the United States is no longer a fortress, there is certainly no reason you cannot keep some of your wealth at home if you choose to do so. Some precautions can make this feasible.

Your secret is safe...as long as it's secret

The first layer of security is secrecy. If no one knows there are valuables in your home, then there is no reason for him to come and search for them. Everyone has seen the pirate movie in which, after the loot is buried, the head pirate kills all of his accomplices then buries them along with the treasure. I would not recommend this technique, but the secrecy involved has merit. Limit the number of people who know where you keep your metals.

You can hide small amounts of gold most anywhere. Some of the ideas passed to me over the years have been to secret gold inside steel fence posts, in the garden or in the yard, in hollowed out books, inside frozen food in the freezer and within the wall space behind dummy electrical receptacles. The list is endless and can be as varied as your imagination.

If you do hide your metals you should probably tell someone where your own loot is in case something happens to you. Just make sure it is someone you trust (and who has a

good memory!), or record the location in paperwork to be viewed if something were to ever happen to you.

C'mon, just tell me!

Another consideration is what pickpockets call a “tell.” If you hide money on your person in a secret place, you are likely to give yourself away by constantly checking to make sure it is still there. Pickpockets, working in pairs, use this habit to great advantage: The first thief simply bumps into someone innocently, and more often than not, the victim immediately touches the secretly hidden goods to confirm that his valuables are still safe. The second thief, of course, then knows exactly where to lift the cash (or metals) a bit later.

Likewise, if you hide your metals, don't go check on them routinely, or you will simply give away your hiding place! Not checking sounds very simple in theory, but most people just can't stay away.

A safe place

The next layer of security is a safe itself. If the safe can be hidden, then all the better. If the safe can be locked behind a closet door or hidden behind a false wall, it will have to be found before it can be attacked.

If you are interested in purchasing a safe, be certain to read my last post detailing some practical and technical aspects of evaluating safes. It will tell you more than you ever wanted to know about safes and safe ratings.

A safer place

Finally, if you are interested in private storage, you will find several options. For example, the Security Center in New Orleans rents private (albeit uninsured) safe deposit boxes in an old Federal Reserve vault; Sovereign Solutions in Las Vegas has a similar operation as do several other operators around the world. Give me a call if you are interested, and I will tell you about all the storage spots that we have visited.

Buying precious metals is just the first step. Deciding where to keep them is quite another decision. However, don't let the issue of storage scare you away. Doing nothing and keeping depreciating currency in a bank that pays little or no interest means you are already having your wealth stolen a little at a time, day after day.