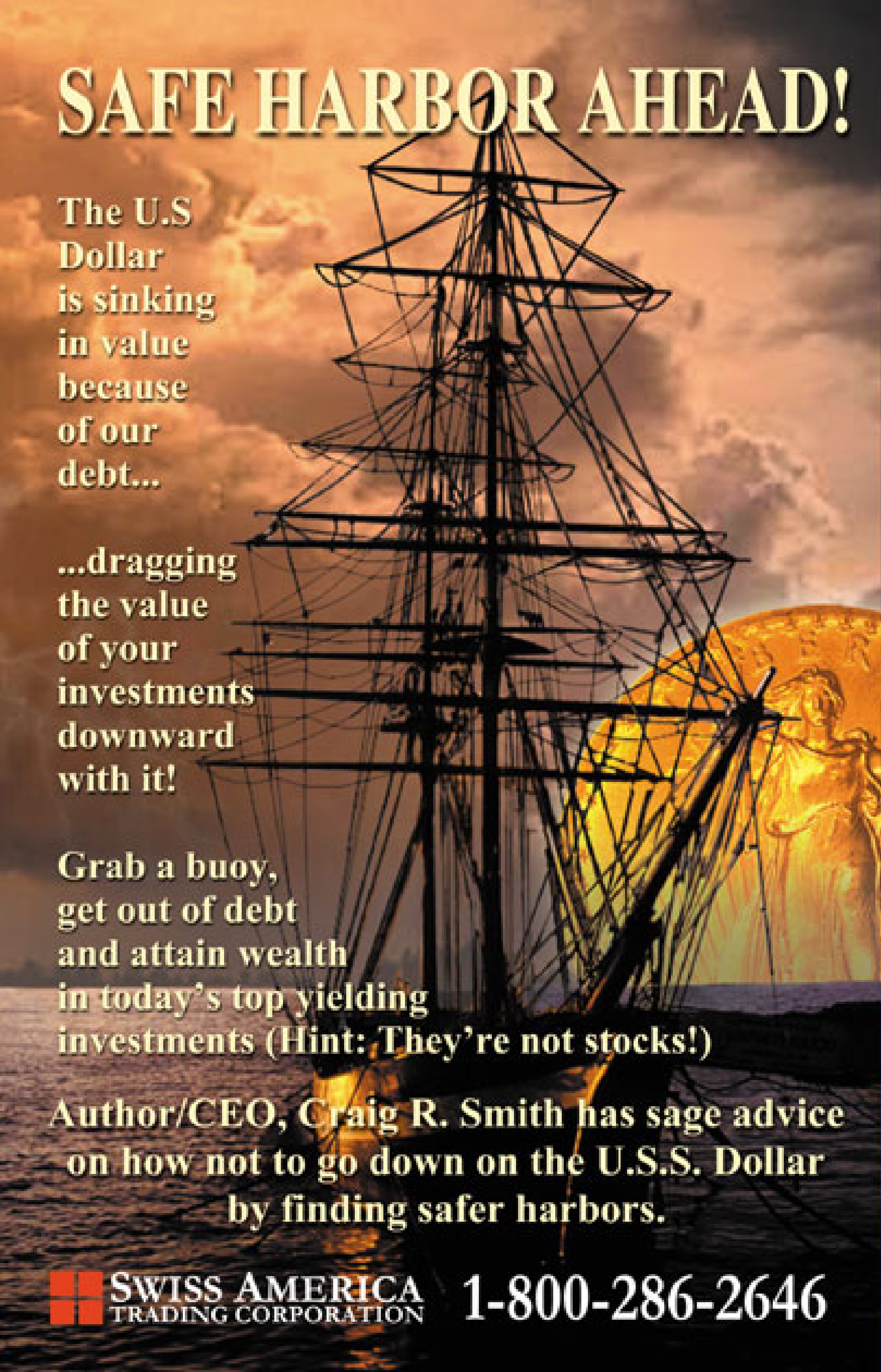
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The U.S Dollar is sinking in value because of our debt...
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Author/CEO, Craig R. Smith has sage advice on how not to go down on the U.S.S. Dollar by finding safer harbors.
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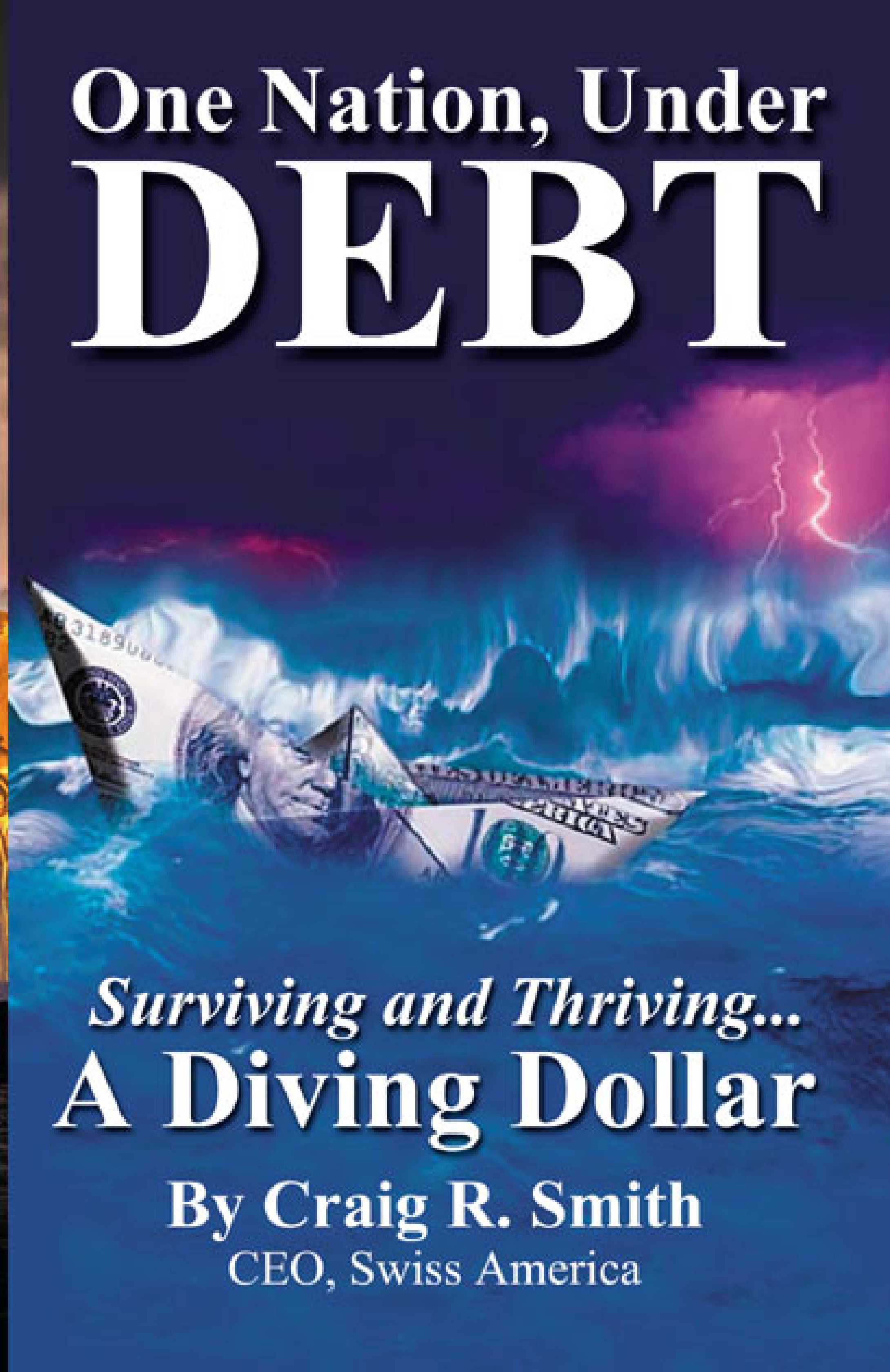
One Nation, Under
DEBT
Surviving and Thriving...
A Diving Dollar
By Craig R. Smith
CEO, Swiss America

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INTRODUCTION

"It is well enough that the people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning." ***-Henry Ford***

What you are about to read may shock you! As of August 2005, in addition to your mortgage, auto, credit card and other personal debt, **YOU OWE $26,598**!

It's true! That's your portion of the nearly $8 Trillion U.S. debt, shared equally by 300 million other Americans. And, if you're the breadwinner of a family of four, that amounts to a whooping **$106,393 per household**!

Government officials and economists often reassure the public that *"Since we owe it to ourselves, it's no problem."* But, as you are about to discover, *they are wrong!*

Debt is enslaving and consuming modern American culture. Gradually, like a frog in the kettle over the past 60 years, moneylenders have masked the true destruction of our money system -- by extending mortgage loans from 7 years, to 10, then to 15, 20, and now 30 years -- to their great financial benefit, I should add.

Yes, debt has become the legalized financial drug of the last generation -- after having been shunned for the previous 10 generations in America. Did you know that the root meaning of the word "debt" is "death"? Compare the words "MORTuary" and "MORTgage"... there's a clue.

Despite our cavalier attitude toward amassing record high debt levels, the fact is that debt *does matter* to the rest of the world. A world whose been supporting our financial over-indulgences for a many years, but at a big price: the destruction of the U.S dollar.

Far too many Americans are now forced to live paycheck to paycheck, and are often buried in debt. Any disruption in income or investment values could send tens of millions over the edge into bankruptcy -- also sending asset values spiraling downward, dragging down with them stocks, bonds, CD's, mutual funds and the value of the U.S. dollar.

But the dawn of the 21st century has brought about some major changes. The ideological pendulum is now swinging toward morality, freedom, liberty, and justice -- all of which draw strength from real assets; like land, gold, livestock and other commodities. Yes, we're witnessing the beginning of the end of a debt-driven, "symbolic" era -- and the start of an economic renaissance based on "substance."

We hope this booklet will help put you and your family on the right side of history -- learning how to protect and grow your wealth by exercising the disciple to make sure the numbers all add up right.

LIFESAVER #1 -- TRUSTWORTHY NUMBERS

"Number's don't lie, people lie!" *-Unkonwn*

<u>Modern culture is based upon our trust in numbers</u>. They're commonly accepted as the means to achieving objectivity in analysis, certainty in conclusions, and truth. Numbers tell us about the health of our society and they provide a demarcation between what is accepted as safe and what is believed to be dangerous.

But in reality, numbers are nowhere near as objective

as we often take them to be. They do not exist in the air, but instead always come from someone's computations. Someone put them there and they often hide his or her intentions or assumptions.

It is easy to use numbers to lie, but it's very hard to discover that lie because our culture tells us numbers are objective and true. For the same reasons, it is easy to see that a whole economic system may also be reported falsely when using only government numbers to describe it.

It was a British economist who first said, ***"I never trust anything the government says until they officially deny it!"*** A sad statement, but apparently true regarding government statistics.

The numbers that you can trust are not as easily found. Finding "real world" statistics involves stripping out the political-financial spin by cross-checking the numbers with multiple sources.

Next time you hear that the CPI figure is this, or the GDP figure is that, keep in mind these numbers are calculated with <u>a hidden purpose to help bolster public confidence</u> in government and Wall Street.

After years of scandals on Wall Street, the fabric of U.S. confidence is badly torn and the whole system is in jeopardy of imploding -- including our precious U.S dollar.

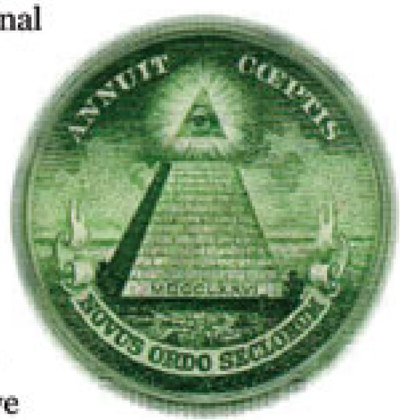
I wrote *"Rediscovering Gold in the 21st Century"* back in 2001 - to help readers understand the vital role tangible assets, like gold and silver, have played in keeping our economy trustworthy --serving as a plumbline to help offset dishonest government numbers, funded by fiat money.

AN *OCCULT* MONEY SYSTEM?...

My interest in money began during childhood as a coin collector. In 1963, I heard that U.S. coinage was going to change the following year, so I decided to buy all of the older coins I could afford. I had no idea our money was soon to be completely transformed from a value-based currency to a debt-based currency, yet somehow I intuitively knew gold and silver coins would always have a special value.

In 1982, almost twenty years later, that hobby became my business when I founded Swiss America Trading Corp.

In 1988, I began to share my understanding of free market economic principles by interviewing top money experts on my radio show, *"World Economic Perspective,"* a national daily radio broadcast. I interviewed such noted leaders as; **Dr. John Avanzini, Dr. Ed Cole, R.E. McMaster Jr., Larry Burkett, Mark Skousen** and scores of others. As I progressed, I was struck by the unanimous consensus that our present money system was based on a deceptive debt standard.



In the words of R.E. McMaster...
"We have an occult money system, no doubt about it."

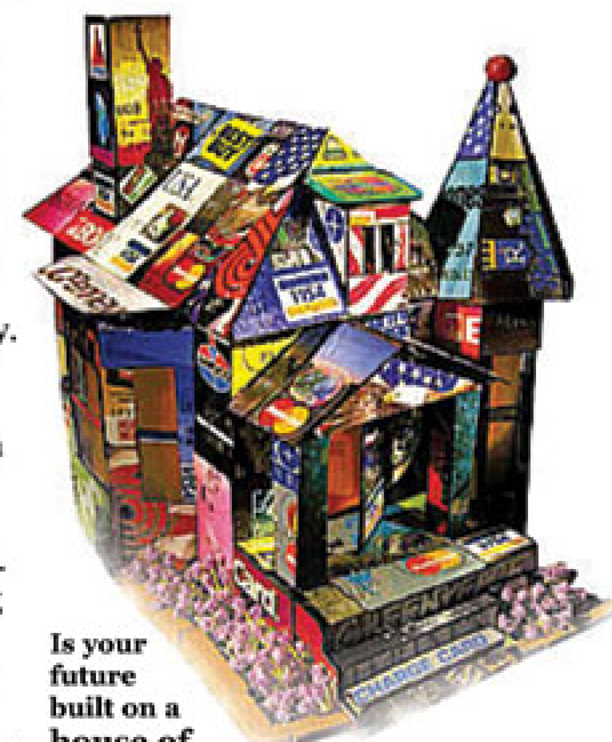
From the beginning of recorded history, men have perverted "true" money and sought to counterfeit it. Our modern credit/debt system originated in 5000 B.C. when Babylonian bankers loaned credit (which they "created" from thin air) and then charged interest (usury) on top of it.

Notice that symbolic (or debt) money are based on intangibles and can be easily manipulated by the powerful to enrich themselves at others' expense. Modern banking principles have usurped our historic substance-based system and created a credit system using nothing but money substitutes. Sadly, most of us have given our consent to the credit system without understanding the consequences.

I discovered that **"true" money must have four basic characteristics:** It must be...

1) Scarce
2) Portable
3) Divisible
4) STORE OF VALUE over time. (Here's where the U.S. dollar lost it's status as "true" money)

It then became clear *why* precious metals like gold, silver and copper have been the global money of choice for centuries, because they fulfill all four of these essentials for true or honest money.



In summary: The good news is you can learn to be free of debt -- no longer a slave to your lenders. Instead of borrowing against our future, lets begin saving an inheritance for our children with tangible assets of true value.

Is your future built on a house of cards?

I. One Nation, Under Debt

The U.S. national debt today is nearing $8 Trillion - up from $5.8 Trillion in 2001. *That's more than the total number seconds of time God has created ... since Adam and Eve walked the earth!*

U.S. News & World Report, 8/3/05; **"Drowning in Debt?"**... *"Household debt rose from 96 percent of personal disposable income (consumers' take-home, spendable cash) in 2000 to 111 percent in 2003 to* ***113 percent at the end of 2004****."* Scott Fullwiler, an economics professor at Wartburg College says, *"My concern is that as a percentage of disposable income, it's at an all-time high."*

No wonder national savings rates are ZERO... -- the lowest since our spending binge in October 2001 and the second-lowest since the Great Depression. Small wonder both mom and dad must work -- sometimes two jobs -- to support a family. Any wonder why the U.S. middle class is so prone to borrow from the future to maintain a living standard modeled on the past? (You remember, back when the slogan *"sound as a dollar"* still rang true?)

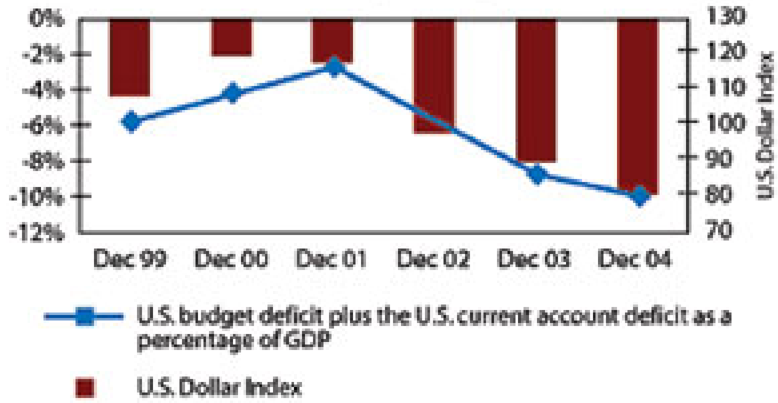
The deficit's domino effect

"The In-Credible Shrinking Dollar" has now moved into phase two, thanks to the huge U.S. current account deficit. It is expected to reach $665 billion this year, or 6.3% of GDP in 2005, 7% in 2006, and 8% of GDP in 2008. Now add the 2005 U.S. budget deficit of over $400 billion and you are talking over a trillion dollar in new red this year alone!

Devaluing the dollar is the market's way of correcting the U.S. trade deficit

The result of a declining dollar is always higher interest rates and higher inflation, which further squeezes consumer spending and/or saving.

The U.S. Dollar Index versus the U.S. budget deficit plus the current account deficit as a percentage of GDP



Either the value of the dollar or the trade deficit has to decline, according to Alan Greenspan, both cannot continue rising. Higher interest rates may serve as the pin that pops both the housing bubble and the dollar bubble, which began losing air in 2002.

As America's twin deficits continue to breach uncharted territory, *"the chances of* ***a hard landing*** *for the dollar increase,"* says economist Nouriel Roubini of New York University's Stern School of Business.

First it was Warren Buffet, then Bill Gates, then George Soros, now even our allies like the Korean central bank and, most recently, Saudi Arabia have been dumping dollar holdings in favor of other currencies. *Why?* Because we've become one nation under debt.

How much longer can the U.S. continue to rely on Asian central banks to finance its skyrocketing twin deficits? China, Japan, and other Asian nations have already amassed $2.2 trillion in foreign reserves, including U.S. Treasuries.

Is the U.S. dollar really at risk of losing its status as the world's main "reserve" currency? **Yes**, the dollar's share of global reserves has already fallen from 80% in the mid-1970s to around 65% today.

Currency lessons... never learned

Over the past 2,000 years the leading international currency has changed many times, from the Roman *Denarius* to the Dutch *Guilder* and then to the British *Sterling*. The Dollar is now the leader, *but for how long?*

In 1913, at the height of its empire, Britain was the world's biggest creditor. Within 40 years, after two costly world wars and economic mismanagement, it became a net debtor and the dollar usurped the Sterling's role.

The dollar has been the dominant "reserve" currency for more than 60 years, delivering big economic benefits to Americans, who can pay for imports and borrow at low interest costs. But never before in history has the guardian of the world's main reserve currency also been the world's biggest net debtor. If America continues on its current path, the dollar is likely to suffer a fate similar to the Sterling.

In the meantime, the next leg of the bull market in "real money" is on its way. Theory Letter editor, Richard Russell told the London Financial Times, "We are now in the second phase of the gold bull market - the phase when the public gradually becomes interested. I think gold will hit $1,000 before this bull market is over."

"Chilling" and "infeasible"

No wonder twenty-five cent gasoline is now two dollars! No wonder a new car that was under $10,000 is now $30,000. No wonder no politician can ever stop inflation.

Astronomical federal debt, coming due as the Baby Boom generation collects Medicare, Medicaid and Social Security, is enormous enough to swamp any promises from politicians -- whether for tax cuts, more health care benefits, 40,000 more troops or anything else.

"Chilling" and "infeasible" are the words U.S. Comptroller General David Walker uses to describe the budget outlook. Perhaps the best word to describe America's looming debt and credit crisis is irresponsiblility at all levels.

The size, role, and intrusion of today's U.S. Federal government would be unfathomable from our founder's perspective. Our forefathers envisioned that "government" would begin within each citizen, aka self-government. That means putting the future needs ahead of the present wants.

My question?: *How will our kids and grandkids be able to survive the coming inflation* - when the U.S. dollar collapses under the weight of OUR generation's entitlements... deficits... and DEBT! It will begin to happen by 2010, in just 5 years, unless something is done now.

"Buy now - pay later," the new mantra of the last 40 years, has now put a heavy price to our money system, our communities and our families. The modern disintegration of the family, teenage suicide, rising divorce rates and bankruptcy are just a few of the visible casualties of putting present wants ahead of future needs and can be traced back to debt/credit abuse.

Let's admit that debt is America's greatest drug problem today and follow the steps of any good rehab center to start living within our means. Sadly, few are prepared to face the coming debt crisis with a financial house built on anything more than paper assets, or real estate valuation -- *on paper.*

II. THE IN-CREDIBLE SHRINKING DOLLAR

The U.S. dollar lost another 40% of its buying power since 2001 -- and that's been under a so-called "strong dollar policy" from the the White House!

Can you image what the next four years hold in store for the debt-burdened dollar? I can. Hold on to your wallet, a surge in the cost of living is coming at you between 2005 and 2010.

Sure, a lower dollar has some benefits, such as lowering the trade deficit and increasing U.S. manufacturing competitiveness abroad. *"Provided the currency shift doesn't get out of hand, a sustained but managed weakening of the dollar is good news for the global economy and world financial markets,"* says Morgan Stanley Economist, **Stephen Roach**.

Investors are voting with their feet, moving out of U.S. dollars and into foriegn currencies and gold. Bloomberg reports: *"The real risk is that the sharper and the quicker the dollar falls that these investors pull out pretty quickly from U.S. markets...* DaimlerChrysler AG, the world's fifth-largest carmaker reports, *"We weren't prepared for the dollar to be at this level ... 2005 won't be an easy year."* But the price impact of a falling dollar falls heaviest upon 'We the People' who become the real victims of a dollar decline.

THE LESS-MIGHTY DOLLAR

"Why would foreigners want to hold assets in U.S. dollars?" is becoming the new question around major corporate boardroom tables. Would you want to own something that seems destined to fall in value? I hope not! It is not good business, nor a profitable investment strategy.

The dollar is plunging because overseas investors are fed up with the decrepit balance sheets of the U.S. government and U.S. households.

-- They see the U.S. budget deficit as insurmountable, requiring more than 80% of the world's surplus savings to finance it.

-- They see the U.S. current account deficit now running at more than $600 billion per year -- and getting steadily worse by the month.

-- They see the U.S. government's debt at $7.8 trillion and growing at the rate of $1.5 billion per day.

-- They know Americans are spending almost every penny of their earnings, leaving virtually nothing to finance those deficits.

Indeed, the personal savings rate in the U.S. fell back to 0% in July 2005, the second lowest on record. That means for every $100 earned we're not saving a dime!

These overseas investors hold $4.4 trillion in U.S. securities. They've had enough, and they are starting to turn away from U.S. securities in droves.

Let's say there are two corporations: Company A and Company B. The first company issues stocks and bonds and uses the proceeds to invest in plant equipment and research and development. The chances are high that in the future it will enjoy stronger profits and be able to pay the interest on its debt and a dividend on its stock. Investors are likely to be attracted to it.

Company B also issues stocks and bonds, but it uses the proceeds to throw lavish parties for senior management. That might call into question its ability to make profits and pay dividends and the interest on its debt.

"In recent years, the U.S. economy has seemed to more resemble Company B," says Paul Kasriel, Northern Trust's director of economic research. "We're using the $1.5 billion a day we borrow from foreigners to buy more and bigger SUVs and houses, not to mention all the things the government is spending money on. Those aren't investments that will enable us to grow faster in the future. And if the economy doesn't grow our standard of living won't grow, either, especially after making interest and dividend payments to the rest of the world."

At some point, the declining dollar is likely to make U.S. stocks less attractive. In the meantime, Kasriel says, it has boosted the earnings of U.S. multinationals, which earn profits in stronger foreign currency and translate them back into more dollars.

U.S. PURPOSELY KILLING THE EURO?

The Fed and Bush administration know that the euro's ultimate aim is, by necessity, to slowly attract foreign investors and central banks toward the euro and away from the dollar. But they also know that an explosively upward euro will wreck the Europeans' economies in a heartbeat.

"The U.S. game is to allow the dollar to drop lower - and faster than the Europeans' fragile economies can tolerate!" according to economist Alex Wallenwein, Editor & Publisher of "The Euro vs Dollar Currency War."

"In the meantime," Alex continues, *"China and the Muslim nations are playing another game, altogether. Every time the dollar drops, they are buying gold. The lower the U.S. lets its currency fall, the more temptation the Asians feel to dump their US debt holdings, as they see their U.S. "assets" depreciate with every tick lower by the dollar on its journey into forex 'Hades.' At some point, this temptation will become overwhelming. The US is currently betting that the Asians' point of no return comes after that of the Europeans. I don't think that's a safe bet to make."*

Bloomberg reports; *"India and Russia have reportedly been selling U.S. assets, as well as petrodollar-rich Middle Eastern investors. China, which has $515bn of reserves, is selling dollars and buying Asian currencies in readiness to switch the renminbi's dollar peg to a basket arrangement. Any re-allocation could push the dollar sharply lower and Treasury yields much higher."*

A DOLLAR RECOVERY?

"Is there hope for the recovery of the U.S. dollar? If not, what will happen?" writes Jack W.
My anwer: Hope is based upon faith, and faith is based upon confidence and substance, at least in the financial world.

Today's dollar, devoid of any substance, is purely symbolic of the American dream. Sadly, U.S. dreamers are no longer working hard and saving, but instead, spending hard and borrowing more. The dollar faces two major foes in the near term; The euro and gold -- but gold alone is the ultimate form of international money.

When confidence in the U.S. dollar finally does collapse, we will experience the deepest recession in decades, along with runaway cost of living increases (inflation) which will turn millions of American dreamers from princes into paupers... unless they have converted some symbolic money (dollars) into substantive money (gold). [Read more in Chap. One of my book ... "Substance Over Symbolism: The Folding, Spindling & Mutilating of America's Money System" free online at www.rediscoveringgold.com]

$20 BILL vs. $20 GOLD

If you go back to the early 1920's, a $20 bill and a $20 gold piece worked exactly the same in our economy. It used to be that you could go down to a local men's shop and buy a beautiful three-piece suit with either a $20 bill or a $20 gold piece.

Now lets accelerate ahead in history 85 years to 2005. You walk into a clothing shop with a $20 gold piece and a $20 bill, and what happens? Well, with a $20 paper bill, you'd be lucky to find a nice tie, but a $20 gold piece, even in the worst condition is worth $450 today -- still ample enough money to buy a nice three-piece suit.

Did the $20 paper bill maintain buying power? No! If you look at American history, it illustrates that gold will always outperform it's paper counterpart. The math here is simple, do you want to have all of you money in depreciating paper, or should you have at least a little of your money in real money -- gold?

2005 may be one of the best (and last) good opportunities to spin some of your paper dollars into gold, before your dollar-denominated portfolio suffers another 40% decline in value over the next 4 years -- as a declining dollar accelerates a falling U.S. standard of living.

III. Inflation is back!

Real world rate 7%... A rising tide!

"We've had a taste of inflation today, wholesale prices are up .6%. Alan Greenspan is worried about anything that shrinks the currency. Dollars are worth less and less, and ultimately less, bringing the ruination of nations. When Germans needed a wheel barrel of currency to buy a loaf of bread, their frustration paved the way for Hitler."
-PAUL HARVEY, 5-17-05 Afternoon broadcast

When a highly respected radio commentator like Paul Harvey equates the coming social, political and economic threat posed by higher inflation to the rise of Adolph Hitler's Third Reich, it's time we all discern the urgency of understanding what we can do to fight inflation now.

Inflation is the number one enemy of your financial future and the generations to come.

What is Inflation?

Inflation is officially defined as a ***"sustained increase in the general level of prices for goods and services. It is measured as an annual percentage increase."*** So as inflation rises, every dollar you own buys a smaller percentage of a good or service.

But is that the whole story? *Is inflation just caused by greedy businessmen wanting more profit?* Or, could it be the Federal Reserve, in concert with the U.S. government, actually promotes the real engine of inflation -- printing too much paper money? How can we be sure that our money is not eroding faster than reported? - a critical factor in planning for the future and our retirement.

At the heart of successful financial planning is understanding how to overcome the growing inflationary threat -- which is very often played down by the mass media, Federal Reserve and the U.S. government.

Presently we are staring at a deadly combination of corrosive economic effects, brewing for years, which now threaten your nest egg like never before in history:

· Rising oil prices, monetary/asset inflation and higher interest rates
· A falling U.S. dollar, a prolonged bearish stock and bond market
· Domestic terrorism via chemical, biological or a nuclear "dirty-bomb"

Together these threats represent the potential for trillions of dollars in losses - unless action is taken immediately to reduce the impact of rising inflation in 2005 and beyond.

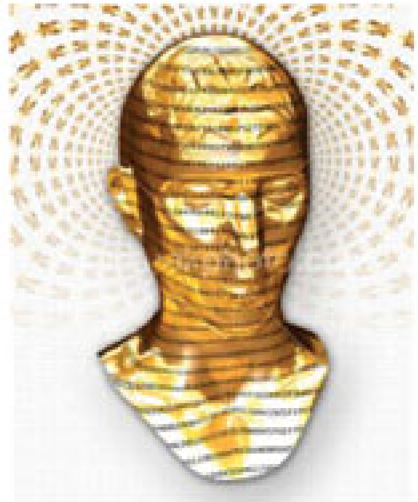
CONFUSION OVER MONEY/INFLATION

"All the perplexities, confusion and distress in America arise not from defects of the Constitution, not from want of honor or virtue, so much as from downright ignorance of the nature of coin, credit and circulation."
-**JOHN ADAMS**, in a letter to Thomas Jefferson in 1787

What was true then... is even truer today. Confusion surrounds the very meaning of the words we use everyday like: money, dollar, wealth, inflation, and credit. Add to this, widespread public ignorance and confusion concerning tax laws, and you have a system designed to control and enslave the population -- rather than allowing the free market to flourish as our Founder's designed.

Money is the builder or the destroyer of society.

An honest money system brings prosperity to all citizens - willing to work. A dishonest one enriches a few at the expense of everyone else - regardless of how hard they work.



The U.S. money system operates in a way that would astound most Americans if they only understood how it really worked. Our dishonest money system, which perpetually creates inflation, is at the very heart of America's economic and social problems. The degree to which the money system is corrupt is the degree to which all other areas of society are corrupted.

THE ORIGIN OF MODERN INFLATION

"Original sin was that Eve told Adam about central banking, about the notion that you can create value with a stroke of the pen."
-**FED.** New Challenges for Monetary Policy, Symposium 1999, Fed Res Bank Kansas City

On November 22, 1910, the nation's leading bankers left by train at night from Hoboken, New Jersey on a secret mission to Jekyll Island, Georgia. Their mission -- to create what was to become the "Federal Reserve System."

Use of the word "Federal" in the name "Federal Reserve" leads the public to believe the Federal Reserve is a government institution. Contrary to this misleading use of language, the FED is a private corporation owned by foreign and domestic banks and operated for profit - no more Federal than Federal Express.

The FED controls the nation's money supply and interest rates, and thereby manipulates the entire economy. This is in violation of Article 1, Section 8 of the United States Constitution that expressly charges Congress with *"Power to coin money and regulate the value thereof."* Article 1, Section 10 of the Constitution says: **"No State shall make any Thing but gold and silver Coin a Tender in Payment of debts."**

The folding, spindling and mutilating of America's monetary system became legitimized in 1913, when the Federal Reserve was formed. Long ago bankers discovered a nasty little secret referred to as "fractional-reserve banking" which is fueled by credit and debt creation out of thin air.

Under the FED's direction, gold and silver coins were taken out of circulation between 1933 and 1965, removed as the backing for our currency and replaced with monetized debt -- in other words -- credit. The process of inflation has accelerated ever since.

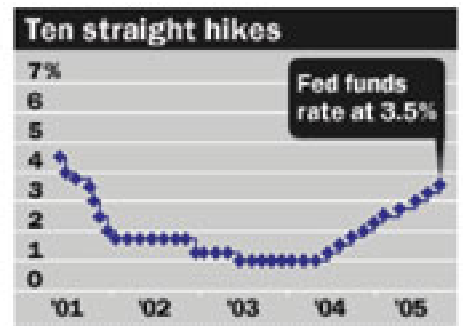
Inflation 101

"Inflation is the form of taxation that the public finds hardest to evade, and even the weakest government can enforce it when it can enforce no other. By a continuous process of inflation, government can confiscate secretly and unobserved an important part of the wealth of their citizens. By this method, they not only confiscate, they confiscate arbitrarily, and while the confiscation impoverishes many, it enriches some. ***Lenin*** *was certainly right, 'there is no surer way of overturning a society, than to debauch the currency.' The process engages all the hidden forces of economic law on the side of destruction, and does so in such a manner than only one man in a million is able to diagnose it.'"*
-John Maynard Keynes, The Economic Consequences of Peace (credited for the birth of modern economics).

So, monetary inflation begins as the FED creates more and more paper "dollars" to stimulate the economy, yet they're simultaneously reducing the value of every dollar that every American has saved or invested. Monetary inflation begets asset inflation, which can be seen clearly in real estate prices today. "Real world" inflation has averaged over 6% over the last 40 years. No wonder so few American wage earners are able to keep up.

INTEREST RATES AND INFLATION

"Inflation is the one form of taxation that can be imposed without legislation."
-Milton Friedman, Nobel Prize winning economist



Whenever you hear an inflation update on the news, chances are interest rates are mentioned in the same breath.

Interest rates are decided by the Federal Reserve. The FED meets eight times a year to set short-term interest rate targets. During these meetings, the CPI and PPIs are significant factors in the Fed's decision.

Interest rates basically rise for two reasons:

-- The first is that the demand for funds exceeds their supply. For example, the Federal Reserve may decide to restrict the money supply or foreigners may cease investing in dollar-denominated assets because of a falling dollar.

-- The second is because of expected inflation. Today we have both going on together!

THE FED: From WIN ... to SIN ... to SPIN

Alan Greenspan's career as an economic seer, might be reduced to a series of cute acronyms. Start with **WIN.** That was the *Whip Inflation Now* campaign of the '70s when Greenspan headed President Ford's Council of Economic Advisers. Through much of his Federal Reserve Board chairmanship in the late '80s and '90s, Greenspan was an inflation hawk.

At the start of this decade, deflation and recession became the real bugaboos facing the economy. So Alan turned to a strategy that you could call **SIN**, as in *Start Inflation Now*, if only to get the economy going. But now that the Fed has won the war on deflation and the economic expansion is more than three years old, the central bank's strategy is shifting once again--and the markets are getting woozy.

This time, let's call it **SPIN**, or *Speak out about inflation now* (while also downplaying its threat). This shift became clear last week when the Fed raised interest rates for the tenth time since June 2004, bringing the federal funds rate--which banks charge one another on overnight loans--to 3.5 percent.

The Fed also did something it hasn't done for a while: warned investors about the "I" word. *"Though longer-term inflation expectations remain well contained, pressures on inflation have picked up in recent months and pricing power is more evident," the Fed's FOMC said."* -Paul J. Lim, USN&WR (4-4-05)

According to NYU professors Nouriel Roubini and David Backus, *"The real rate of interest is the difference between expected inflation and the nominal rate of interest that we see quoted in the paper."*

Their theory is that the real interest rate is determined by investment and saving without regard for money and inflation. What happens to the interest rates if inflation rises? Rates rises by the same amount. Thus an increase in inflation leads to higher interest rates. Bottom line, we should expect to see higher interest rates in 2005-2006 due to inflationary pressures.

DAY OF RECKONING IS COMING

Monetary theft is not limited to governments; the stealing of money can be seen in such ancient practices as the clipping of coins and the abasing of metals. These early types of inflation have been succeeded by "fiat" (false) money inflation.

It is interesting to note that the word "gold" in the Bible is often preceded by the word "pure." But gold is not found in a state of purity. Instead, it must be refined before it is fit for use. This refining process often involves struggle - including financial struggle.

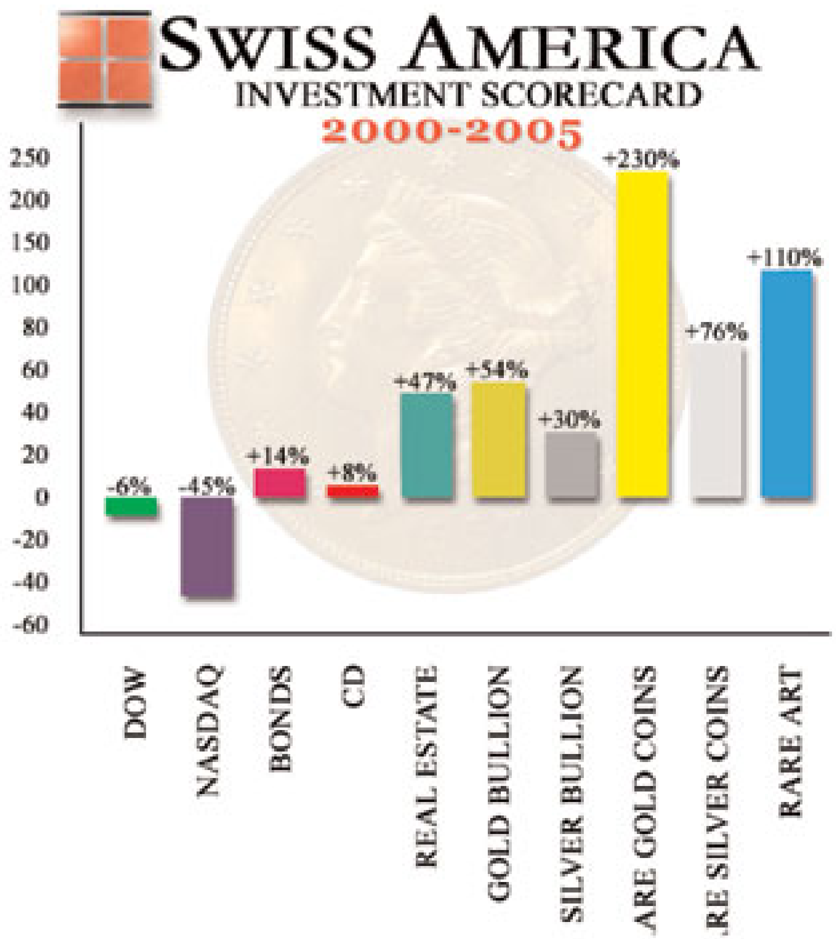
Perhaps we can all learn a lesson here; financial "security" does not come with a money-back guarantee. I think we're in new era of personal responsibility that must include having a retirement plan that accounts for inflation.

The American debt, oil, dollar, and inflation bubbles are all getting ready to pop. Something is getting ready to give. Look at debt levels, deficits, trade imbalances, consumer debt, record bankruptcies and record foreclosure rates. Even Alan Greenspan is on record stating that *"a day of reckoning is coming"*.

My fear is when U.S. consumers finally wake up to the realities of the true rate of inflation, they'll suddenly find themselves so far behind the curve that it will be too late to do anything about it.

IV. Economic Trends (2005-2010)

Ship shape assets: 2000-2005 Scorecard



Tangible asset investments again outperformed stocks, bonds and CD's in 2004. Rare Morgan silver dollar investment-grade coins topped the chart with annual growth of 54% in 2004, followed by rare $20 Liberty gold coins at 31%, rare art at 20%, silver bullion at 15%, residential real estate 10%, Nasdaq 9%, Gold 5.4% Dow +3%, Bonds +3% and CD's +2%.

Real estate prices have jumped an average of 47% since 1/2000, while gold bullion is up 59%. Who says real estate is the only way to hedge market volatility and rising inflation?

Despite the stellar performance of tangible assets so far in the 21st century, a well diversified portfolio should include no more than 25% in tangibles (not including real estate) depending upon your age, income, etc.

On a recent CNN interview I actually had to discourage investors from putting too much into any one area, including gold and silver. The real problem with American investors is not owning too many tangibles, but owning virtually none. Gold and silver ownership is rising slowly as the public begins to understand that the price of gold/silver reflect the financial big picture -- which has become bloated with debt, overconsumption and lacking savings.

ECONOMIC TRENDS

In 2005, dire predictions about Iraq, Russia, China, Social Security, and an impending recession, were almost enough to send even the staunchest optimist fleeing into the safe haven ... but WHICH safe haven?

U.S. investors, whose returns have been eroded by high oil prices, rising interest rates, sluggish job creation, slowing corporate-earnings growth and modest retail-sales gains, can be forgiven for hoping 2005 will bring relief. But they will probably be disappointed. I expect the U.S. economy will muddle through without any major changes in the overall fundamental trends of the last year.

* DOLLAR

In mid-2005 the U.S. dollar has resumed falling against the Euro. Currency trading experts agree that the euro could hit $1.50 by the end of 2005 -- amounting to another 15% erosion of U.S. buying power. Despite the recent rebound, I think our no-so-precious buck could drop another 25% in 2006 to $1.80 Euro.

* STOCKS

With the S&P 500 just over 1200, the price/peak earnings multiple on the index has returned to 21. Aside from the 2000 bubble peak, this multiple exceeds the valuation seen at any historical market peak including 1929, 1972 and 1987. Sure, stocks may drift higher in 2005, but they remain volatile and could stay rangebound for many years. Advice: Don't sell out of stocks, but look for value- priced stocks and portfolio diversification for 2005 growth.

* REAL ESTATE

The great housing boom of the early 21st century is looking shaky. Governments are growing nervous about whether prices will hold, and what will happen if they do not. Prices have begun to fall in Australia and Britain, and economists are asking if central banks can prevent a plunge. The housing market would not have to collapse to have a negative impact on the economy. Even a lack of further appreciation could put a damper on consumer spending, both by depressing sentiment and by reducing the money available from refinancings. Advice: Don't sell the farm, but don't borrow against it either.

* OIL

The United States demand for oil was up 3.4% in 2004, while average daily imports of crude oil have climbed to a record high of 11 million barrels a day. OPEC is already pumping at its highest level since 1979. And yet, prices still rise. Demand is simply swamping available capacity, and that means high oil prices are here to stay. With oil presently touching $65, most pundits are now saying $70 - $80 per barrel prices are possible by the end of 2005.

* INTEREST RATES

Alan Greenspan once said, *"If you want to know where interest rates are going, watch gold."* Today the Fed is backed into a corner of their own (money) creation. To attact the $1,600,000,000 per day of foreign capital that the U.S. needs to keep this big "USS DOLLAR" ship afloat, they must raise interest rates. Rising interest rates tend to slow the economy, which has been so overstimulated with cheap money since 2002. Advice: Lock in fixed mortgage rates ASAP, reduce debt ASAP and start saving at least 5-10% of your income ASAP.

* INFLATION

In the late '60s inflationary surprises ripped through the stock market, dropping the Dow some 35% ... in the 1970s stocks suffered through a tortuous two-year bear market as inflation spiraled ... in the '80s Paul Volcker nearly plunged the U.S. into a 1920s- style depression when he miscalculated the strength of "runaway" inflation. Now today, after years of relative calm on the inflation front, the risk of grievous error is just as strong as at any point in history.

* GOLD/SILVER

Gold bullion prices, already near 16-year highs, may be headed for the longest rally since Richard Nixon was U.S. president as a falling dollar and renewed concern about inflation boost bullion's appeal as an investment. Gold has climbed over 60% since 2001 to about $445 an ounce as U.S. budget and trade deficits widened to records. Gold last rose five straight years from 1970 to 1974, when inflation peaked at an annual rate of 12 percent. Silver bullion is also an excellent value at today's price, just over $7. The best way to participate in the gold and silver markets today is by owning high quality, U.S. rare gold and silver coins. Advice: Make sure that you own some physical gold coins in 2005 and beyond.

FIVE GOOD REASONS U.S GOLD AND SILVER COINS ARE SO TRUSTWORTHY

1. **COINS ARE VERY LIQUID** - Reputable dealers offer a 72-hour cash liquidation - unlike stocks, bonds, mutual funds, real estate, etc. which can range from weeks, to months to liquidate.

2. **HISTORIC U.S. COINS APPRECIATE TAX-FREE** - Sure gold and silver coins may seem boring to some because they just sit in a safe or depository, but they are also one of the only assets that does not require a monthly tax payment, margin calls, or weeding to maintain their value.

3. **GOLD COINS ARE TRUE, UNENCUMBERED WEALTH** - Most equity assets are both assets and liabilities at once. Not so with gold or silver coins, they are nobody's liability.

4. **GOLD COINS ARE VERY PORTABLE** - Unlike most other tangible assets, U.S. gold and silver coins can be transported worldwide in a briefcase - privately.

5. **GOLD STABILIZES A PORTFOLIO** - According to the World Gold Council, *"Gold is an effective portfolio stabilizer during periods of financial stress ... History implies that the upside potential for gold is greater than the downside risk."* - 9/10/01, WGC

In sharp contrast to equities, tangible assets are not dependent on; Wall Street corporate earning reports, Fed interest rate and money supply manipulation, consumer spending, government bailouts, or even economic cycles.

Add it up and I think you will understand why more and more people are going for the gold.

FLIGHT TO QUALITY ASSETS CONFIRMED BY INSIDERS

Using the financial markets as a barometer of our confidence in the future, the 21st century has so-far marked a historic flight to quality - from symbolism to substance. Here are a few quotables from noted economists that will help to explain why the destiny of a currency always rests on the cornerstone of FAITH and CONFIDENCE.

RICHARD RUSSELL of Dow Theory Letter: *"Many years ago the dollar "was as good as gold," since you could turn your dollars into the government and receive gold. Today the government is implying that the dollar is still "as good as gold." After all, you and I continue to work for dollars, don't we? Yet today the dollar is simply as good as our CONFIDENCE in the dollar. Intrinsically, the dollar is worth nothing, and dollars can and are printed by the billions every week by the government. Yet by law we must accept dollars because the U.S. government states that they are "legal tender." Logically, this tells us that the dollar as a store of value is doomed. It's only a matter of time before the dollar falls, and falls big time [30-40%.]"* Source: -Economic Fundamentals by Richard Russell."

ALAN GREENSPAN on the confidence factor: *"Today the dollar is simply as good as our CONFIDENCE in the dollar..."* -GOLD & ECONOMIC FREEDOM

JOHN WAGGONER, USATODAY : *"Gold is a direct bet against the monetary system. For two decades, the powerful U.S. economy kept the dollar strong and gold prices low. But lack of CONFIDENCE in the financial system and the specter of more terror attacks are pushing gold prices up - and individuals back into the gold market."* -"Gold Beckons Again" August 14, 2002

V. Get-Outta-Debt Quick Tips

Learning to swim: A realistic budget

Here are a few basic tips on how you can prepare for a falling dollar and rising interest rates and inflation...

1) Reduce debt, live within your means
2) Increase income, develop your talents
3) Diversify some assets out of U.S. dollars
4) Vote to cut government tax/spend policies
5) Pray that God's providential judgement upon America will teach our nation the benefits of righteous living before we face more social/economic consequences.

David Ramsey has a good program to help those who are in over their head in debt, he calls it *Financial Peace University* which features 13 Steps to become debt free:

1. **Super Savers** teaches the importance of saving money
2. **Cash Flow Planning** - a zero-based monthly budget
3. **Relating with Money** is how we handle money.
4. **Buying Only Big, Big Bargains** best deals
5. **Dumping Debt** teaches how to get/stay out of debt
6. **Understanding Investments** teaches the difference
7. **Understanding Insurance** types of coverage needed
8. **Retirement and College Planning** Roth IRA
9. **Buyer Beware** warns us how we are being marketed
10. **Real Estate and Mortgages** to BUY and SELL
11. **Careers and Extra Jobs** loving what we do
12. **Collection Practice and Credit Bureaus** clean up
13. **The Great Misunderstanding** being good managers

In the following two pages are printed resources to help you start to get a handle on your monthly cash flow and budget. For more info visit www.daveramsey.com

BASIC QUICKIE BUDGET

FINANCIAL PEACE UNIVERSITY

GET STARTED TODAY ON MAKING A DIFFERENCE IN YOUR FINANCIAL FUTURE!

Item	Monthly Total	Payoff Total	How far Behind	Type Account
GIVING	______		______	________
SAVING	______		______	________
HOUSING				
First Mortgage	______	______	______	________
Second Mortgage	______	______	______	________
Repairs/Mn. Fee	______		______	________
UTILITIES				
Electricity	______		______	________
Water	______		______	________
Gas		______	______	________
Phone	______		______	________
Trash	______		______	________
Cable	______		______	________
*FOOD	______		______	________
TRANSPORTATION				
Car Payment	______	______	______	________
Car Payment	______	______	______	________
*Gas & Oil	______		______	________
*Repairs & Tires	______		______	________
Car Insurance	______		______	________
*CLOTHING	______		______	________
PERSONAL				
Disability Ins.	______		______	________
Health Insurance	______		______	________
Life Insurance	______		______	________
Child Care	______		______	________
*Entertainment	______		______	________
OTHER MISC.	______		______	________
TOTAL MONTHLY NECESSITIES	______			

Need more help with your finances? Go to daveramsey.com

MONTHLY CASH FLOW PLAN

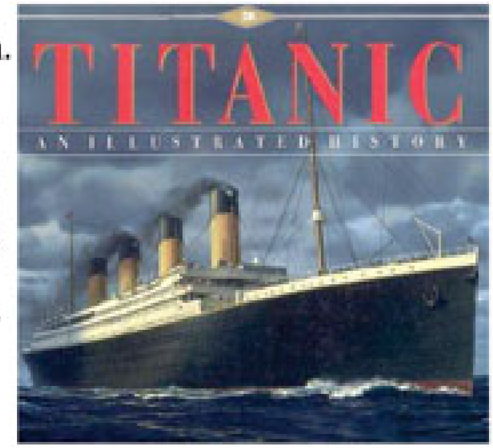
MONTH ______________ YEAR __________

Budgeted Item	***Sub Total***	***TOTAL***	***Actually Spent***	***% of Take Home Pay***
CHARITABLE GIFTS		______	______	______
SAVING				
Emergency Fund	______		______	
Retirement Fund	______		______	
College Fund	______	______	______	______
HOUSING				
First Mortgage	______		______	
Second Mortgage	______		______	
Real Estate Taxes	______		______	
Homeowners Ins.	______		______	
Repairs/Mn. Fee	______		______	
Replace Furniture	______		______	
Other ________	______	______	______	______
UTILITIES				
Electricity	______		______	
Water	______		______	
Gas	______		______	
Phone	______		______	
Trash	______		______	
Cable	______	______	______	______
*FOOD				
*Grocery	______		______	
*Restaurants	______	______	______	______
TRANSPORTATION				
Car Payment	______		______	
Car Payment	______		______	
*Gas and Oil	______		______	
*Repairs and Tires	______		______	
Car Insurance	______		______	
License and Taxes	______		______	
Car Replacement	______	______	______	______
PAGE 1 TOTAL		______	______	

VI. Uncharted Waters Ahead

Finding safe harbors before the storm

A TITANIC PROBLEM



The fiat-dollar is a disaster waiting to happen. It's a bit like the Titanic, except that this currency-cruiser is not really about to hit an iceberg. Instead, it has been set on a wrong course since 1971 (when we came off the gold standard) with the rudder structurally tethered so that the course cannot be changed.

Unfortunately, the inevitable consequence of this is that, the longer this ship sails, the greater is the likelihood that it will hit dry land - eventually. The only question is: *Will it hit a nice, sandy beach or a steep, jagged cliff?*

A mighty ship she surely is, this fiat-pleasure cruiser of ours. The entire world's monetary and international trading system has learned to ride on it. But most of the world (except for the top monetary thinkers of every nation, maybe) has no clue that it is about to hit rock- bottom.

Unfortunately, too many of us peasants, and especially our families, friends, co-workers, and happy-hour drinking buddies, have no idea what's about to hit us, either. That's because this monetary juggernaut is currently sailing through a huge, artificially created bank of extremely dense fog - the fog of a massive, coordinated, deliberate, and pervasive public disinformation campaign. This 'fog' is to make sure that everybody has their eyes (and all of their desires and hopes for the future) firmly fixed on the ship itself - and not on what may lie ahead.

How awesome, how splendid a ship she is, isn't she? She has sailed on an inflexibly straight course for over thirty years now, and she's still plowing full steam ahead in all her glory. That's longer than many investors have been alive.

A whole generation has grown up that cannot remember the days of the gold standard, or even the gold exchange standard, in action - and that generation has now come of age and is "investing" left and right as if this fiat-ship could never sink.

"Just look around you, friend" they say. *"Not a single sign of danger anywhere in sight!"*

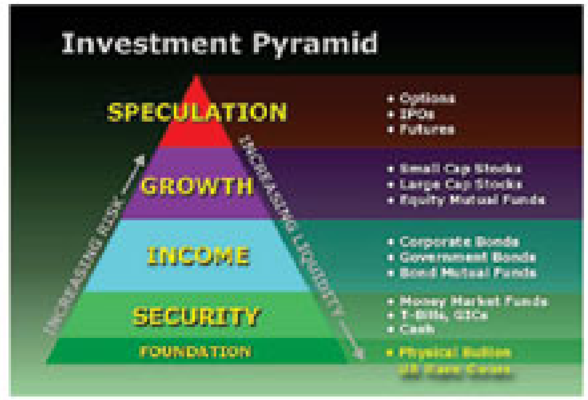
This fog-diversion is absolutely 'necessary'. It's even in the interest of 'public policy.' Can't allow a "panic" to occur, right?

"What??" they scream when you tell them there is danger waiting ahead: *"You say we should invest in golden life boats? You say we should prepare to abandon this stunning palace of floating pleasure that has thus far satisfied our every whim? Are you insane? Who would want to leave this gorgeous ship? Lifeboats? Lifeboats??We don't need no stinkin' lifeboats!!" You say there is danger ahead? Don't you see we are having a great time here? Why don't you just relax a little, buddy? Maybe you should see a shrink about that. Ha! Ha! Ha!"*

Meanwhile, under deck, a group of slightly better informed people has been busily sawing, hacking, and hammering away at whatever wooden furniture they could find on board in order to construct some kind of a lifeboat.

GOLD: The Red Cross of Assets

While all investments have risk, and past performance is no guarantee of future performance, conservative estimates are that both gold and silver could exceed the previous market highs of $850/oz. & $50/oz respectively. But, before you invest in anything, please answer these...



Four Simple Questions:

1) How long do you plan to hold your investment?
2) What level of return do you hope to achieve?
3) What degree of risk are prepared to accept?
4) What type of liquidity to you need to have?

Based on your personal choices you should adjust your own investment strategy.

Unrealistic expectations rule on Wall Street today; Don't let them rule on your street. In today's short-term investment world, very few investors are thinking beyond a year... or two. In contrast, previous generations thought in terms of a generation... or two... or three!

Financial prudence always pays dividends to long-term investors – "big or small." . For 23 years, Swiss America has made built a reputation on offering the best quality gold and silver coins to clients at a fair price.

Call Swiss America now at 800-289-2646