

The Savage Truth on Money: The gold standard

by Terry_Savage

If you can stop licking your stock market wounds for a minute, it's time to consider your IRA contribution for this year. The April 15 tax deadline is also the last date you can make contributions for 2008. And it would be a good time to consider your 2009 contribution.

In 2008 and 2009, the contribution limits remain the same: \$5,000 for both traditional and Roth IRAs for those under age 50. But if you're 50 or older, you can set aside \$6,000 for each of these years.

If you qualify with adjusted gross income of less than \$101,000 on a single return or \$159,000 on a joint return, and you are not covered by a company retirement plan, you can open a tax-deductible traditional IRA. Remember, part of the money you're investing today would have gone to the government in taxes!

The possibility of higher tax rates in the future makes a Roth IRA even more attractive. You don't get an immediate tax deduction. But if the government keeps its promise, the gains will all come out tax-free to help pay for your retirement.

It takes a strong heart and a good sense of perspective to consider making an IRA contribution now. This year, more people are likely to take a conservative attitude, after watching their IRA accounts melt down with the stock market. That might turn out to be an unfortunate decision: Money in bank CDs can't grow much, while you might be passing up a chance to pick up bargains in the stock market.

Perhaps it's time to get even more sophisticated with your IRA or IRA rollover account. While stocks traditionally have been a good "hedge" against the impact of inflation, you might want to diversify into another direct inflation hedge: gold or silver. Yes, you can buy shares of mining companies, or mutual funds that buy these stocks, or Exchange Traded Funds that buy the metals.

But most people are unaware that you can buy certain gold bullion coins and bars for your IRA "if they are held in trust by a certified custodian. Those include U.S. coins such as gold and silver Eagles, and gold Buffalo coins, as well as bars and wafers of the precious metals. Some foreign coins, such as Australian Kangaroos and Canadian Maple Leafs, also meet fineness standards to qualify.

You cannot buy collectibles, such as numismatic coins, for your IRA "even if they are gold. And those "commemorative" gold "coins" don't qualify either. Similarly, you're not allowed to buy artwork, gems, stamps, antiques and other collectibles inside an IRA.

The basic principle of investing in "alternative assets" in your IRA is that there must be an official "custodian" who has control of these assets for your benefit. There are several companies that provide that service. Entrust (www.theentrustgroup.com) is one of them. The Blanchard Group â€” a coin dealer â€” has a similar program using its GoldStar Trust (www.blanchard.com). I prefer separating the coin dealer purchase from the IRA custodian, which is how Entrust works.

If you have an IRA with a "checking" feature at a mutual fund company, you can go to a coin dealer, pay for your coins with a check from your IRA â€” and then direct that the coins be sent to Entrust by certified mail for storage. Or you can open a new IRA with Entrust, and they'll handle the purchase for you with your coin dealer.

The coins are then placed in a safe-deposit vault in the bank of your choice. The safe deposit box is opened by the trust company as trustee for your IRA. You can watch the coins being placed in the box â€” but you don't get a key to it.

As an alternative, Entrust can act as trustee for coins left in the vaults of a certified dealer. They sign the storage agreement with the coin dealer as your trustee. Either way, the IRA holder gets a daily online statement, as well as a year-end valuation for seniors who must start taking a required minimum distribution.

Entrust CEO Hugh Bromma says there is a growing interest in gold and silver bullion for IRAs, even among those most scared about the future of financial institutions: "We can act as custodian for your gold in any vault, even outside the United States."

We plan our retirement in dollars, and we will pay our retirement living expenses in dollars. But how much will those dollars buy in our retirement years? If dollars don't keep their buying power, gold will! And that's The Savage Truth.

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