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Contents

Introduction - 7 Rules of Gold Investing	Page 3
RULE 1: Patience is a not only a Virtue, it's a Necessity	Page 4
RULE 2: Make a Plan and Stick to it	Page 6
RULE 3: Investor – Educate Thyself	Page 7
RULE 4: Physical Gold and “Paper” Gold are Not the Same	Page 9
RULE 5: Do Your Homework	Page 13
RULE 6: Too Many Eggs, Not Enough Baskets	Page 15
RULE 7: I've Got the Fever	Page 17
Conclusion	Page 19
About APMEX	Page 20

Introduction

The concept of investing in precious metals is appealing for obvious reasons. After all, who wouldn't like to turn the money they've already earned into even more money?

The problem arises when investors' expectations become too unreasonable. Particularly with beginners, it is common for investors to hope for a considerable return on their investment in a very short time period.

Over the years, precious metals have had an impressive track record of protecting investors' financial assets, while also making some significant percentage gains in the process. A prime example of this is the meteoric rise in the value of gold from 2000 to 2010 – a gain higher than 300% in ten short years. However, all markets are cyclical and past performance does not guarantee future results.



While it would certainly be nice to garner such results consistently and permanently, it simply isn't realistic. Precious metals are an investment and all investments have some level of volatility. Failure to understand this fact and committing other errors can ruin an investor's strategy. But there are ways to avoid them.

In this book, we have detailed what we feel are "7 Rules of Gold Investing" and they are especially important for new investors to learn. Moreover, we detail how you can follow these rules and better equip yourself to reap the hard-earned rewards of safety and financial security that investing in precious metals can provide.

RULE 1

Patience is a not only a Virtue – It's a Necessity



One of the biggest obstacles faced by precious metal investors, of all experience levels, is impatience. Particularly with newcomers, the calling to get rich quick is a temptation that prompts the urge to move as quickly as possible.

Many newcomers have the mindset that success is a given and that it must appear quickly, without much effort.

Nothing could be further from the truth

As any experienced investor will tell you, investing in gold or silver is a long-term proposition. The measure of one's success comes from years spent in the game, not weeks or months. It is unrealistic to expect "get rich quick" results.

However, this is a mindset many gold and silver investors fall prey to at some point. This tendency often causes investors to flip-flop with their investment decisions. It's the classic "the grass is always greener on the other side" scenario. An investor will try one approach and when it doesn't yield the desired results in a fairly rapid timeframe, they will abandon the approach considered to be faulty for another that's perceived as better.

Take a step back

To avoid the impatience trap, it's important to take a step back and re-evaluate your expectations. Ask yourself the following questions:

- *Are your expectations **realistic**?*
- *What are your **long-term** financial goals?*

Note that both of these questions fail to mention anything about instant profit cash flow. Remember, success in precious metal investing is not instantaneous. Forget the drive to make a fast fortune. Take a moment to relax and realize that you're in this for the long haul.



RULE 2

Make a Plan – and Stick to it.



Investors often face another common problem – and that is a lack of vision. Investors in any products, by nature, want a return on their investments and they typically want it quickly. Individuals may feel that if a particular strategy isn't yielding strong enough returns, there must be something wrong with the strategy.

Investors will spend years chasing after the next big thing, often believing that this strategy is “the one.” When that particular strategy doesn’t yield the results they were looking for, the common response by investors is to blame the strategy and to quickly adopt another. They don’t realize that the problem most often lies within themselves and not within a given strategy or tactic.

Again, step back

Give the strategy some time to work. We can’t stress enough that precious metal investments should be long-term holdings. Success in this arena is not something that can be accurately measured in weeks or months. This is a long-term commitment. Budget your time, energy and capital wisely.

To paraphrase the old axiom, “Most people don’t plan to fail. They simply fail to plan.”

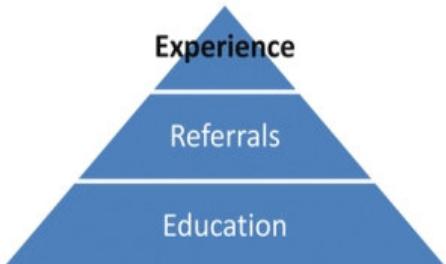
RULE 3

Investor – Educate Thyself!

Information on investing in precious metals is everywhere and it's natural to seek advice from outside sources. When experiencing challenges, we tend to look outward for solutions. However, this is a double-edged sword. On the one hand, it's prudent to educate yourself before undertaking a [precious metal](#) investment.

Many start by reading the variety of online sources including forums. Online forums can be terrific sources of information. Just make sure you're always mindful of your sources. Not all outlets available to you are reputable.

On the other hand, problems arise when you rely too heavily on these outside sources. Often times, people forget to look inward in addition to seeking outside assistance. After all, there is no magic solution and no one path to success. No one can guarantee in which direction the market is going to move. It simply cannot be done.



Therefore, the most important person you can turn to is - you. Success comes from diligent research, solid advice from other successful people, patience and emotional fortitude. Investing is a skill which must be honed over time. There just aren't any shortcuts in that respect.

Gain your own experience

Don't mindlessly follow the suggestions others give you. There is little value in getting someone's opinion on the best course of action. Just as schools prepare children for lives as successful adults, so must you learn

the ways of succeeding in precious metal investments. Rather, ask others how they came to their decision.

Seek their advice on *skills*, not on tips. It may be tempting to take the quick solution through tips, but keep in mind that tips are not transferable skills — they're the cheat sheets that may help with short-term gains but may ultimately lead you nowhere.

Learning to “see” the market as someone successful sees it is the best skill to learn.

RULE 4

Physical Gold and “Paper” Gold Are Not the Same

Many investors, especially those new to precious metals, make the critical error of thinking that owning a piece of paper, such as an Exchange Traded Fund (ETF), gold certificates or other comparable product that invests in gold is the same as owning the physical gold itself. This mistake is born of a common misunderstanding. While ETFs do buy some physical gold, there are many differences between owning shares of an ETF and owning physical [gold](#). There are many differences you should be aware of that make ETFs significantly more risky, as an investment, than owning and storing the physical precious metal yourself.



For thousands of years, [gold](#) and [silver](#) have been highly desirable and recognizable commodities that are easily bought, sold or exchanged for goods on local and world markets. You can take physical gold from New York to Zimbabwe and everyone will immediately recognize the inherent value in the metal itself. In essence, you can use physical gold or silver in lieu of, or for exchange for cash all over the world.

As the owner of a [gold](#) ETF, you ultimately only own a piece of paper, a promissory note, showing how many shares of the fund you own. When you redeem a gold ETF you do not receive the precious metal, you receive the cash equivalent. The ETF owns the [gold](#) and you own a promise from the fund managers to pay back the value of the shares you have purchased in the ETF. The ETF certificate that you own is something that is not universally traded on the world markets, nor is it

widely recognized or easily exchangeable for currency. You would have a very difficult time trying to trade paper certificates for goods or services in the same way that you would exchange physical [gold](#).

Many newcomers to precious metal investing ask, “Aren’t gold ETFs the best way to take advantage of the rising [gold](#) prices?” “Probably not,” is the most accurate answer. ETFs do not always exactly reflect the current price of [gold](#). That is because you are trying to compare a physical [precious metal](#) product to a piece of paper. In the past five years, the premiums on the spot price of gold have grown significantly, which may not be accurately reflected in the price per share of a [gold](#) ETF.

Also, if you read the language of an ETF prospectus carefully, you will see that your investment in the ETF could possibly drop to \$0 in value. This highlights two critical factors to consider about ETFs: 1) you are trusting someone else to establish the value of the [gold](#) possessed by the ETF, and 2) you are trusting that the fund managers actually have enough physical [gold](#) to cover your investment and that of all of the other shares invested as well.

These two concerns are negated when you consider physically possessing gold. First, the value of your investment is determined by the market, not by a fund manager or by the popularity of the shares of a given ETF. Second, since you physically possess the [gold](#), you know exactly what it is worth at any moment in time and are not dependent on another person or entity to tell you what you have. The chance of physical gold becoming worthless is virtually impossible, given that [gold](#) and [silver](#) have always had value. While the value of [gold](#) may fluctuate depending on a given currency or during any given day, there will always be some value associated with these precious metals due to the fact that precious metals are rare elements, cannot be “manufactured” and have a myriad of industrial uses.

Counterfeit risk

Yet another major concern surrounding ETFs is the increased possibility of counterfeiting. You may have read articles documenting the recent discovery of counterfeit gold bars, which have a core made of tungsten, which has almost the exact density of [gold](#). Counterfeitors primarily target the 400 oz. size bars that most ETFs purchase because of the time and expense in the counterfeiting process, and the massive return on their counterfeiting investment. These bars are the only size bars that most ETFs purchase, often purchased sight unseen, and they are rarely, if ever, critically audited. In fact, 400 oz. bars are typically only used by institutions, ETFs and world governments. Once again, in the language of the prospectus, you will find that if the ETF were to discover that they were holding counterfeit bars, the loss of value would result in a loss of value for the shareholders of the fund, not the ETF managers who purchased and accepted counterfeit bars in the first place.



At [APMEX](#), we have highly-trained experts who can detect counterfeit products of any type. All of the gold coins and bars that we offer were manufactured by government-owned or well-known private mints, making these products even more resistant to tampering. The vast majority of coins and bars we sell are smaller in size, making them much more difficult and less profitable to counterfeit as well. Because of these three simple facts, you can be confident that the physical precious metals you purchase from APMEX are genuine.

Additionally, there is a question of security. Some people are concerned about holding physical gold in their households and find that the idea of having shares of a precious metal ETF is quite appealing. When you consider the potential losses that could be sustained by investing in an ETF, the prospect of securing your [gold coins or bars](#) in a bank safety deposit box or even in a simple household safe is negligible at best. Many homes today are equipped with high-tech alarm systems, locks and other security measures. Keeping them in a safe deposit box or installing a simple gun safe, wall safe or floor safe is an inexpensive and effective way to protect your precious metals.



Another means of owning “paper” gold is by buying shares in a gold mine. If you are looking to diversify your holdings beyond the stocks and bonds in your 401(k) or investment portfolio, this doesn’t help you at all. The price movements of all stocks, even gold mines, are subject to market movements and other external forces that owning physical gold eliminates. If you are looking for diversification, then owning gold stocks is not the solution.

This chapter has identified the advantages of owning a physical [precious metal](#) versus owning paper gold. When making your investment choices, you should always do your homework, always read the fine print and always understand what you are purchasing.

RULE 5

Do Your Homework

When faced with something new, it's easy to simply scan the owner's manual for the basic information and then "wing it." It is tempting to do the same when beginning an investment in precious metals. In the precious metal market, superficial research is just looking at general information such as spot prices — in other words, doing the bare minimum to prepare yourself before jumping in. The downfall of not doing serious research is obvious. There are many, many layers of information that must be sifted through before an investor can feel confident in his investment choices.

Do your research

From forums to chat rooms to blogs, there are multiple sources of information available online for those who want to invest in precious metals.

Precious metal forums (goldismoney.info, cointalk.com, etc.) are great places to read other investors' opinions, strategies and the experiences they've had with specific dealers. In a chat room, you can talk to others one-on-one. This conversation can lead to invaluable information, not to mention the fact that you can ask specific questions and judge answers for yourself very quickly. Thanks to major online portals like FaceBook and LinkedIn, there are many investor groups you can join to learn more as well to make new friends, learn more about the industry and locate additional sources of information. But also remember that you do not know what



RULE 6

Too Many Eggs, Not Enough Baskets

Many first-time [precious metal](#) investors make the mistake of investing all or a significant portion of their savings in precious metals. That is a mistake. You should never invest all or a significant portion of your assets in **ANY** single investment vehicle. To determine how much you should invest, you must first determine how much you can actually afford to invest and what your financial goals are.

Precious metals can provide a level of diversification to your stocks, bonds and mutual funds, and diversification is widely considered a prudent course of action. You are also allowed to hold certain types of [gold](#), [silver](#), [platinum](#) or [palladium](#) in a Precious Metals Individual Retirement Account. Many experts recommend that at least 5-10% of your retirement dollars be invested in precious metals, depending on your personal situation.



First, let's take a look at how much you can afford to invest. Do you have savings that you can use? If so, great! However, you don't want to cut yourself short by tying up all of your emergency money in an investment.

It is important to keep at least three to six months of living expenses in a readily accessible savings account. Even though [precious metals](#) should always be considered as a long-term investment, don't invest money that you may need to have readily accessible.

Begin by determining how much of your savings should remain in your savings account and how much can be used for the purchase of precious metals.

Next, map out a plan to add to your investments in the future. You should plan to use a specified portion of your income to build your precious metal portfolio over time. This method is called “dollar-cost-averaging” and it is useful whether buying stocks, bonds, mutual funds, precious metals or any investment. Speak with a qualified financial advisor to set up a budget and determine how much of your future income you should invest.



With the help of a financial advisor, you can be sure that you are not investing more – or less – than you should in order to reach your investment goals.

For many types of investments, a minimum initial investment amount may be required. Different precious metals dealers require different minimum purchases. Your local dealer may let you buy just one or two ounces of silver, while some online dealers require upwards of \$5,000.00 to \$10,000.00 in order to be able to purchase from them. APMEX, for example, has a \$50 minimum purchase policy.

Finally, never borrow money to invest, and never use money that you have not set aside for investing!

RULE 7

I've Got the Fever!

Did you know that a Google search for the word “[gold](#)” produces over 700,000,000 results? “[Silver](#)” brings back about 480,000,000 results. That is some serious information overload and way too much for any person to review.

Many newcomers to precious metal investing may find that they become overwhelmed with information, especially when “[gold fever](#)” hits or when the price reaches a new all-time high. There is so much to learn and so many things happening all at once all over the world, it’s easy to catch the fever and want to keep constant vigil over the market. This gives new investors a misguided sense of control, thinking that as long as they are keeping an eye on the market, they’ll be on top of things. Right? In reality, the opposite is happening.

The Sun is always shining somewhere on the Earth, and there is a market somewhere that is almost always open – this is especially apparent with today’s Internet connected markets and global economies. Markets constantly change based on events all around the world – there’s just no way for any one person to keep up with the [precious metals](#) market 24/7.



The solution?

Relax. Don't become obsessed with the ever-changing world of [precious metals](#) – give your mind a break from it all. When our mind is over-worked, we tend to make high-risk decisions with a lack of concern for the consequences. Relax - it'll still be there when you return. If you have done your homework, work with a reputable company to place your orders and have a solid long-term strategy in place, you will hardly miss a beat.

One way to ensure you are using a great strategy is to pre-plan your moves – be less reactive and more proactive. This gives a real sense of control and allows you to calculate your strategy and wait for the best timing. The markets move as they will, so instead of reacting to everything, which requires you to watch the Hong Kong Market to guess what will happen in London, you can pre-plan your moves.

One very valuable tool that you can use is the FREE service from APMEX called the "[APMEX Market Alerts](#)."

APMEX will **watch the market movements minute by minute for you** and when any of your target prices are met for any of the metals we are watching, we will **immediately send you an email and/or text message**. Our Market Alert tool helps you uncover those great buying and selling opportunities while still enjoying a good night's sleep, or doing other things that you want to do instead of watching spot charts go up and down by the minute.



Conclusion

Investing in precious metals is serious business but it can be very rewarding. This type of endeavor requires both attention to it and respect for it. If you can master it, a world of financial opportunity is open to you. If you fall victim to it, there are few things more frustrating. Hopefully, from this short book you have gained a better awareness of the rapidly changing and in-depth nature of precious metals and how to maximize your opportunity to succeed.

The rules we have illustrated here are just some of the more common situations that new investors experience. You should keep them in mind and recall some of the crucial information we have revealed in this book. Above all, remember that success will be measured in years, not weeks. Avoid the mindset of getting rich quick – keep your goals and expectations long term.

Also, remember that there is no substitute for knowledge and practice. Educate yourself. Find a system that makes sense to *you*. Don't go along with something simply because you were told it works. Rather, determine what resonates with your own body of knowledge and experience, then stick with your strategy.



Finally, find a mentor – someone who is willing to impart the knowledge that made them successful. A solid understanding of precious metals investing is truly invaluable, offering you the opportunity for secure investments, financial strength and independence.



About APMEX.com

The **American Precious Metals Exchange** (www.APMEX.com) is a leading global provider of precious metal bullion coins and bars. APMEX actively buys bullion from world mints, manufacturers, dealers and individuals. Customers can purchase precious metals online at www.APMEX.com 24 hours a day, 7 days a week or by calling our trading department toll free at 800.375.9006.

APMEX has gone to great lengths to satisfy the needs of precious metal buyers and sellers. As a result, APMEX is well-known and well-respected in the community of bullion investors. We have been featured in multiple nationwide publications, such as Newsweek and The Wall Street Journal, and has achieved an “A+” rating by the Better Business Bureau. APMEX has also received a 98% Customer Satisfaction rating.

APMEX’s excellent reputation is due in part to the focus we place on six key areas that are of great importance to our customers:

- **Price** – All products are offered at competitive, straightforward prices. With APMEX, there are no hidden fees – what you see is what you get. The only additional charge is for shipping, which is clearly defined during the checkout process. Our Buying and Selling prices are clearly indicated on our website for many of our

products. The transparency of our prices is a feature that other dealers are only beginning to emulate.

- **Service** – We pride ourselves on offering prompt, helpful and friendly service to our customers. Customer service can be reached toll free at 800.375.9006 during regular business hours.
- **Selection** – We specialize in providing our clients with an unparalleled selection of over 3,500 different bullion products. APMEX consistently has one of the largest selections of popular gold and silver bullion, as well as a variety of platinum and palladium bars and rounds.
- **Convenience** – APMEX customers are free to shop with us online 24 hours a day, 7 days a week, 365 days a year. Our Traders and Customer Service Representatives may be contacted from 7:00 a.m. - 4:00 p.m. (CST) M-F, except major holidays.
- **Satisfaction Guarantee** – Your satisfaction is of paramount importance to us. We **guarantee your satisfaction** with a refund, return and/or exchange policy. You can always purchase with confidence from the American Precious Metals Exchange.

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