

[Howard Ruff](#) wrote: One newsletter I read faithfully is the "Silver Stock Report" by Jason Hommel (www.silverstockreport.com). I don't always agree with him, but even when I disagree, it's worth reading. With his consent, I'm publishing excerpts of his Frequently Asked Questions about silver. His newsletter is always about silver; it doesn't deal with the stock market and has only occasional references to gold. * * * * *

What's so special about silver?
Like gold, silver has all the properties of money; it is easily tradable, transportable, divisible, interchangeable, genuinely recognizable, verifiable, lasting, rare, and a luxury item. Silver also has many properties that make it much more desirable than gold, such as, it is much more electrically conductive & reflective.

Why will silver go up in price?
1. There has been way too much paper money created in the last 30 years, and the rate of paper money creation is increasing at increasing rates, up to 20% per year. 2. Silver is more rare than ever due to the irretrievable consumption of silver by industry. It is probable that refined .999 pure silver is more rare than gold.

What is a good price for silver? How much should I pay?

Prices vary from dealer to dealer, and from time to time, and from product to product. So shop around. Typically, good prices are within about 5% over the price of silver, all costs included such as shipping and commissions, and the spread.

What kind of silver should I buy?
I don't think the kind of silver matters as much as the price. Get the most physical silver in your hands, at the least price. Paying less for "unallocated" silver in a "pool" can be costly in the event of bank-ruptcy. Silver is payment in full, and protects you from the bankruptcy of another, but only if you buy physical silver and take delivery.

How much money do I need to buy silver?
You can buy one silver dime for about a dollar fifty, (\$1.50 U.S). But in many cases, to avoid sales tax, such as in California, you have to buy a minimum of \$1000. Some popular and very busy internet dealers have minimum order sizes of \$10,000 to \$50,000.

How do you know that the silver you buy is real?
Silver coinage is very easy to discern and detect. It is heavier, and has a distinctive ring to it. But most telling are the edges. You can't see any copper at the edge. If it were easy to counterfeit silver, don't you think the U.S. government would have produced better looking coinage?

What about confiscation?
Not likely. The real confiscation is through inflation. Confiscation is always a voluntary recall. They never search "house to house." The silver market is too small to matter to the budget of the U.S. There is no reason why they would confiscate now, since they are minting and selling American Silver Eagle coins. Also, many congressmen own silver, because they know what their other congressmen are doing to the money. Congressmen don't want to make criminals of themselves.

Should I buy rare coins?
I don't recommend rare coins as an investment. I've heard too many stories of people who bought rare coins, and cannot sell them without taking a 50% loss or more. Buy silver for the weight, not the image. Silver is about substance, not appearance.

I have some old silver coins; what are they worth, and where can I sell them?
I don't study rare coins, so I don't know. Look up the coin dealers, or look for a "numismatic" coin dealer. Shop around. Maybe pay to have them professionally graded. Maybe sell them on eBay.

How much silver is in my U.S. silver coins dated 1964 or earlier, and what are they worth?

Silver half dollars, quarters, and dimes contain .72 of an ounce of silver for every \$1 face value of coins. Stated another way, they contain 72% of an ounce of silver in two half dollars, or 4 quarters, or 10 dimes. Such coinage also contains 10% copper, for hardness, but the copper is not worth anything. So, count up the coins, as they are. If you have \$23.70 worth of coinage, and if it is all silver, here's how to value it: \$23.70 times 0.72 times the current silver price = approximate value. Coin dealers will pay you less than the spot price when buying from you, especially if you have an odd amount. In fact, you can sometimes buy \$1000 face value bags at 1% under the spot price.

How do I store silver?

I recommend that you get a safe, and bolt it to the floor, or wall. Also, consider hiding the safe. If it's hidden, they can't steal what they can't find. For very long term storage, you might want to make a hidden wall somewhere in your house.

Where can I get someone else to store my silver for me?

There are many such services, but I don't recommend any of them. They often operate like a bank, and can go bankrupt.

How do I buy silver in my IRA account?

Any major brokerage should be able to buy silver for you. However, this defeats the purpose, if you think about it. I use my IRA to invest in silver stocks.

What are the capital gains taxes on silver, and what will they be in the future when I go to sell it?

I cannot legally give tax advice, and I cannot predict future tax rates. Philosophically, that which is taxed is discouraged. Thus, if they tax silver too heavily when it is sold, that would tend to discourage sales, which would tend to drive up the price. Selling silver is often not a reportable transaction, for tax purposes. So, philosophically speaking, if a tree falls in the forest, does it make a sound?

When do I sell silver? How do I take profits if there is no paper money, and what is the exit strategy?

I plan to sell most of my silver after silver and gold become money again, and when I feel that I have found another asset that is trading far below the cost of production. When silver and gold are money, silver trades for gold, and gold for silver. So, I might trade some of my silver for gold when the ratio narrows from the current 50:1 down to 10:1 or 5:1 or less.

Who will buy or could afford 100 ounce bars of silver after the price goes way up?

As the price of silver moves up, there will be many more traders. For example, at the top of the real estate market in Florida in recent years, one person in 50 was a real estate agent. When one person in 50 is a precious metals broker or dealer, when it is very easy to sell, that might be the time to sell. Silver and gold are always very liquid, and will always be liquid assets because of their intrinsic value, and special properties. There will always be someone much wealthier than you, who will want to buy your silver, such as industrial users, refiners, brokers, or bankers, and most people will never deal with them directly, but will sell it back to the coin shops, who will, in turn, sell it to new customers.

What are the supply/demand fundamentals of silver?

These are merely rough estimates, or even just guesses: Annual Supply: 600 million ounces mined; 250 million ounces recycled; 50 million ounces sold by governments; Total: 900 million ounces.

Annual Demand: 400 million ounces for industry and electronics; 250 million ounces for jewelry; 175 million ounces for photography; 75 million ounces for investment demand; But those are my estimates for what is "current" for 2008. Investment demand is tiny, yet potentially huge.

Where can I learn more about the exact supply/demand fundamentals of silver?

Intrinsically, silver is a private form of wealth, so there is no real way to know exactly. Two groups produce solid research, via surveys and estimates: www.cpmgroup.com
www.silverinstitute.com **Where can I learn more about silver in general?**

[http:// silverstockreport.com/links.htm](http://silverstockreport.com/links.htm) **Won't increased silver mining make silver worth less?**

In theory, yes. In practice, no. Annual increased silver mining is offset by old mines shutting down. Also, newly increased investment demand for silver is far higher than total new silver mine production. There is no silver surplus. **Why do you like silver more than gold?**

About 7% of silver mined each year is purchased by investors. The rest is consumed and lost by industry. Silver is a small market, more rare, harder to buy, harder to find. If "smart money" is buying gold, then the smartest money is buying silver. **Should I wait for silver prices to dip, before I buy?**

If you don't have any silver, I think it's more important to get some immediately, no matter what the price. Some silver is better than none. You don't have to buy all at once. Money is good because it is divisible. Should you wait for a dip? Waiting for a dip is the wrong strategy in a market that is going up, and is expected to go up. The longer you wait, the more you will pay, typically. Due to the many reports of silver not being available at all, I expect it will typically get much harder to locate, find, and buy silver in the future. **How and why will the world ever go back to using silver and gold as money, and what will it be worth?**

Paper money always fails, eventually, and returns to its intrinsic value, which is about the value of used newspaper. No matter how many zeros they print on the paper, that does not increase value. As silver and gold continue to go up in price, they will attract ever more investment, especially as more and more people understand true value, and as more and more people want to preserve savings, and grow their wealth. I think a silver dime containing 7/100ths of an ounce, or even 1/10th of an ounce of silver in the future could be worth a week's wages, due to the scarcity of silver. **How will silver or stocks be valued if there is no paper money?**

Today, stocks can be traded for dollars or Canadian dollars. I expect that in the future, stocks could be traded for fractional ounces of silver, or gold. When silver and gold are money, everything is valued in terms of silver and gold. How do I buy silver stocks? You need a broker, or an online brokerage account, to buy stocks. Generally, you need \$2000 to open a brokerage account. With \$10 trades, that's a 1% commission on \$1000 trades, so I think all trades should be for \$1000 minimum, otherwise, you can pay too much in commissions.

How do I buy futures contracts or options?

I don't recommend that you buy futures contracts or options. I think paper investments are designed to separate you from your money, and that futures and options are too much like gambling. **What is the best silver stock to buy right now?**

Thank you for reading this far. My favorite stock and top holding as of July, 2008, is Silver Eagle. To stay current with my current thoughts and holdings, please consider subscribing to look at my portfolio. **Why isn't the silver price higher?**

I'm glad you recognize that silver should be higher. Clearly, not everyone does. If everyone did, the silver price would already be higher. It is my estimation that less than one person in 1000 is even interested in silver, and that most of those who are interested in silver do not understand or agree with the main things that I think are keeping the silver price low. For

example, economists in 1971 said that when gold would no longer back the currency that the gold price would collapse. Clearly, that did not happen, as gold prices moved from \$35 to \$850 over the following ten years. But in the long run, the economists were right. Lack of monetary demand caused the gold price to sink far below the inflation adjusted price of \$35/oz, by the time gold hit \$250/oz. in 1999, which was about \$20/oz. in 1971 dollars. The same thing happened with silver, only the price changes were more extreme. It is my belief that since silver is not used as money, there is less demand for silver than there would be otherwise, and that until paper money is no longer used by a majority of the people of earth, silver will not see its much higher true value realized.

Can you explain again how silver prices are manipulated?

Silver prices are manipulated in various ways. The biggest fraud of manipulation is paper money, which diverts investment demand away from real silver. But there are many other frauds, too. Fractional reserve banking, futures contracts and options, and silver certificates are all a form of manipulation, in my opinion. Also, news stories and college textbooks are also manipulative to the extent that they contain lies about silver, which deceive market participants.

One of the markets commonly complained about is the COMEX futures contracts. I believe these "investment instruments" are deceptive, and divert investment demand away from real silver, as many potential silver investors are willing to hold silver promises instead of real silver. So, less silver is purchased, and thus, the silver price is lower as a result.

How long can they continue to manipulate silver prices?

Manipulations work to the extent that people think that they can still get real silver if they wanted to. As long as "everything is fine" then people will tend to trust paper promises. So, manipulations can continue until they run out of silver to deliver. Then, people start to wake up to reality, and decide they want to get silver, when silver is harder to get. Then, silver prices can move up very, very quickly. Manipulations typically continue until a default, which is a failed delivery. Many failed deliveries have already happened, if you count the numerous delivery delays that have taken place from some of the largest mints in the world, the Perth Mint, the Northwest Territorial Mint, and the U.S. Mint. But apparently, these are not well publicized in the mainstream media channels, which seem to be more devoted to celebrity news, or news of the housing crunch and brokerage difficulties.

manipulate silver forever?

A failed delivery to an industrial user could cause a panic. Industrial users must have real silver, not paper silver, or they will shut down production, which could cause them to go bankrupt. Therefore, once industrial users cannot get silver easily, they may begin to stock up on silver. This could cause further panic for real silver, driving up prices. All price suppressions fail, because they encourage excess demand at a price that is too low. However, silver is an investment, and as such, it has a price curve that is reversed. As silver prices moved ever lower, investors were repulsed by silver. Today, as silver prices move higher, silver investors are attracted to silver. This is why paper money will fail, too. Because they can't manipulate silver forever.

Why can't they

Why can't the Commodities Futures Trading Commission (CFTC) stop the manipulation?

I honestly don't know what I would do if I were the CFTC. I believe the existence of silver futures contracts themselves are price manipulative, and the only way to solve that problem, legally, would be to shut it down. However, that is no true solution, since, Biblically speaking, people have the right to enslave themselves with usury, and others have the right to enslave others with usury, even if we would rather avoid it. Essentially, prohibition does not work. But there is another view, which is that the futures markets in silver are particularly manipulated due to the excessive positions, and concentration of positions, among four to eight traders. But I don't think the CFTC wants to stop that kind of "excessive" manipulation. Keeping silver and gold prices low, tends to support the dollar, which is in the interests of the government, and the people who have a monopoly on the power to print money to loan to the government, at interest; the Federal Reserve.

I don't think we need to ask the government for help. I think we need to promote the benefits of "cheap silver" to other people.

Government help would only hurt in the long run. For example, when Andrew Jackson fought the banks and won, he "imposed" laws that forced people to buy property with gold and silver only. This caused a "manipulation" of gold and silver prices that was too high, because the demand came from government edict or "fiat", rather than popular market forces. So, afterwards, precious metals prices collapsed. All manipulations and use of force in the market eventually fail.

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<http://silverstockreport.com/customerservice> Jason Hommel Howard J. Ruff, the legendary author and financial advisor, has re-edited and re-issued his 1978 mega best seller, *How to Prosper During the Coming Bad Years*, still the biggest-selling financial book in history, with 2.6 million copies in print. He is founder and editor of [The Ruff Times Financial Newsletter](#)

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