THE UNBANKED SURVIVAL GUIDE

How to Retake Control of Your Money and Become Your Own Bank

PETER COYNE
WITH MATTHEW RIZVI

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About the Authors

Peter Coyne

Peter is an entrepreneur, author and investor. Peter has built multiple, six, seven and nine-figure companies. He's the founder of The Control Group -- a firm that helps everyday people regain control of their freedom, their finances and their futures.

For more than a decade Peter has worked behind the scenes with some of the most influential names in the financial world, helping to bring financial research, analysis and strategies to everyday people.

He's also worked inside Congress for Dr. Ron Paul. There Peter learned just how dangerous out-of-control central banks and power-hungry government bureaucrats can be.

What he's learned building his businesses and working alongside Dr. Paul, Jim Rickards, Robert Kiyosaki, and many other financial experts has sent him on a career mission to help Americans learn how to protect and grow their wealth.

Matthew Rizvi

Matt is an author and business leader who's spent more than a decade researching American monetary policy, financial crises, and how they relate to current events.

Since graduating from the College of William and Mary with a degree in history, Matt has worked with some of America's staunchest banking critics, including Dr. Ron Paul, Simon Black, Pamela Yellen, and Porter Stansberry.

Now, as a financial editor at The Control Group, it's Matt's mission to provide the public with the critical knowledge and tools needed to achieve financial freedom and security.

In addition to financial research, Matt is also an entrepreneur and manages the day-to-day operations of a seven-figure online publishing business.

Thank You

This book is dedicated to Dr. Ron Paul — a political icon, champion of civil liberties, and fierce critic of America's reckless monetary policy. Your work forever changed our lives and shaped the beliefs we hold today.

Without you, this book would not exist.

Thank you,

Pete & Matt

Contents

Introductions

The Bank of *[YOUR LAST NAME HERE]*

by Peter Coyne

What names come to mind when I say the word “bank”?

J.P. Morgan?

Goldman Sachs?

Wells Fargo?

Bastards?

These and many others are eponymous for the men and their families that founded their respective banks -- Henry Wells, William Fargo, Marcus Goldman, John Pierpont Morgan, etc.

All of them grew family fortunes beyond imagination and created behemoth firms lasting over a century by providing four simple functions:

1) Warehousing money.

2) Letting customers access their money.

3) Lending/investing that money.

4) Providing privacy and transaction services.

All of banking can be summed up by those four functions. Sounds simple, right? Yet, there are only a few families’ names on the outside of a few financial institutions doing those few things.

Why is that?

Why is there no Bank of Coyne? Or Bank of Rizvi? Or Bank of *[Your Last Name Here]*?

As you're about to see, it's because people don't know it's possible, let alone how to go about creating a bank.

Yet, "becoming your own bank" -- as defined by the four functions of a bank I listed above -- isn't as hard as you might think.

You don't need a charter from the government. You don't need billions of dollars. You don't need a fancy degree. You don't need a monocle. You need this book and some elbow grease.

Ominous signs have been developing in banking services for a while now. It's harder to access your money. Customer service is terrible. You're treated as suspicious for trying to use your money how you see fit. Banks thrive on overdraft fees and offer pittances on savings accounts and CDs. Who can say they love their bank, like they might love any other good or service in the economy?

The real catalyst for getting unbanked is more recent and scary than just poor service. Starting in March of 2023, the U.S. banking system has started to unravel. An entire system based on collateralizing and fractionalizing has begun to crack up. The stakes are your bank accounts and the years of hard work you've put in to build them.

In good times, everyone coped with their banks and went on with their lives. But now, a critical feature of all our financial lives are at risk. People's eyes are opening and they're looking for a way to opt-out of the system. They're starting to ask questions.

Henry Ford once said, *"It is well enough that 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."*

Well, consider this book your call to arms.

My name is Peter Coyne. I've been working behind the scenes for major players in financial research for a decade. Before that, I worked for Dr. Ron Paul on Capitol Hill for a brief stint -- brief enough to lose all faith in politics. Today, I'm the founder of *The Control Group*. Each day, I write and publish video briefings to tens of thousands of subscribers to help them gain control of their freedom, their financials and their futures.

A big part of that mission is opening people's eyes to the banking system Henry Ford was describing in the quote above. I want to create as many banking revolutions by tomorrow morning as possible. Since you're reading this now, it's your chance to join thousands of other Americans who are waking up and getting "unbanked".

One of the ways we help people do this is by teaching you how to replace many of the banking functions in your life through a strategy I call "The Control Account". This is a strategy I have most of my cash tied up in as an alternative to the mainstream banking system. You'll learn more about that here. I recommend this as the foundation for anyone who's looking to control and build their wealth.

But this book is NOT solely about the Control Account. It's about the ideal combination of strategies to get "unbanked". And yes, you'll need multiple strategies if you want to be "unbanked." No single banking solution gives you: Perfect protection, perfect access, perfect privacy, perfect convenience, etc. Anyone who tells you otherwise is probably a banker.

Because there's no perfect banking solution, you have to use a few different options to have your bases covered. You need to create ***<u>the least imperfect</u>*** banking system to store, use and grow your wealth.

That means taking responsibility and following three simple steps:

Step 1) Fully understand the different mainstream banking functions.

Step 2) Fully understand the different *private* banking alternatives available.

Step 3) Fully understand the tradeoffs and how each matches with your goals.

By the end of this book, you will be able to create a multi-dimensional private banking system in your life.

It should combine the best of all the private solutions -- a little bit of each solution to cover all your banking bases.

It should create redundancy, safety and control in your life. It should give you peace of mind and freedom.

I've teamed up with a good friend of mine, Matt Rizvi, to co-author this. Matt's been a friend and colleague for many years now. He's also been a competent behind-the-scenes researcher for many of the biggest analysts in retail finance.

Together, we've produced something I'm proud of.

The last note I'll say before you dive in is: Control = risk.

The more control you have over your finances, the less risk you have.

And the less control you have over your money, the more risk you have.

Use the solutions we outline in this book to reclaim control of your money and reduce your risk.

When you're done reading, continue the journey at www.thecontrolplan.com.

**“How I Awoke to the Dollar ‘Death Trap’
Hidden on Main Street America”**

By Matt Rizvi

For me, the illusion ended in 2008 when the US economy was in full panic mode. My meager savings were tied up in a mutual fund recommended by a Merrill Lynch broker. This “medium-risk” investment lost nearly half its value before I sold at practically the worst-possible moment.

But while my stocks were getting hammered, I had no idea that my bank account was at risk too. My jaw hit the floor when I read that North Carolina senator Richard Burr called his wife and said, “Brooke, I am not coming home this weekend…Tonight, I want you to go to the ATM machine, and I want you to draw out everything it will let you take.”

Unlike most Americans, Burr knew what would happen if the big banks went under. The financial system is so centralized that the failure of America’s largest banks would cripple the economy. “The exact situation we were faced with was a freeze bank to bank,” he said. “My attempt was to make sure my wife had enough cash at home to make it through the next week.”

The media criticized Burr for warning his wife. But how could you blame him? Central banker Neel Kashkari later admitted that he and other insiders knew exactly how dire the consequences were if the banks didn’t get their $450 billion bailout. “Literally, your ATM wouldn’t work,” he warned. “You type in your code, no money comes out. You get your paycheck, you can’t cash it.”

In response to the panic, Congress acted in concert with the Federal Reserve and U.S. Treasury to deploy policies never before seen in financial history.

They resorted to experimental initiatives like quantitative easing (QE) and the Troubled Asset Relief Program (TARP). They funded hundreds of billions of dollars in bailouts to prevent America’s biggest banks from going under. And the Fed lowered interest rates to almost zero.

According to bankers and politicians, their interventions “worked.” Calm was restored.

Unlike previous crises though, the Fed’s extraordinary measures didn’t end quickly. Ultra-low interest rates continued for nearly a decade while banks and businesses became dependent on easy money.

Some academics thought that this could continue forever. But when the COVID-19 pandemic struck, everything changed.

The world went into lockdown, freezing supply chains and making it nearly impossible to buy critical products and resources. Unemployment spiked as non-essential businesses were mandated to shut down. And Congress was again forced to pass massive stimulus packages to support the economy.

The result?

By printing trillions of dollars and giving it directly to individuals and businesses alike – combined with a tight supply chain – prices soared. Inflation ravaged the economy to a degree not seen since the early 80s. The cost of food, housing, energy, and virtually everything else, went way up.

As a result, the Fed had to reverse course.

To combat inflation, the Fed ended the era of easy money. It raised short-term interest rates from near 0% to over 4% in 2022 alone, causing the interest rate on new mortgages to nearly triple while the yield on 10-year Treasury bonds rose more than 7x.

At first, diligent savers celebrated these higher rates as they collected levels of interest not seen in a generation.

But increasing rates also had unintended consequences. They led to severe financial stress for risky banks and unprofitable businesses, many of which only survived the Great Recession because of the era of easy money.

By 2023, bank customers started to fear the worst. Runs began on institutions like Silicon Valley Bank and Silvergate Capital, which collapsed as depositors withdrew their money at a rate not seen since the 2008 financial crisis. Meanwhile, Charles Schwab lost over $47 billion in market value in a single month as higher rates crushed the value of its investment portfolio.

But this could be just the beginning.

In his annual letter to shareholders, BlackRock CEO, Larry Fink, warned that this could be the start of a “slow rolling crisis” in the US with “more seizures and shutdowns coming.”

Other experts agree. The World Bank's chief economist wrote that "a lost decade could be in the making for the global economy." And NYU professor and economist, Nouriel Roubini, predicts a "severe recession" like that in 2008.

If you're like me, the situation we face today is no surprise. In fact, I started preparing for it in 2017.

Back then, I began asking myself questions like, "Do I have a backup plan if *my* bank fails? If I can't use my debit or credit card? If I can't pay my bills online? If I can't write checks? If I can't access my safe deposit box? If I can't get a loan? Or if I can't get cash from a bank or ATM?"

In other words, can I survive a banking *apocalypse*?

That's when it became clear as crystal: I was helpless. I was trapped in the conventional banking system. I had no other choice. No alternatives. In my mind, Wells Fargo, JPMorgan Chase, and Bank of America were the only game in town.

From this perspective, the crisis didn't feel like an unavoidable accident. It felt like blackmail. Or like bankers had kidnapped my money and were demanding a king's ransom for its safe release. Americans were given two options (both bad): either bail out the banks or else they'd blow up the economy like financial kamikazes.

What kind of options are those? Of course, I didn't want my savings to go up in smoke. But I also hated the thought of rewarding the fat cats responsible for the mess. I felt forced into a lose-lose situation, and it really pissed me off.

So I decided I was done depending on banks.

My name, by the way, is Matt Rizvi. And frankly, I don't call myself a financial expert. I don't have a Ph.D. in economics or an MBA. I've never managed money on Wall Street. And I sure as heck don't have any fancy letters at the end of my name like CFA or CFP.

But since 2013, I've made my living in the financial publishing business by creating and selling investment research to hundreds of thousands of Americans. I've worked with some of Wall Street's biggest skeptics and critics — people like financial analyst Porter Stansberry, two-time *New York Times* best-selling author Pamela Yellen, international banking expert Simon Black, and three-time presidential candidate Dr. Ron Paul.

I've been fortunate to have had great teachers and mentors over my career. They've taught me how the banking system works, how it causes many of our economic problems, and why bailouts are only a temporary fix. So after the banks cheated fate in 2008 (at our expense), these ideas hit home.

Then, when the most recent banking crisis started in March of 2023, I got a call from my good friend Peter Coyne to co-author this book.

Knowing the reason behind a financial crisis gives you little comfort if you can't protect yourself. And while the age-old advice of buying gold and shorting stocks is a good start, it's incomplete. For instance, you could make a fortune betting against the market, but if you can't cash out your brokerage account, you're still trapped.

"Let's help people survive (and even thrive) without relying solely on a bank account?" Pete said. So, we searched and searched. We read dozens of books on money, banking, and alternative finance. We combed through a century's worth of economic data. And we analyzed hundreds of financial instruments to judge which ones are 100 percent walled off from the banking system.

I'll admit that nothing we found is a "magic bullet." They simply don't exist.

But we discovered a specific set of tools and strategies that, when combined, offer the benefits of the modern financial system, *without* a bank. I'm talking about checking, savings, loans, safe-deposit boxes, direct deposit, and much more. Many people believe that only a bank can provide these services. But that's not the case.

The fact is, there exist *alternative* financial systems — the kind that are independent of the central banking system. Not only do they give you more control over your money, but the ones we discuss in this book yield higher interest rates, charge a fraction of the fees, and are insulated from the multitrillion-dollar powder kegs ignited by banks…and even the infamous "shadow banks."

Plus, just imagine what could happen if Americans use these tools instead: we'd no longer be at the mercy of bankers. We wouldn't need to subsidize them with our tax dollars. They'd no longer be "too big to fail." And the next time they ask for a bailout, we could tell them to take a hike.

Seems too good to be true, right? Well, it's not. Such alternatives do exist. And I'm not talking about credit unions or even online services like PayPal. Believe me — those are still a part of the traditional banking system.

What I'm talking about are financial innovations that threaten modern banking as we know it. In fact, many of these tools didn't exist until only recently. As the *Telegraph* warned, "Banks should be afraid, the disruption of financial services has only just begun." And Jamie Dimon, CEO of JPMorgan Chase, told his shareholders that "there are hundreds of startups with a lot of brains and money working on various alternatives to traditional banking."

As you can imagine, bankers don't want this trend to pick up steam. They're trying to downplay and discredit the competitors we'll talk about. And as a result, most people don't have a clue that they exist. They're blind to the fact that they could get the major benefits of modern banking, but without exposing themselves to the multi trillion-dollar risks.

That's why Peter and I wrote this book. We want to share with you exactly how to survive without the banking system by using strategies that few people ever tap into. I'm talking about using alternative currency, old-school financial tactics, and Silicon Valley breakthroughs. Plus, this book details dozens of ways to protect, store, and transfer your wealth — without going through a bank or exposing yourself to risky bank lending. That way, you can fire your banker and take back control of your money for good.

But let me be frank. This book is *not* for everyone.

Most people have no idea that the American banking system is inherently weak. They don't understand that its fragility means another financial crisis is inevitable. And they're definitely not preparing themselves and their families for when it happens. If that sounds like you, it's nothing to be ashamed of. It's a widely accepted fallacy that bank accounts are "risk free."

But understand that this book is not a dissertation or a manifesto. My goal is not to educate people about the dangers of central banking, fiat money, and fractional reserve lending. Dozens of authors have already made that case.

So if you already *distrust* the modern financial system, fractional-reserve banking, and the politicians and central bankers who “manage” our nation’s money and economy, then continue reading.

What you’ll find in the following pages are real, actionable strategies to move wealth off the financial grid and help protect your savings from rogue hackers, NSA snoops, desperate government officials, crooked cops, and greedy Wall Street bankers.

You should also remember that this is a how-to book, not a novel. You don’t need to read it from cover to cover. Feel free to jump around and take advantage of the solutions most relevant to you.

For example: Do you want to replace your checking account?

Read parts 1, 2, and 3, where you’ll discover how to use Bitcoin, precious metals, and cash as checking alternatives, while also keeping the convenience of direct deposit, Mastercard and Visa debit cards, fast global payments, NSA-grade encryption, and more.

Want to find an alternative for your savings?

Read part 2 to learn why gold makes the best long-term store of value. Plus, check out part 5, in which we cover the risks and benefits to investing in P2P loans, “mini-IPOs,” and even loans backed by physical precious metals.

Want to protect your valuables without a bank safe-deposit box?

Go to part 4, where we tell you everything you need to know about safely storing your valuables at home. We also highlight how to find anonymous private vaults that give you all the benefits of a traditional bank while protecting your assets from confiscation and providing a level of privacy that banks can’t legally offer.

Want to raise money for a car, home, or business venture? In that case, go straight to part 5, where we explain how to use equity-, reward-, and donation-based crowdfunding, plus P2P loans, to get the money you need fast without a bank’s approval.

But here’s the thing: these topics barely scratch the surface of the tips and tricks I’ve packed into this book. So if you’re serious about opting out of the conventional banking system, we recommend you read every page and unlock all the secrets this five-part guide has to offer. Let’s get started.

PART 1

The Control Account

A Strange Discovery from a "Financial Area 51"

A year ago, I decided I needed to move out of cash while I still could. The banking crisis hadn't begun, but I knew it was quiet… too quiet. Something was coming.

But *where* should I park my family's money?

I set out on a mission to uncover the very best place to store and grow our wealth. My goal was two main things:

1) To find out how to legally take most of my money out of the mainstream banking system. And…
2) To grow my money to new heights *without* taking on huge risks, and without having to do anything complicated like day trading or crypto strategies…

After a full year's worth of research — and probably hundreds of hours going down dead ends — I'm happy to report that I discovered the answer in the strangest of places.

Mid-year 2022, I decided to fly to Colorado for a two-day getaway with my wife to spend some time outdoors. At the time we were our third child, and I thought the getaway would be a time to spend together before the birth of our next child.

While I was on the trip, oddly enough, a friend of mine I hadn't spoken to in a while invited me to a small, closed door gathering of financial experts just outside of Denver.

Since I was there already with my wife, we agreed to go. And what happened that day in a tiny conference room in Lone Tree, Colorado, blew my mind.

I stepped into a sort of "Financial Area 51" where every person that got up to speak unveiled a secretive and cutting-edge financial strategy I had never heard.

Strategies that could do all sorts of things…

One man was explaining a strategy he used to purchase all of his family cars and save tens of thousands of dollars as he did it…

Another speaker laid out a strategy for creating income for life…

Another lawyer was sharing five of the most common IRS mistakes people were making to try and hide their money. And then he showed the *real* ways to legally protect your assets from prying eyes and pass them onto your heirs with minimal taxes…

Another man explained how to turn your home into a massive bank account while living in your house the rest of your life…

In all, there were about 60 of us in that room.

But the thing that really caught my attention was an account the group discussed. An account I could create that could let me use my money… while it still compounded in the background.

It would pay me many times more than a savings account would. It would give me access to my cash. In some cases, it had *guaranteed* returns built in. It wouldn't have to be reported to the IRS. It would provide tax-free income in retirement. It would give me privacy and legal protections. I could use it to grow my business or invest in any assets I wanted. *And* it would let me pass on my money to my daughters and son tax-free.

Frankly, it all sounded too good to be true...

But on my way out of the meeting, I was introduced to a best-selling author who knew of me from my previous work. "Pete," he said to me. "I know it sounds crazy, but you've got to do this strategy. Once you see how amazing this wealth plan is, you'll believe it."

In the course of that conversation, he told me how he had been using several of these accounts in his own life over the past decade.

These accounts helped him find freedom… buy his dream home… build his business… and even establish a ranch in the hills of Utah that served as a family retreat.

He owed *everything* to this account. So, I peppered him with every question I could think of…

If these accounts are so great, why hadn't I heard of them before? How much money can you really grow inside these accounts? And how do I set one up?

The man agreed to host me at his retreat cabin in Utah to spend a day with me and share the secrets in detail. What I learned there is something I call a "Control Account."

I call it that because unlike the mainstream banking system the gives you:

1. Privacy…
2. Legal protections…
3. Uninterrupted compounding for your entire life *and…*
4. Allows you to earn many times or *more* on your money than a traditional savings account.

Simply put, it gives you more financial freedom, and therefore more choices. That's why I call it the Control Account. When set up properly, your Control Account will hide your true cash balance from prying eyes. It will also guarantee the account never has a down year -- and I'm sure I don't have to tell you that, coming off a recent period where stocks lost 20%, or where 8% inflation rates ravaged savings, that having an account that never has a down year is pretty amazing.

Can you think of another financial vehicle that can offer you that kind of growth plus that kind of safety?

And again, at the same time, the Control Account pays you many times what banks are paying on normal savings accounts right now.

You can also use your Control Account to give yourself guaranteed loans without answering any approval questions… without doing a credit check… and without talking to a loan officer at a bank.

You can use that money to invest… start a business… pay for your kids tuition or whatever else you see fit to use the money for.

Best of all, when you pay back that loan… all of the benefit of the interest you're paying back goes to YOU… instead of to the bank.

It gets better, too…

You've probably heard someone say that compounding is the eighth wonder of the world.

Well, you can use your Control Account to have uninterrupted compounding on your money for your entire life, too.

As you know, the current financial system has you *constantly* shuffling your money in and out of different investments, it's constantly taxing you, you're paying fees to managers, And retirement accounts have mandatory withdrawal ages. Every time you move your money, pay a tax or pay a fee, you're interrupting your compounding. Yet, compounding is how you get rich.

But with your Control Account, there's a built in feature that lets your money compound for your entire life, uninterrupted. So while people stuck in the mainstream banking system will be left with less and less each year. You and your Control Account should be getting wealthier and wealthier each year. Quietly and off the radar. With all the benefits I listed and more.

For example, structured a certain way, you're able to get hefty tax-free payments regularly in retirement so you can travel and live the life you deserve. There's also a way to use it to 100% legally pass on all the money that's been compounding within your Control Account to your heirs tax free. And, depending on the state you live in, The Control Account can also shield your cash from litigious predators that want to sue you and steal your money by abusing the judicial system.

And best of all you don't have to sacrifice any of the financial upsides you're used to, like the fat gains during the best years in the stock market. In fact, if used properly, The Control Account can amplify your returns during bull markets in *any* sector — whether it's stocks, bonds, real estate, cryptos, precious metals, you name it. The Control Account can take big gains you're already making and amplify them to make you even higher returns on your investments. The Control Account lets you sleep soundly, knowing you and your family's money is under your control — and your control only.

But the truth is, even though The Control Account exists and even though they're 100% legal and even though when structured properly they allow financial freedom better than anything I've seen, practically no one knows about them.

Ask your accountant, and he'll tell you don't trust everything you hear. Ask your financial advisor and you'll get a blank stare. Then, they'll just tell you to give them your money to put in a retirement account or a mutual fund. Ask the government and they might tell you such a thing doesn't exist.

This is the closest thing to the last financial secret on earth I've seen. Yet there's so little education on it. That's why I'm here to help you today. And again, I'm not just blowing smoke here, I already have huge skin in the game. I've personally moved a huge portion of my and my family's money into a control account.

I've already taken action. The question is, will you?

Let's dive in…

The Control Account: A Multi Dimensional Tool

Whether or not you think about it this way, banks are the foundation of your life. Consider your life without a bank. How would you receive income? How would you withdraw money? How would you transact? Where would you get your mortgage from? How would you save? The list goes on and on.

The invention and evolution of banking has changed the world for the better. It facilitated the savings and investment that has made our modern world. But in the course of transforming our world, our view of banks has become very limited and simplistic. We've given up our understanding and control over the banking functions in our life. For that reason, the foundations of most of our lives aren't stable.

But most people have a very narrow idea of what a bank is. They'd choose Bank of America, or Chase, or Truist, or Wells Fargo or maybe a regional bank in their area. Besides a traditional bank, they might consider a credit union as an alternative.

But remember what I wrote in the introduction. There are basically four functions that make up a bank:

1) Warehousing money.

2) Letting customers access their money.

3) Lending/investing that money.

4) Providing privacy and transaction services.

One alternative that provides 3.5 of those 4 functions are insurance companies. Insurance companies allow for the creation of what I call The Control Account.

At its core, The Control Account is a very specialized type of insurance contract and is built with a special type of life insurance company. But I want you to put that to the side for a second.

Instead of thinking of the Control Account as life insurance or any other financial vehicle for that matter, I want you to picture the Control Account as sort of a money machine that you built one day.

Now imagine that every dollar you put into this money machine grows for the rest of your life. It will not even stop growing at your retirement. Not only is the money in this machine always growing, but you also have access to your money and you can use it to capitalize on opportunities or fund emergencies, all without ever having to take money out of the machine and interrupting its growth.

Now keep on imagining with me that the money in this machine is also creating wealth that will be passed on to the people you care about most and it will create a legacy for multiple generations in your family or community to come.

Keep imagining with me that by simply putting money into this special type of machine, it produces a slew of extra benefits like tax-free growth, tax-free use, tax-free distribution to your heirs when you pass away, and even protection of your income in the case of disability or illness.

Now, the question is simple. If you knew a money machine like this could be built and you had the manual in your hands that showed you exactly how to build it, how long would you wait to construct it?

If you answered yes, keep reading. You need to make me a promise, however, in exchange for me sharing this information. Instead of just looking at the name or stereotypes of a product like life insurance, I am asking you to keep an open mind.

Only hear what I have to say and look at the pros and cons of every option available to you. Einstein is quoted as saying, the measure of intelligence is the ability to change. I feel confident that you'll change your mind when you see the benefits of the Control Account. They simply outclass any other savings product or financial vehicle you may know.

And keep in mind too that even though the control account is a financial strategy, it's not supposed to be compared to other investments. You wouldn't compare your bank account to your investments, right? Well, don't compare the control account to other investments either -- it's a banking replacement with a load of other benefits. It's not really an investment. It's a control machine that produces many financial, legal, and lifestyle benefits for you. Comparing the Control Account to another investment is like comparing a squirrel to a giraffe. Yes, they both have four legs, but that's about where the similarities end.

The mainstream financial system is built on *controlled* accounts, where all of the benefits of your money are controlled by others. When you opt out of that system and opt into the control account, all of the many benefits flow to you instead.

Life Insurances Companies Are Great Bank Alternatives

Most people don't think about life insurance companies as a bank alternative. But the type of insurance company I'll describe here is one.

For starters, let's go over some basics.

At the end of the day, a bank takes in your money (deposits) and tries to manage it for gain. And life insurance companies take in your money (premiums) and try to manage risk.

That distinction alone should give you some hints about which is a safer banking choice. But let's go deeper. Banks run on what's called a "fractional reserve system" which allows them to keep very little money on hand. And, it lets them loan out multiples of the deposited money they have. If everyone went to the bank and asked for their money back at once, it wouldn't be there.

Meanwhile, many insurance companies have dollar-for-dollar reserves. Your dollars are accounted for. And unlike a bank, an insurance company's prime directive is to anticipate massive payouts to its customers. Whereas a fractionalized bank operates on the premise that most people won't come asking for all of their money.

Right there, you can see how insurance companies are safer places for your money. But how can an insurance company act like a bank? Let's look a bit closer at how that works.

Redefining Your Cash Into a Control Account

To use an insurance company as a bank, you need to shift your mindset about what insurance is. Instead of thinking of insurance as something you're buying to insure against a catastrophic outcome (how most people think of and use insurance), you need to look at it as a private contract that redefines your cash and gives you lots of legal and financial advantages. You're redefining your cash from a bank liability, to your asset through the use of a private contract.

When you do it properly, you create what I call a "Control Account".

A Control Account is a specially designed over-funded whole life insurance policy that maximizes the cash value of the policy and minimizes the death benefit.

What this allows you to do is put in as much cash as possible into the policy while still having access to most of it.

So far that's just like a traditional bank, right? So what's the big deal?

Well, beyond just storing and being able to access as much money as you want to warehouse, the Control Account beats traditional banks out because of all its other benefits.

Unlike a Traditional Bank The Control Account gives you the following benefits:

- **Your money can compound at a dividend rate for your entire life, uninterrupted:** The insurance company that you'll make this policy with pays a dividend annually. For the highest rated companies, these dividends have never been missed, in some cases in over 100 years. And they've risen over time. These compounding dividends are how you cash compounds as it sits in the policy. Compounding is the eighth wonder of the world. Your traditional bank, meanwhile, won't pay you anything on your money.

- **A death benefit that gets passed on to your heirs tax free:** Since The Control Account is insurance, you get a death benefit. As morbid as that sounds, it's a big deal. We're all going to die someday. But when your money is in the bank and you pass away, no lump sum is paid out to your heirs. But with a Control Account, you have a death benefit that passes wealth onto your next generation tax-free.

- **Legal protections against creditors:** This can vary state by state, but in Maryland where I live, the protections I get on my Control Account are rock solid. No predatory litigators can get my Control Account.

- **Protection of your money by storing it with some of the safest companies on Earth:** Insurance companies are some of the safest companies on earth. Because their business is mitigating risk by understanding the risk distribution. They often have dollar-for-dollar reserves and are super well capitalized. Meanwhile the traditional banking system is fractionalized and built on taking risks. Why would you put your money with the riskiest party (bank) instead of the safest party (insurance companies)?

- **Access to your money:** You can access your money two ways. First, by directly withdrawing your money, which you don't really want to do with a Control Account because you'll get hit with taxes on the growth of your policy. The second, better way, is through what's called a "policy loan." The insurance company that you make this policy with will give you a loan against the cash value in your policy. Since loans aren't taxed, you can access the money tax free to invest or make a purchase. That loan will have an interest rate the company will charge you. But that interest rate will be similar to the dividend rate they're paying you on your policy so that's essentially a wash. There is no repayment term on the loan. If you never pay back the loan, when you pass away, the outstanding loan is deducted from your death benefit. However, if you do repay the loan, then your policy continues to grow and your death benefit is intact. In that case you've used your money while it's been growing in the background. You've given your money two jobs instead of just one.

- **Enjoy tax free your retirement income:** You can take out policy loans in retirement and spend them as extra retirement income. And again, because they're a loan, they're not taxed. If you choose to spend down your money, there wouldn't be a need to repay either. You'd simply get to enjoy your money as you see fit, and the outstanding loan would be deducted from your death benefit.

- **Hedge against higher taxes in the future:** Because of the tax-free nature of policy loans and the tax free nature of the death benefit being passed to your heirs, you also get the massive benefit of avoiding higher taxes in the future. No one can know what the tax rate will be in the future. But if you had to guess, would you say taxes will be higher or lower 30 years from now? I don't know what you answered, but my bet is they'll be way higher. And with this Control Account policy, I don't have to worry about that. This is a big advantage because compared to say, a traditional retirement account, where you're deferring taxes until the far future and might suffer higher taxes, you get tax-free benefits in The Control Account.

- **Privacy for your money:** The Control Account massively reduced what my "cash balance" at the bank looks like. That changed how the bank looked at me. That's because they don't know about my Control Account. I like it that way. In addition, insurance policies don't need to be listed on most forms that ask about your assets. For example, if you were filling out a FAFSA form as your child was going to college, you don't need to report your Control Account on the form. What that means is you can apply for aid because you'll look poorer than you really are. This is the type of privacy and the advantages you need to create for your money instead of keeping it in a traditional bank with few to any benefits.

- **Add riders to your contract**: At the end of the day, The Control Account is a private contract with an insurance company to create a great banking alternative. And contracts can have addendums called riders. Riders can be for all sorts of things. But some of the options that are often available (they come with some tradeoffs, but if they're more important to you they can be great benefits) like critical illness riders to let you access your death benefit in certain critical care situations while you're still alive.

There are three players in creating a Control Account:

1. You. (Some people call you the insured or the policy owner.)
2. The contract or policy. (The technical term for it is a unilateral contract, and all that means is that as long as you keep up your side of the bargain, the insurance companies will be on the hook for their side of the bargain.)
3. The insurance company.

In a typical term life insurance policy, that's a policy where you insure your life for a set period of time, say 20 years. With that type of insurance, you would be on the hook for spending a small amount of premium, otherwise referred to as your payment.

That premium might be paid monthly or annually. In return, if something happens to you and you die during the duration of that term, the insurance company is on the hook and has to pay your beneficiary. That's the person that you decide the death benefit, the money should go to.

That is NOT the type of insurance I'm talking about using to create a Control Account.

When I talk about the Control Account, I'm referring to a very different and very special type of life insurance contract. One specially designed to maximize your cash today rather than maximizing a death benefit in the distant future.

To be able to even ink the right contract to create your Control Account, the very first thing you need to insure is that you're working with the right kind of insurance company. Not all insurance companies will be able to create a Control Account for you.

Different life insurance companies will structure their policies very differently and will give you vastly different living benefits. So you want to look for a very special type of life insurance company. It's called a **mutually owned, dividend paying whole life insurance company**, and it needs to have a proven track record.

Let's break down each component here.

The first piece in that name is *mutual*. When you think of mutual, you probably think of a credit union and think of having ownership stakes or a benefit being part of that larger network.

A mutually owned life insurance company works the same way. It's owned by the policyholders, which means that rather than the profits going to the stockholders as they do in a stock company, the profits go directly to you -- that's a big benefit. You don't want to work with what's called a stock life insurance company. You want to work with a mutually owned life insurance company.

This leads into the second important piece of a properly structured policy, which is *the need for the policy to be made with a dividend paying company*.

This is because there are some mutually owned life insurance companies that don't pay a dividend to you and instead just reduce your insurance premiums. While lower premiums might sound like a good thing at first, you'll soon see why that defeats the purpose of the Control Account. You're going to want your life insurance company to pay you dividends, to send you a portion of their profits because you're an owner. The bottom line, you're looking for a mutually owned life insurance company that pays dividends.

The third piece that's important when choosing an insurance company is that *it has a proven track record*.

This is really important because you want to make sure you're working with a company that's financially strong. It needs to have good ratings and most importantly, it needs to be a company focused on the long term.

The simple fact that you are entertaining a mutually owned company should generally mean that company is likely to be financially strong, but there are a few ways to double check that. You want to make sure that the company is committed to the policy holder, to whole life insurance in general, and that it has a history of being stable and safe.

There are a lot more things to look out for, but these are the core factors to look at when you choose a solid company to make your policy with.

Finally, as a quick side note, insurance companies are really the only companies right now that have both an interest rate benefit and a mortality benefit. They're the only company hedging both of those things. So having an ownership stake in such a strong company is really important in such a crazy world where certainty is so hard to find. But to have an ownership stake in the company and get some of your primary banking functions handled by them, too, is downright amazing.

The Ultimate Money Warehouse

I believe an overfunded whole life insurance policy should be the foundation of your financial life. It's the ultimate bank for your money. And it turns you into your own banker, because you can borrow and repay yourself instead of a traditional bank.

Because it allows you to save and compound your money, while also allowing you to use that money through a policy loan to invest. That means it lets you accomplish more things in life. It gives you leverage. But it's a safe leverage when used properly.

The Control Account should be used as the bedrock for storing and accessing large amounts of cash over long periods of time. It will NOT be for day-to-day spending. Lots of other solutions we'll cover in this book can help you "unbank" your life on day-to-day spending.

If you want to get started with a Control Account, step one is to educate yourself further. Going through all of the ins and outs in this book would take us too far afield. Instead, I've written an entire book on the topic, which you can check out at this website address: www.thecontrolplan.com/ControlAccount.

Full disclosure: I'm not an insurance salesman. I don't have a policy to sell you. I make my money through education and connecting people in a community. But I do have a warning. If you set up these Control Account's improperly, the result could be horrible. You need to work with a professional who truly understands how to set up an overfunded whole life policy properly and honestly.

The insurance space is filled with high-commissioned sales people who don't always do the best thing for their customers. This is why it's critical you understand what you're doing. Some of them might have good intentions, but just do not understand how to structure The Control Account properly.

You're going to need to work with an agent that can understand your goals, your age, your health and your means. There are rules that will guide them to make the most efficient policy for you to achieve your goals. When you reach the right design for your means, age, goals and health, you'll have to take a health exam. And then you'll go through an underwriting process where the insurance companies will verfiy your financials and make sure you can handle the policy size you're requesting.

If you want to go deeper, go to www.thecontrolplan.com/ControlAccount for more. Out of all the options we outline in this book, The Control Account requires the most education and proper professional help to set up. That's a higher hurdle than the other solutions in this book, but the effort and time is well worth it.

One more note before you continue. Don't look at the rest of these solutions as being an alternative to The Control Account. Every other way to "unbank" in this book are in addition to The Control Account. You need to create a patchwork of different solutions we'll teach you here because each solution set has distinct benefits. Some of their banking functions overlap with each other, too, but even then, the redundancy is helpful so you're never caught off guard in any situation.

PART 2

The Pocket “Swiss Bank Account”

The Legend of the Swiss Bank Account

One of our favorite action movies is the 2002 thriller *The Bourne Identity*. At the beginning of the film, an ex-CIA assassin named Jason Bourne is found floating in the Mediterranean on the verge of death. Bourne doesn't remember who he is or how he got there. His only clue is the number for a safe-deposit box in Zurich, Switzerland.

Once healed from his injuries, Bourne makes his way to the Zurich bank and provides a palm print scan to confirm his identity. Then he's led past steel doors and into a private room, where he finally inspects the secret box. What does he find? Like any good spy, Bourne stashed away passports, foreign cash, and a handgun — the essential tools he needed to escape from any dire situation.

But this scene is nothing original. It's a movie cliché — a stereotype that grew over 250 years, as Swiss banks in Geneva and Zurich safeguarded money for warlords, gangsters, arms dealers, corrupt officials, tax cheats, and possibly even CIA assassins.

But while Hollywood likes to highlight the unscrupulous figures who use Swiss bank accounts, less discussed are the thousands of law-abiding citizens who also moved money to Switzerland, but for slightly different reasons. You see, instead of evading taxes or laundering money, many folks were simply running from an invading army, political oppression, a natural disaster, or financial panic.

During World War II, for example, many wealthy Jewish families hid their money and valuables in Swiss vaults (granted, the Nazis hid ill-gotten gains there too), which helped cement Switzerland as the world's banking safe haven throughout the twentieth century. For account holders, the Swiss bank was like a financial shield. It made it nearly impossible for governments to confiscate or even know about the money in their citizens' Swiss accounts, which were often targeted during times of turmoil.

This security was possible because the Swiss issued numbered accounts. So instead of being identified by their name or social security number, customers were only given an account number and password, known only by select bank employees. That way, if the bank records were compromised, only the account number and activity would be revealed, not the account owner. This gave Swiss bank accounts a rare degree of privacy and security — features loved by their customers and despised by foreign governments.

Over the years, powerful politicians have pressured the Swiss into abolishing banking secrecy. US-led groups like the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF), have campaigned for better banking transparency, and as a result, Swiss financial privacy has withered away. Today, numbered accounts are outlawed in nearly every banking jurisdiction.

The Disappearance of Financial Privacy

Even in Switzerland, Americans can no longer get a numbered account or receive the financial confidentiality the Swiss were known for. As *USA Today* reported: "The secret Swiss bank account is no longer what it used to be."

A big blow to financial privacy came in 2010 with the passage of the Foreign Account Tax Compliance Act (FATCA). The legislation forces every foreign financial institution to "report to the IRS information about financial accounts held by U.S. taxpayers." This means that the Swiss, along with any international bank, are required to share their information with the US government, even without a warrant or proof of wrongdoing.

What's more, if you have more than $10,000 in a foreign bank account, you're required to file a Report of Foreign Bank and Financial Accounts (FBAR) with the Treasury and provide additional details about your holdings. As you can imagine, this compliance is a massive burden. But those who don't obey could be frozen out of the US banking system — the central hub for all US dollar transactions.

This is a big risk for banks. Thus, many are refusing to deal with American ex-pats altogether. As the *Wall Street Journal* reported, "Americans living abroad are being cut off by banks and brokerages as financial institutions seek to steer clear of a US crackdown on money laundering and tax evasion." Large banks like Citigroup, Wells Fargo, Deutsche Bank, and many others, gave as little as thirty days' notice before closing customer accounts.

"The reality on the ground is that overseas Americans are facing restrictions and lockouts from both US and foreign financial firms," said Marylouise Serrato, the director of American Citizens Abroad. Without these alternatives, Americans are becoming ever more trapped in the US financial system, leaving little room to escape.

Many folks are now asking themselves: how do I reclaim my financial privacy? How do I protect my money from corrupt politicians? How do I ensure that I can always access my money and that it can never be frozen? And how do I get my money outside the US financial system in case of an emergency? In the past, this meant having a Swiss bank account. But today, there's a new solution.

Obama's Warning About the Pocket Swiss Bank Account

Before we get into the details of the Pocket Swiss Bank Account, you should know that what we're talking about is not actually a bank account. By that we mean it's not created, managed, or controlled by a bank in any way. There's no minimum balance, monthly fee, or initial deposit required to open this account.

Yet even though it's completely independent of the conventional financial system, it can serve many of the functions of a traditional bank account. You can:

- Send or receive value anywhere in the world in seconds
- Buy goods and services online or in person
- Protect your money with military-grade security
- Hide your identity and activity with free "numbered" accounts
- Directly own your money, not bank IOUs
- Evade capital controls created by desperate governments
- Use currency that's impervious to central bank inflation

How do you get all these benefits without going through a bank? The answer will likely surprise you, and at first, you may object. But we can assure you, this trend and its legitimacy are very real. You see, the way you get a pocket Swiss bank account is by using a new form of digital money called *cryptocurrency*.

If you're unfamiliar, cryptocurrency (or *crypto* for short) is digital currency that's independent of central banks. Instead of relying on governments or bankers, crypto uses *encryption* to regulate the creation of currency and verify transactions.

Secure digital money like this is nothing new. Banks have sent digital money over encrypted networks for decades. But now, people don't need to rely on banks for this technology. Folks are creating their own currencies, ones that don't put banks and governments in control. And they're using the same encryption that financial institutions and even the NSA use to protect their most valuable data.

Many authorities find this threatening. Cryptocurrency can be so secure and private, in fact, that in a 2016 interview, President Barack Obama warned of citizens having this kind of power, saying:

> *…it is possible to make an impenetrable device or system where the encryption is so strong that there's no key. There's no door at all…if in fact you can't crack that at all, government can't get in, then everybody's walking around with a Swiss bank account in their pocket.*

According to Obama, new technology like cryptocurrency is allowing people to store their wealth in private, digital accounts that governments can't crack into. Because of their encryption and decentralized technology, the funds can't be frozen or easily confiscated, unlike the deposits in your conventional bank account.

But Obama is 100 percent wrong in saying that encrypted money has "no door at all." The fact is, there is a door. But only *you* have the key. Without it, it's virtually impossible to meddle with your money. That's why crypto can act as an impenetrable piggy bank — one that you can take anywhere yet keep completely out of sight.

A research report by the RAND Corporation, an economic think tank, found that "Bitcoin and current innovations in [virtual currencies] can be seen as merely the latest step toward giving low-sophistication cyber actors access to decentralized, resilient cyber services." And a report from the IMF concluded that "the potential for [virtual currency] schemes to serve as an avenue for the evasion of capital controls is obvious."

Today, there's no doubt that crypto is a mighty financial tool. And the sooner you learn how to use it, the sooner you can defend against financial attacks from governments, bankers, hackers, spies, and thieves.

What are you waiting for? It's time to fortify your crypto arsenal.

Bitcoin: Secure and Private Money for Everyone

When most people think about crypto today, Bitcoin immediately comes to mind. And there's good reason: it was the *first* successful decentralized cryptocurrency. You may have heard how in late 2008, the creator (or creators) of Bitcoin published a whitepaper under the pseudonym *Satoshi Nakamoto*. The paper was titled, *Bitcoin: A Peer-to-Peer Electronic Cash System,* and just a few months later, the proposal was put into practice and the first bitcoin were born.

At the time, few people realized the implications. But fast forward over a decade and a lot more people have caught on. Today, thousands of individuals and businesses are accepting it as payment for goods and services (for example, this book will show you how to buy nearly anything on Amazon with bitcoin and get a discount of 15 percent or more).

In fact, it's gotten to the point where disruptive startups are using this new technology to provide financial services that you could only get from banks. For instance, now you can:

- Get direct deposit straight to your bitcoin wallet
- Shop almost anywhere with a bitcoin-backed Visa debit card
- Send bitcoin to anyone in the world in seconds
- Protect your bitcoin with military-grade encryption
- Hide your bitcoin with increased financial privacy

For all these reasons and more, bitcoin is the #1 cryptocurrency today for private, decentralized, and secure money. That's why this chapter will focus exclusively on Bitcoin and how to use it as a secure "pocket Swiss bank account."

But beware: the next few pages may get too technical for some folks. So if you're only interested in how to use bitcoin and not the underlying mechanics, don't worry. Move on to the next chapter, titled, "How Does Bitcoin Help You?"

However, if you want to understand why the Bitcoin network is so significant, why it's secure, how it works, and why the currency has value, then the next few pages are important.

The Four Pillars of Bitcoin

Before we go deeper, you should know that when we were first learning about Bitcoin, we found it hard to conceptualize. There is so much terminology to learn. And because the word *bitcoin* encompasses more than the digital currency, it's tough to understand what people mean when they say "bitcoin."

To make it easy, the Bitcoin community created a simple rule of thumb: when *Bitcoin* is spelled with a capital B, the writer is typically referring to the broad Bitcoin network and all the engineering that happens under the hood. But when people write *bitcoin(s),* with a lowercase b, they're talking about the digital currency.

Most people understand *bitcoin*, but not *Bitcoin*. In his book *Mastering Bitcoin*, Andreas Antonopoulos defines Bitcoin as "a collection of concepts and technologies that form the basis of a digital money ecosystem." That sounds like a lot. But the part to remember is that Bitcoin is a *collection* of ideas. Bitcoin isn't *one* thing. Instead, it's the combination of several previous inventions that allow us to create secure digital cash that doesn't rely on a central authority.

Why is that so groundbreaking? In the past, there were two major issues to creating public, digital currency: (1) counterfeiting, and (2) double-spending (i.e., you send virtual money to one person, while simultaneously sending it to someone else, causing you to spend the same money twice).

Before Bitcoin, there was no decentralized digital currency that solved both of these pitfalls. All of them relied on a private company or central bank to prevent fraud, which created a single point of failure and abuse. But according to Antonopoulos, Bitcoin changed all that by combining four innovations, or what I call the Four Pillars of Bitcoin.

PILLAR #1: A Public Ledger Called the Blockchain

The first pillar is the public ledger known as the blockchain. People use ledgers all the time. A ledger is simply a list of transactions in chronological order. A bank statement is a good example. It keeps track of the transactions made to and from your account. It logs when money comes in, when it goes out, who's sending it, and who's receiving it.

But bank ledgers are private. Citizens can't audit these ledgers. They're a "black box." For example, if you send money to your friend Alice, you can see that money left your account, and she can confirm she received the same amount, but you can never see how the money arrived. Did it go straight to Alice without leaving the bank? Was it rerouted through another bank or clearing house? Or did it flow through several middlemen?

This makes private ledgers difficult to audit, and accounting mistakes are common. Concerned customers and even regulators can't be sure of where the money goes once it's given to a bank. But Bitcoin is different. Instead of having thousands of private ledgers (like our current financial system), Bitcoin uses a single public ledger called the blockchain.

If you think of a blockchain as a ledger, then *blocks* are like individual pages. The first block recorded the very first bitcoin transaction and is called the Genesis block. But just like physical pages, blocks can only record so much information. So every ten minutes, on average, a new block is created that contains the latest transactions.

Remember, though, that the blockchain isn't just a monetary ledger. It can be used to track any type of transaction, agreement, or contract. Antonopoulos writes that Bitcoin's public ledger could be used "to prove the fairness of elections, lotteries, asset registries, digital notarization, and more."

In fact, these things are already happening. Ukraine, South Korea, Australia, and many more countries have already proposed blockchain-based elections. A company called Quanta launched the world's first fully licensed blockchain lottery. The Republic of Georgia is recording property titles on the blockchain. And a group called BitNation will notarize forms and even marry you on its blockchain!

All of this is happening because the blockchain represents trust. It's a public ledger that tells the complete history of a network. Everything is out in the open. It's transparent. And it adds a level of confidence that can't be replicated by a private system. This is also why this next pillar of Bitcoin is so important.

PILLAR #2: A Decentralized Peer-to-Peer Network

For the blockchain to be a public ledger, it needed to be owned by everyone. This is why the creators of Bitcoin designed it to be a decentralized, peer-to-peer (P2P) network.

In other words, Bitcoin doesn't rely on a single authority to support the network. The rules behind Bitcoin, known as the *protocol*, are open source. This means anyone can use them. Anyone can help grow the Bitcoin network or develop tools and services for it.

You may be familiar with P2P networks if you've ever downloaded content through a "torrent" file-sharing network. This became popular in the early 2000s with the advent of BitTorrent and others. Teenagers went wild downloading free music, movies, and more.

However, authorities have been unable to stop P2P file sharing. When illegal content is hosted on a central server, the government can easily take it down by raiding the computer's physical location or cutting it off from the internet. But with a P2P network, that's nearly impossible.

Instead of storing the data in a single place, files are copied onto computers that share the information with other members on the network. So when you download a file from a P2P network, instead of receiving it from one person, you're likely getting it from dozens or even hundreds of people, from all over the world.

Bitcoin is structured in a similar way. The public blockchain is not stored on a single, centralized computer. Instead, every "full node" in the Bitcoin network maintains its own copy of the blockchain. This means the Bitcoin network becomes stronger and more resilient as it gets bigger because of the increased redundancy. But this also begs the question: if Bitcoin is so decentralized, how do nodes agree on which transactions are authentic? That's where the third pillar comes in.

PILLAR #3: A Decentralized System for Verifying Transactions

As we mentioned earlier, digital transactions weren't new with the birth of Bitcoin. Cryptography and digital signatures (which are like unique passwords) had already secured electronic transactions for decades. But because Bitcoin is a decentralized network, it needed a new way to stop the double-spend problem.

“We started with the usual framework of coins made from digital signatures, which provides strong control of ownership, but is incomplete without a way to prevent double-spending,” wrote Satoshi Nakamoto. “To accomplish this without a trusted party, transactions must be publicly announced, and we need a system for participants to agree on a single history of the order in which they were received.”

In other words, the Bitcoin network needs to reach a consensus on when a transaction took place. If two transactions happen within seconds of each other, the nodes need to agree on which transaction happened first. That way, fraudsters can’t spend their bitcoin, then immediately spend them again before the previous transaction clears.

Nakamoto’s solution to this double-spend problem is considered the pivotal innovation of Bitcoin. Instead of relying on a central authority to timestamp transactions, the Bitcoin network conducts a global “vote” to determine their order. As Nakamoto wrote: “[Nodes] vote with their CPU power, expressing their acceptance of valid blocks by working on extending them and rejecting invalid blocks by refusing to work on them. Any needed rules and incentives can be enforced with this consensus mechanism.”

With this method of voting, bitcoin is more democratic than central bank money. Anyone can create their own node. Anyone can audit and support the network. And as you’re about to see in the fourth pillar, anyone can get rewarded for their contribution.

PILLAR #4: An Algorithm That Determines the Supply of bitcoin

Unlike dollars, euros, yen, or pounds, bitcoin can’t be created at the whim of central bankers. The total supply of bitcoin is predetermined. A maximum of 21 million bitcoin can be created — or, in crypto-lingo: “mined.”

Mining happens when a computer called a “miner” finds the correct answer to a cryptographic puzzle. The answer to this puzzle is called a “proof-of-work,” because it proves that the miner completed the work necessary to solve the puzzle. The miner is then rewarded with newly minted bitcoin for its effort. This is how the supply of bitcoin grows. Those who contribute the most processing power to mining are rewarded with the most bitcoin.

People often assume that computers can solve any problem instantly. But that's not true. Even a computer requires time and energy (in the form of electricity) to solve problems. The more difficult the problem, the more time and energy it takes to solve.

But this poses a natural question: As CPUs get faster, won't we mine bitcoin faster too? Luckily, Nakamoto thought of that. The Bitcoin algorithm is designed so that the puzzle is solved every ten minutes on average. The network is constantly monitoring how fast bitcoin are mined and adjusts the difficulty to maintain the ten-minute average. This helps the bitcoin supply grow at a predictable pace.

However, the bitcoin *reward* is not constant. On average, the reward gets cut in half every four years (or thirty-five thousand hours to be exact). Then, once the 21 million limit is reached, bitcoin miners will be paid with transaction fees instead of new bitcoin — keeping the currency supply constant. Originally, fifty bitcoin were given for every block added to the blockchain. Today, that number is down to 6.25 and is expected to reach zero in 2140.

The fixed supply of bitcoin, their predictable growth rate, and the time and energy required to mine it, make bitcoin like digital gold. "The steady addition of a constant of amount of new coins is analogous to gold miners expending resources to add gold to circulation," wrote Nakamoto. "Once a predetermined number of coins have entered circulation, the incentive can transition entirely to transaction fees and be completely inflation free."

So now that you understand a bit of the underlying technology behind Bitcoin, let's get down to what really matters: how does Bitcoin benefit everyday people? And most importantly, how can you use it as a banking alternative?

How Does Bitcoin Help You?

The four pillars of Bitcoin help explain why it's such a promising alternative financial system:

- The blockchain places all transactions under public view and scrutiny
- The P2P network means it doesn't depend on a central authority
- The decentralized system of "voting" makes it difficult to manipulate, unlike our current financial system
- The Bitcoin protocol ensures that the currency supply is limited and grows at a predictable rate

So how does this all help you, your finances, and your freedom?

Become Immune to Capital Controls

For starters, because bitcoin is supported by a decentralized, peer-to-peer network of computers, anyone with the right software and a simple electronic device can participate. Bitcoin can be sent or received by anyone, in any country. It doesn't matter what passport you have or how much money you make.

That's why people all over the world are starting to accept bitcoin. In any country where there is the internet, you'll likely find people accepting bitcoin, making it a truly borderless currency.

With bitcoin, there's also no such thing as a bank holiday. It can be transferred twenty-four hours a day, seven days a week, 365 days a year. And you never have to wait weekends for your payments to clear — it always happens within minutes, even on Christmas.

What's more, you can even hide an encrypted bitcoin wallet on your phone, travel all over the world with millions of dollars worth of value in your pocket, and governments wouldn't have a clue. Practically anything can become a bitcoin wallet: a flash drive, an iPhone, a CD, the last page of a book, an engraved piece of steel, or a tattoo on your buttocks. With these new ways to move value, we're talking about the end of capital controls as we know them.

Protect Your Money from Central Bank Inflation

China had this problem. Bitcoin demand surged because of the government's strict rules over the flow of money. Many Chinese citizens saw that as a sign that the government would devalue their currency, the renminbi. As a result, they exchanged it for bitcoin to easily move it abroad, instead of keeping their money in a state-run bank, where it may be confiscated or inflated away.

But the same thing could happen with the United States. In fact, it's already happened here before. It wasn't that long ago when Franklin Delano Roosevelt forced Americans to exchange their gold for bank deposits. Then, once all the money was trapped in the financial system, he signed into law the Gold Reserve Act of 1934, which devalued the dollar by 41 percent.

Literally overnight, trusting Americans saw their savings slashed by over two-fifths. But with bitcoin, that's not possible. It's run by computers, not people. So government cronies can't devalue the cryptocurrency as a backdoor way to plunder from Main Street America and rescue banks.

Complete Oversight over Your Wealth

Plus, unlike money created by unelected central bankers, the supply of bitcoin is completely transparent and predetermined. We know exactly how many bitcoin are circulating at all times, and we can easily predict how fast new bitcoin are mined.

That's because Bitcoin is open source, meaning anyone can look at the underlying code, audit it, and propose changes, known as Bitcoin Improvement Proposals (BIPs). It also means that anyone can participate in Bitcoin. It's easy to download free software that lets you spend and store bitcoin from your home computer or mobile phone.

Finally, the Bitcoin blockchain makes all transactions viewable by the public and easily accessible to bitcoin users. Unlike a private ledger, the blockchain is seen by everyone. Any changes to it are made out in the open, allowing you to track the complete history of ownership of all assets recorded on the public ledger.

Shield Your Financial Details from Bankers, Hackers, and Government Snoops

Banks and “money services businesses” are all required to follow strict know-your-customer (KYC) and anti–money laundering (AML) regulations. This means that if you want an account with them, you must hand over a lot of your personal information and expect that all your activity may be tracked and reported back to the government.

However, even though bitcoin is much more transparent than conventional banking, it can also be much more private. You see, unlike a traditional bank account, you don’t need to provide identifying information to create a bitcoin wallet or transfer value over the network.

Because a bitcoin account number, known as a *public address,* and its balance may be viewed by anyone, bitcoin isn’t anonymous. Instead, it’s *pseudonymous*. That’s because your public address acts as an alias or *pseudonym*. But without your real name, birthday, or social security number tied to the address, it can be hard to figure out who it belongs to, much like a Swiss bank account.

Safeguard Your Savings with Military-Grade Security

As mentioned earlier, payment systems have used encryption for a long time. Decades worth of work in cryptography has proven that transactions can be secured over a digital network.

Because of this, the creators of bitcoin didn’t need to reinvent the wheel when it came to encryption. Instead, they used SHA-256, a “secure hash algorithm” designed by the National Security Administration (NSA) and one of the strongest encryptions known to man.

This algorithm ensures that bitcoin addresses are unique and helps protect your money from “brute force” attacks, which happen when computers try to steal your bitcoin by simply guessing your password (known as a “private key”) millions or billions of times.

Bitcoin’s encryption also helps ensure the permanence of the blockchain. Once a transaction is confirmed at least six times (which takes about sixty minutes), it’s set in virtual stone. The money could be returned, but the original transaction won’t be erased from the record. You can’t pretend like it didn’t happen.

Because of this feature, merchants don't have to worry about chargebacks or fraud after several confirmations are made. This also makes it easier to do business in regions where there's a high rate of crime and fraud. With the blockchain, you get a safe and secure record of ownership.

Pay as Little as *Zero* Transaction Fees

Lastly, Bitcoin is affordable. Most banks want to charge you an arm and a leg for the services that Bitcoin provides. This is especially true if you want to send money overseas.

Some banks charge as much as forty dollars for international wire transfers. That means if you want to send $200 to a family member who's traveling abroad, 20 percent of the money you're sending is going to the fee alone! Services like Paypal are slightly better, but they still charge a fee worth 2 to 3 percent of the transaction amount when making a purchase from a merchant.

But with Bitcoin, it's possible to pay zero transaction fees. The fee is ultimately determined by the free market and impacts how quickly your transaction is confirmed on the blockchain. If you decide to pay no fee, however, your transaction will be classified as "low-priority," and it will take much longer for your transaction to be confirmed. Or your transaction could even get stuck, and you'll have to add fees later to complete the transaction. The odds that you'll pay no fee is slim, but it's important to note that it is possible.

However, even bitcoin transactions with high fees are still cheap compared to bank wires. As of this writing, you could send *any* amount of bitcoin and pay a "high-priority" fee as little as $1.20.

Send Money Up to 120 Times Faster Than Bank Wires

Higher priority also means faster processing. And even though Bitcoin transactions are cheaper than banks, they're much faster than traditional ACH and wire transfers. A high-priority Bitcoin transaction, for instance, will typically get confirmed within five to fifteen minutes. And after about an hour or so, the transaction is irreversible.

Bank transfers, on the other hand, take a long time to clear. It can take as much as three business days for an ACH transfer or five business days for an international wire transfer to settle (and even longer if there's a holiday or weekend). That means it could take up to 120 hours to get your money from a bank, compared to *one* hour with Bitcoin.

Now, the Federal Reserve has launched its real-time payments system -- FedNow -- to try and replace the slow ACH with fast and instantaneous payments. So, the traditional system has made improvements on that front. But since that is centrally controlled, there's still a risk of your payments transfer being controlled, regulated or prevented. Bitcoin meanwhile, will stay decentralized and relatively fast and cheap, so there are still advantages to using it.

Getting Started with Bitcoin

Hopefully, by this point, you're sold on the idea of using bitcoin and want to try it for yourself. So let's walk through a simple example (if you don't understand all the terminology yet, don't worry. We'll get to the definitions in a minute). Here's a very basic scenario where a new user, we'll call him Bob, gets bitcoin.

1. First, Bob downloads a bitcoin *wallet* onto his phone.

2. Then Bob uses his wallet to create a new *public address,* which has a corresponding *private key.*

3. Bob shares his public address with his friend Alice, who then sends him a bitcoin (or "BTC" for short).

4. Now Bob has 1 bitcoin and can spend it with his wallet by sending part or all of his bitcoin to someone else's public address.

There you have it. A simple bitcoin exchange. You get a wallet. You get bitcoin. Then you spend bitcoin.

Obviously, this is an oversimplified overview, but I wanted to introduce a few basic terms like *wallet*, *public address*, and *private key* while also providing general context. So now let's go deeper. First let's talk about bitcoin wallets, the types of wallets available, and why you should have different wallets for different uses.

Then we'll tell you about our favorite ways to buy bitcoin, including which ones are safe and private. We'll also show you popular places that currently accept bitcoin, how to spend your bitcoin with a Visa debit card, and even how to use bitcoin to get a 15 percent discount off anything on Amazon.

Lastly, we're going to show you our favorite strategy for managing bitcoin and keeping them hidden while also staying tax compliant.

What You Need to Know About Bitcoin Wallets

Trying to use bitcoin without having a bitcoin wallet is like trying to use the Internet without a computer, whether it be a desktop, phone, or tablet. You have to have it.

Simply put, a bitcoin wallet is any device that holds your bitcoin addresses and private keys. It can be a software program on your computer, a USB flash drive, or even a piece of paper with the public address and private key printed on them.

A bitcoin wallet can also help you send and receive bitcoin with security and privacy. Think of it like a keychain. But instead of unlocking a door, these private keys unlock your bitcoin.

So if someone says they have 10 BTC in their wallet, it's not exactly true. What they really have are the private keys needed to authorize transactions from public addresses with a total balance of 10 BTC.

A wallet protects your keys and allows you to easily interact with them. That's why having a good bitcoin wallet is so important. You need to keep your private keys concealed at all times and prevent others from gaining access. Because whoever owns the private key owns the bitcoin at its corresponding public address.

However, not all wallets are created equal when it comes to their benefits and potential risks.

Protecting Your Privacy with Deterministic Wallets

Most people don't realize that using the same public address for multiple bitcoin transactions can be harmful to your security and privacy. Remember, since transactions are recorded on the public blockchain, anyone can see which addresses bitcoin came from and which addresses they went to.

So when public addresses are used more than once, it becomes easier for bitcoin sellers, traders, and even the government to uncover the owner of those addresses (and their transactions). This folly is referred to as "address reuse," and you should avoid it at all costs if you want to keep your transaction history private.

That's where *deterministic* wallets come in. With deterministic wallets, you can generate as many public addresses as you want at no cost. However, even though these public addresses are each unique, they all send bitcoin to the same wallet. In fact, many of these wallets help protect your privacy by automatically using a new address when you send or request bitcoin.

This prevents governments and other blockchain spies from easily discovering your wallet's bitcoin balance and your full transaction history. And it's why all the wallets we recommend in this chapter (except for paper wallets) are deterministic.

Hot Wallets

Any bitcoin wallet connected to the internet can be referred to as a "hot wallet." In contrast, bitcoin keys stored offline are said to be in "cold storage." Many exchanges provide you with a hot wallet that you must use when buying bitcoin from them, making hot wallets necessary for a certain level of convenience.

But this convenience creates security risks. Virtually any device connected to the internet is vulnerable to hackers. Therefore, bitcoin keys stored in hot wallets are at heightened risk of being stolen. Remember that most, if not all, losses in the known history of bitcoin heists and fraud can be attributed to funds kept in hot wallets. This includes folks who lost bitcoin at high-profile (and now defunct) exchanges like Mt. Gox and FTX. Thus, you shouldn't keep large sums of bitcoin in them at any given time.

Bitcoin Web Wallets

Of all the wallets we'll cover, online-based wallets are the least secure. Because you're often trusting a third-party with your private keys, they're vulnerable to security breaches and are not recommended for storing large amounts of bitcoin. However, web wallets are also some of the easiest, most convenient, and user-friendly bitcoin wallets. And you'll likely need one if you want to easily buy or sell bitcoin with your bank deposits.

Coinbase

By far the most widely used web wallet is from Coinbase (https://coinbase.com). In fact, Coinbase cofounder and CEO Brian Armstrong revealed in 2022 that the company stores over 2 million bitcoin. That's more than 10 percent of all bitcoin in circulation. And unlike many other exchanges and bitcoin custodians, Coinbase has never suffered a breach to their infrastructure that resulted in lost customer funds.

One significant factor contributing to Coinbase's security is their practice of storing 98% of customer funds offline, which helps protect them from theft or loss. Sensitive data that would typically reside on their servers is disconnected entirely from the internet, and drives and paper backups are distributed geographically in safe-deposit boxes and vaults worldwide.

Coinbase's crypto wallet balances are insured by a syndicate of financial institutions while customers' USD wallet are backed by FDIC insurance as well. This means that if Coinbase were to suffer a breach of its online storage, the insurance policy would pay out to cover any customer funds lost as a result.

This includes any theft by Coinbase employees or breaches to Coinbase's physical or cyber security. But the policy doesn't cover you if your account was the only one compromised. For example, if you have a weak password and someone guesses it, Coinbase is not responsible for your losses. That's why two-factor authentication is required on all accounts.

(**BONUS TIP:** Thieves can steal your phone number without stealing your phone. So never have two-factor codes sent via text message or phone calls. Instead, only use mobile applications like Google Authenticator or Authy.)

However, there's one *big* caveat to Coinbase. Because they operate as a bitcoin exchange, they're classified as a money services business (MSB) and are required to follow the same KYC and AML regulations as banks.

As a result, Coinbase can freeze and close customer accounts at their discretion. This happens when Coinbase believes you've been using their web wallet to purchase illegal goods or services or they've been ordered by law enforcement to withhold customer funds.

Coinbase is ultimately a trade-off between privacy and convenience. It's a good option for folks who are new to bitcoin, but it lacks the control and pseudonymity that many bitcoin enthusiasts covet.

Blockchain.com

Another popular and easy-to-use web wallet is Blockchain.com (You can find it at https://blockchain.com). One thing that separates it from Coinbase is that you don't need to fork over your name, ID, or social security number. Because Blockchain.come doesn't provide exchange services directly, they're not required to collect identifying information. All you need to get an account is an e-mail address.

For enhanced security, you can set up two-factor authentication with your phone to prevent unwanted use of your account. What's more, Blockchain.com never stores your private keys on its servers. But this means, if you lose or forget your password, they cannot reset it for you. To retrieve your bitcoin, you then need to restore your wallet from a backup, which we'll go more into detail later on.

Mobile Bitcoin Wallets

In addition to web-based wallets, bitcoin wallets on your mobile phone are one of the most popular ways to store your bitcoin. Unlike many web wallets that create the wallets on *their* servers, mobile wallets are typically generated and encrypted on your phone.

However, because your phone is still connected to the internet, mobile wallets can be vulnerable to computer viruses like spyware and malware, meaning they're still *hot wallets.* Although, they lack the counterparty risk associated with keeping your bitcoin stored in an online wallet provided by an exchange.

BitPay

A great mobile wallets is the BitPay wallet (https://bitpay.com/wallet). Available on Android and iPhone, the BitPay wallet is a great choice for new users, since it has a clean, easy-to-use interface and integrates with exchanges like Coinbase, while still giving you control over your keys.

It is also a good option for families or businesses because of how it allows you to easily create shared accounts, known as multi-signature wallets. When creating a "multi-sig" wallet, first you select the total number of people who'll have ownership. Then you select the minimum number of signatures required to authorize a transaction.

For example, if a husband and wife want a joint bitcoin account, they could create a 1-of-2 wallet, meaning one signature is required out of two total. That way, each spouse could use the wallet freely. However, if they're lacking a little trust, they could create a 2-of-2 wallet, requiring *both* signatures to spend bitcoin from the account.

But here's another way you can use it. If you want to keep funds extra secure, you could create several BitPay wallets just for yourself as a type of multifactor authentication. For example, you could create a 2-of-3 BitPay wallet and then share it with three of your own devices: your cell phone, your laptop, and your desktop. That way, anyone who wanted to send money from your shared wallet would have to compromise two out of three of your devices, providing a very high level of security.

Samourai

The Samourai bitcoin wallet is the ultimate wallet for those who want privacy and security in a form that's also convenient. Samourai (https://samouraiwallet.com) was built for privacy by design, and it allows even a novice bitcoin user to take advantage of some of the most advanced bitcoin features to protect their identities. In fact, Samourai shields you in four key areas:

1. **Protection from Thieves and Physical Threats**

When using a mobile wallet, theft is often a major concern. Mobile wallets often store your private keys on the device, putting your bitcoin at risk if your phone falls into the wrong hands. That's why Samourai features Stealth Mode with remote commands.

When Stealth Mode is enabled, the Samourai application becomes hidden on your phone. It's not listed under your apps, and all the icons for it disappear. Once in Stealth Mode, the only way to access your wallet is to dial: **YOUR_PIN_CODE#. For example, if your PIN is 12345, you'd open the wallet from Stealth Mode by calling: **12345#

In addition to Stealth Mode, Samourai also allows you to send remote commands to your wallet if it's lost or stolen. For example, by texting, "SW seed YOUR_PIN_CODE" to your phone, you can request a wallet backup, allowing you to easily restore your missing wallet. Or you can text, "SW wipe YOUR_PIN_CODE" to your phone, and your phone will automatically wipe your wallet from its memory.

What's more, you can set up a recovery phone number in case the thief removes your SIM card and replaces it with a new one. If that happens, Samourai will send you a text message from the new phone number, allowing you to continue sending remote commands.

2. **Protection from Hackers and Digital Threats**

Because Samourai stores your private keys on your phone — a device that's connected to the internet — Samourai is not considered cold storage. This means that it is vulnerable to hackers and malicious software. However, Samourai takes steps to protect you by storing your keys with AES-256 encryption and never communicates them with any server.

In addition, Samourai protects your PIN from spyware by randomizing the PIN screen every time you log in. This prevents hackers from figuring out your PIN based on the location of your screen clicks.

3. **Protection from Blockchain Spies and Bitcoin Blacklists**

Your identity can be easily compromised by looking at your transaction history on the blockchain. Also, because each bitcoin is a record of ownership, if you own a bitcoin with a "checkered past" and can be linked to illicit activity, your bitcoin could get blacklisted by bitcoin banks and exchanges.

That's why Samourai lets you "obfuscate," or muddle, the source of your funds as well as their destination. First, Samourai offers a "ricochet" feature for outgoing transactions. This causes your bitcoin to hop to several addresses before arriving at their ultimate destination, making it unclear who you're sending bitcoin to.

Samourai was also the first wallet to offer payment codes for users to privately receive bitcoin. Typically, if a nonprofit businesses or charity wants to accept bitcoin donations, it posts a public address on its website. However, this means that anyone can spy on the history of that bitcoin address and see how much funds are stored there and how much the organization has received. But these payment codes anonymize each incoming transaction, providing users with an extra layer of privacy.

In order for it to work though, both parties must have a wallet with the payment code feature, also known as BIP-47. While Samourai is the only wallet to offer this at the time of this writing, they made the code available to the public, allowing other wallets to easily implement payment codes.

If you're extra concerned about privacy, Samourai lets you take it to the extreme by selecting a "trusted node." For example, if you're suspicious of fake bitcoin nodes spying on you, you can create your own node using your home computer. You can then tell Samourai to only connect to your node, allowing you to check your wallet balance and broadcast your transactions with less risk of compromising your identity.

4. **Protection from Your Internet Service Provider (ISP)**

However, the blockchain isn't the only thing giving away your transaction history. Your IP address (which identifies your Internet connection) can also be used to compromise your privacy. That's why Samourai is enabled with Tor and virtual private network (VPN) support, allowing you to route all transactions through an anonymous IP address.

As you can see, Samourai is a comprehensive bitcoin wallet for the privacy-conscious user. It protects you from thieves, spies, hackers, and even your ISP. That's why the Samourai wallet is by far the best option we've found to easily and privately transact with bitcoin.

Exodus

Lastly, if you want to store not just bitcoin, but a whole array of crypto and digital assets like non-fungible tokens (NFTs), check out Exodus (https://exodus.io/).

It doesn't describe itself as a bitcoin wallet; instead, it's a blockchain asset wallet. That's because Exodus supports multiple cryptocurrencies, including bitcoin, Dash, Ethereum, DogeCoin, ZCash, and many others. It's also integrated with Shapeshift, allowing you to easily exchange crypto from the wallet.

Then there's the Exodus interface which is super simple and displays information beautifully. Once you've funded your account, you can easily view your crypto portfolio in a single dashboard that breaks down your asset allocation. Plus it works on both mobile and desktop and can sync between the two.

Cold Storage Wallets

If you're worried about keeping highly valuable bitcoin keys stored on your computer, which you should be, putting them away in cold storage is a much safer alternative. Since cold storage keys are never connected to the internet, it's nearly impossible for hackers to access their contents.

That's why we recommend keeping large bitcoin holdings in cold storage. However, in addition to the Armory method we just discussed, there are several options for cold storage, each coming with its own benefits and risks.

Paper Wallets

Another great way to protect your bitcoin is to go 100% offline and use paper storage. By printing your security keys on paper, you can eliminate many of the security risks associated with digital storage.

The short history of Bitcoin has shown that it's not always safe to store your bitcoin in an exchange or online wallet for the long term. These types of sites are regularly hacked. Even keeping a live wallet on your own computer can be risky.

By printing out your own bitcoin wallets and generating your own addresses, you can minimize your exposure to hackers as well as untrustworthy people in your home or office. Here's how to do this.

Step #1: Go to Bitcoinpaperwallet.com.

Step #2: Click on "Generate Keys and Print Paper Wallets."

Step #3: Follow the simple instructions to print paper wallets from your home computer.

Step #4: Transfer your bitcoin into your new wallets.

Step #5: Then keep your wallets safe the way you would jewels and ordinary cash.

This is the most basic way to create a paper wallet. But it's not the most secure.

If safety is your key concern, here are six tips from Canton Becker at Bitcoinpaperwallet.com that will take your security to the next level:

1. ***Keep Your Paper Wallet Safe****. The biggest threat to your wallet isn't an evil WiFi packet-sniffing robot. Your worst enemy is water. If you have access to a laser printer, use it—because laser printers melt waterproof plastic (toner) onto paper instead of using ink. When using an inkjet printer, consider storing your wallet in a zip-sealing plastic bag or printing on waterproof paper, or treating the paper with a clear-coat spray like Krylon Preserve It. You should also consider storing your paper wallet in a fireproof safe.*

2. ***Always Withdraw Your Entire Paper Wallet****. When you finally decide to spend the bitcoin on your paper wallet, plan on importing your entire balance, not just some of it. Afterward, discontinue using the paper wallet — as if you were breaking open a piggy bank. If you try to spend or withdraw only a portion of your funds, you risk losing the remaining balance forever.*

3. ***Go Offline.*** *Your wallet may be vulnerable to prying eyes when you are generating the keys and printing them out. Although wallet generators are often SSL-encrypted, it's still possible for someone to be snooping on you. For example, your computer might have malware that broadcasts your screen to a remote location. The most important safety measure is to go offline and run the javascript wallet generator on your own computer instead of this website.*

4. ***Clear Your Cache Files.*** *The problem with printing out secure documents — even if your computer is 100 percent virus/trojan free — is that your printer driver and/or operating system may be keeping copies of the documents you print in some sort of spool or print queue. If a hacker or virus gets into your computer and knows to look for these cache files, then they can get your private keys and "sweep" your wallets.*

5. ***Use a Clean Operating System.*** *If you've got loads of applications on your computer, or if you use your computer for risky behavior, like installing freeware or visiting java or flash websites, consider dedicating a computer (or at least a bootable partition/thumbdrive/"live CD") for paper wallet printing. Never take that install online. Transfer the wallet generator ZIP file from GitHub to your clean OS using a thumbdrive or other nonnetworked method.*

6. ***Use a Dumb Printer.*** *Some advanced printers have internal storage (even hard drives) that preserve copies of printouts. This is a risk if someone gets access to your printer or if you dispose of your printer. There is also the possibility that a smart enough printer can be hacked. This isn't quite tinfoil-hat level paranoia, as we've seen examples in the wild of viruses that rewrite the firmware of noncomputer devices indirectly connected to the Internet. If this concerns you, don't use a fancy printer, and never let your printer have access to the Internet or to an Internet-connected computer.*

Now I know this sounds like a lot but don't panic. There's no need to follow all of these precautions. If you're just generating some give-away wallets for fun or to store small amounts of bitcoin, relax.

Just use online wallet generators on a trusted computer and secure Internet connection. For storing larger amounts, follow as many of these security precautions as you can.

Hardware Wallets

If security is your main concern, a hardware wallet is essential. A hardware wallet is a device used for the sole purpose of holding bitcoin keys. Because they don't use an operating system, basic hardware wallets won't let you install any additional software on them, making them invulnerable to viruses or hackers.

As Antonopoulos writes in *Mastering Bitcoin*, "Without general purpose software to compromise and with limited interfaces, hardware wallets can deliver an almost foolproof level of security to non-expert users."

That's why hardware wallets are one of the safest options for bitcoin wallets and a growing number of companies are manufacturing them. However, these two stand out from the rest:

Ledger Nano S Plus

Ledger (https://ledgerwallet.com) is a hardware wallet manufacturer with several wallet offerings including the Nano S Plus, one of the most simple, secure, and affordable hardware wallets on the market.

Like all hardware wallets, the Nano S Plus generates private keys on the device and never exposes them to the internet, even when signing transactions. The device is also secured by a PIN code and prevents fraud by requiring outgoing transactions to be verified on the device by pressing a physical button.

The Nano S Plus currently supports over 5,000 digital currencies in addition to NFTs. You can make payments, check your balances, and manage multiple addresses for each cryptocurrency, without your private keys ever leaving the device. Plus, you can even use it as a multifactor authentication key with services like Gmail, Dropbox, or GitHub – making it a multipurpose security tool.

TREZOR

Our personal favorite is the Trezor Model One (https://trezor.io) hardware wallet. This device is simple to operate and includes Trezor's Suite app, which allows you to easily spend or swap bitcoin into other cryptocurrencies without your private keys ever leaving your Trezor wallet and being exposed to the internet.

Like Ledger's Nano S, the Trezor Model One is durable and contains no operating system, no battery, no Wi-Fi, and no Bluetooth, which makes it impervious to malware or spyware. Plus, the Trezor can also be used as a multifactor authentication key and integrates free password management software created by the same company. That way, it's nearly impossible for someone to access your passwords without your physical Trezor device.

It's slightly cheaper than the comparable Nano S Plus. But both are still far less expensive than buying a dedicated computer and keeping it offline as a cold storage wallet. And we like the interface slightly better than the Nano S Plus.

How to Backup Your Bitcoin Wallet

Whether you store your bitcoin security keys on a hardware device, a mobile phone, a paper wallet, or all of the above, you need a backup plan in case your hard drive crashes, your paper gets damaged, or you forget your passwords. If any of these events were to happen, your bitcoin could be lost forever. That's why it's imperative to create a wallet backup.

To restore a lost or stolen wallet, you need its *seed phrase*, also known as the recovery phrase or master key. The seed phrase is a randomly generated set of words that acts as a unique fingerprint for your deterministic wallet. All the public addresses and private keys you create with that wallet are derived from this seed.

If you're using a Hierarchical Deterministic (HD) wallet, the wallet will provide you with a 12- to 24-word mnemonic seed phrase that serves as a backup for restoring your wallet, like the following:

couple	August	canvas	beyond	exclude	green
obey	Ribbon	trade	abuse	story	plastic
retreat	Hurt	harbor	word	aspect	stripe
mutual	Member	disorder	remain	close	night

Using an HD wallet with a mnemonic backup is highly recommended, because the code is easier to remember and you're less likely to make a mistake when writing it down. This is important because you should always write down your seed or mnemonic code.

Don't screenshot, download, or even print it. Just like your private keys, I recommend storing your backup codes 100% offline. Write them down on a piece of paper and protect them in a home safe or private vault.

Making a Wallet Backup with Cryptosteel

If you're worried about your paper backup codes getting damaged by flood, fire, or other physical threats, you should also consider storing them with a Cryptosteel (https://cryptosteel.com) wallet backup.

Cryptosteel is a durable and secure tool for storing sensitive information, such as passwords or seed phrases, consisting of alphanumeric characters. The device can hold combinations of up to 96 characters within a virtually indestructible stainless-steel container, ensuring your critical data remains safe and accessible.

With more than 250 character tiles to choose from, Cryptosteel is a great cold storage option for your wallet backup codes. Once you generate a backup code through your software wallet, copy it down by manually assembling the steel character tiles and locking them into place with the Cryptosteel case. We'll admit, this took about thirty minutes to accomplish, but the effort is worth it.

Once complete, your code will be able to withstand practically any type of disaster, making it much safer than storing your wallet backup on a delicate piece of paper. Plus, you can even prevent thieves from opening the Cryptosteel by securing it with your own padlock.

How to Restore a Lost or Stolen Wallet

Many software wallets allow you to easily restore your lost or stolen wallet from its original seed or mnemonic code. Simply look for an option to "import" your wallet and then input the backup code, and the wallet will automatically restore your public addresses and private keys.

But not all wallets support the same features. For example, mnemonic codes aren't offered by all wallets. So before you restore your wallet, make sure it's compatible with the new wallet you're importing it to.

How to Get Your First Bitcoin

Now that you've got a bitcoin wallet and you know how to keep it secure, it's finally time to buy your first bitcoin. But first, we have to give you a strong word of caution.

As we write this, the price of bitcoin has gone through several cycles of exuberant booms and deflating busts. This concerns us. Because even though we endorse the technology behind bitcoin and its value as money, currency is notoriously difficult to price.

What is one bitcoin really worth?

$10,000?

$100,000?

$1,000,000?

…or just $1?

Who knows? We sure don't.

Compared to equity in a productive company, bitcoin's value is more ephemeral. That doesn't mean it isn't real or that it's an illusion. It's simply hard to value. You typically want to "buy low and sell high." But with bitcoin, how do you measure if it's "expensive" or "cheap?" (We have some theories on this, but that's for another time.)

Point is, just because Bitcoin's future is bright, you can't expect it's value to go up in a straight line. Remember what happened to dot-com stocks in 1999? Back then, people realized the mega potential of the internet (just as we're recognizing blockchain's potential now).

But even though investors were right in the long run, most people lost money in the run up and eventual crash. Finance professor Terrance Odean studied investor behavior during that bubble and found that most internet-stock day traders lost money and had an average survival time of about six months.

What does this mean for you?

Well, you shouldn't buy bitcoin as a "get rich quick scheme." You probably shouldn't even buy it if you think it's going to make you a millionaire in twenty years (even though it might).

I recommend that you buy bitcoin as a way to protect you from the dangers of the conventional banking system and diversify your money (we'll discuss other alternative currencies you should own in later chapters). Plus, you should never buy more bitcoin than you could afford to lose.

Think about it this way: if you own so much bitcoin that you'd be devastated if it was suddenly worthless, then you own too much bitcoin. When we hear stories about people taking loans out against their houses just to buy bitcoin, it makes me cringe.

You shouldn't have all your eggs in the conventional banking system. But you shouldn't stash them all in cryptocurrencies either. It's about spreading your eggs all over the place so even if one or two gets taken, the entire horde is never compromised.

OK, enough preaching. Now that you've been warned, it's finally time to talk about how to get your first bitcoin. In the following chapter, we'll discuss these four options:

1. Buying bitcoin directly from a friend
2. Buying bitcoin on an exchange or marketplace
3. Buying bitcoin from an ATM or retail store
4. Getting paid in bitcoin

Buying Bitcoin Directly From A Friend

When bitcoin was first created, there were no exchanges or marketplaces. It was only used between a small group of friends, made up of bitcoin founders and early developers. But despite the advances since then, one of the easiest ways to get your first bitcoin is still from someone you know.

Getting bitcoin from a friend is as easy as giving that person your public key or having him or her scan a QR code on your phone. The exchange happens in seconds and can take place online or in person.

Trading bitcoin with your friends is also great because you don't have to wait days or weeks to get your identification verified, and there's an established level of trust. Plus, you may be surprised by how many of your friends already have bitcoin. All you have to do is ask.

Buying Bitcoin from Exchanges and Dealers

While getting bitcoin from a friend is easy and private, by far the most popular way is through an online exchange or dealer. These allow you to buy bitcoin with a bank account, cash, credit or debit card, wire transfer, other cryptocurrencies, or even gift cards.

Different bitcoin exchanges accept different payment methods. But the difficulty in purchasing bitcoin will vary depending on where you live and the local regulations. If you're a resident of the US, the UK, or the EU, here are the only two bitcoin exchanges I recommend:

- **Coinbase** (https://coinbase.com) Established in 2012, Coinbase has become one of the world's largest bitcoin custodians, managing more than 10 percent of all bitcoin in circulation. Part of Coinbase's success comes from the simplicity of its platform. Coinbase makes it easy for the novice user to buy their first bitcoin in a way that feels familiar. Combined with a highly-rated mobile app and a suite of security features, Coinbase is the exchange of choice for bitcoin beginners.

  The main reason we use Coinbase though is *trust.* Since Coinbase is a public company with many institutional investors and advisors, they're held to higher regulatory standards than other exchanges. And when it comes to choosing an exchange, oversight is critical (see: FTX).

- **Kraken** (https://kraken.com) This is one of the largest Bitcoin exchanges, with customers across the US, UK, and Europe. The primary Kraken platform is geared for bitcoin traders and allows approved users to buy bitcoin on margin and use advanced features like limit orders and more. Kraken has become notorious for its growth-through-acquisition model, scooping up bitcoin competitors like Glidera. Plus, with it's Kraken Direct service, you can buy bitcoin and have them sent to the bitcoin wallet of your choice instead of being forced to use a hot wallet from an exchange.

Buying Bitcoin from an ATM or Retail Store

Another easy way to get your first bitcoin is through a bitcoin ATM. These things were nonexistent several years ago, but they're quickly popping up across major cities.

Bitcoin ATMs let you buy bitcoin with cash and little hassle. However, most ATMs are anonymous as they will require that you scan a state issued ID in order to use the machine. To find the closest bitcoin ATM near you, check out the bitcoin ATM map at CoinATMRadar (http://coinatmradar.com) or download their mobile app.

One more way to buy bitcoin with cash is by using a service called LibertyX (http://LibertyX.com). LibertyX allows retailers to easily sell bitcoin from their point-of-sale machine or computer. It works a lot like getting cash back when making purchase, but instead of getting cash, you get bitcoin. Like most exchanges though, LibertyX retailers are required to verify your ID before purchase.

Getting Paid in Bitcoin

If you want to earn bitcoin right away, the best place to start is with your current employer. That's where Bitwage (http://Bitwage.com) comes in. Bitwage lets you receive direct deposit in the form of bitcoin from virtually *any* employer.

Once you sign up for an account and verify your ID, Bitwage will give you a bank routing number and account number that you can use to complete your company's direct deposit form. When you get paid, Bitwage then converts your wages into bitcoin and sends them to your bitcoin wallet. Deposits can happen as quickly as the same day.

It's perfect for folks abroad who get paid in dollars but are unable to get a US bank account. Or even bitcoin enthusiasts who want to get rid of their bank account altogether yet still collect their salary without the hassle of checks.

Where to Spend Your bitcoin

Now that you've got your first bitcoin, it's finally time to use them. Bitcoin can be used for any number of different services or products. You can pay your dental bill with bitcoin or even buy a new car.

Wondering which places accept bitcoin? The number of online and brick-and-mortar merchants who accept bitcoin has exploded over the past few years. Both small shops and big name brands accept bitcoin now. The best way to stay on top of which stores accept bitcoin is by checking a bitcoin merchant directory.

Bitcoin Merchant Directories

A bitcoin merchant directory is like the yellow pages, but it only includes businesses that accept bitcoin in person or online. To find out where to spend your bitcoin, this is the best place to start. Three of the most popular options are:

- BitPay Directory: https://bitpay.com/directory
- CoinMap: http://coinmap.org
- SpendBitcoins: http://spendbitcoins.com

Gyft: Buy Over 200 Gift Cards with Bitcoin

While many popular merchants don't accept bitcoin yet, you get around that by buying their gift cards using bitcoin. This can be done with a service called Gyft (https://www.gyft.com/), which allows you to buy digital gift cards using bitcoin.

They offer gift cards from more than two hundred retailers, including Uber, Starbucks, Home Depot, Nike, Target, and many more. To use Gyft, download their free app and purchase the gift cards of your choice with bitcoin. You can then manage all of your digital gift cards and spend them straight from your mobile device.

Purse: Use Bitcoin to Save 15% or More on Amazon

This may be the biggest opportunity to save money you'll come across in a long time. Personally, I shop on Amazon a lot. And this trick alone has saved me hundreds of dollars in the process.

It may sound too good to be true, but plenty of bitcoin users are taking advantage of it right now. The secret lies in company called Purse (https://purse.io/), which connects people who have Amazon gift cards with bitcoin owners who want to buy goods on Amazon.

Here's how to start saving 15 percent or more on Amazon, step-by-step:

Step 1: Create a public wish list on Amazon

Log in to your Amazon account and go to your account page. Click on the Wish List link and select Create a List. Once you've made your new list, click on List Settings and change the list status to Public, which allows anyone to view it.

On that same page, click View Details next to your new list. Then, select the shipping address you'd like your orders sent to. Next, check the box that says, "Third party shipping agreement," and uncheck the box that says, "Don't spoil my surprises." Then save the changes you just made to the list.

Step 2: Add items to your wish list

Now you're ready to add items to your wish list. Simply browse Amazon, find the products you want to buy, and then add them to the new wish list you created. Then, once completed, go to your wish list page and copy (CTRL+C) the URL in your Internet browser.

Step 3: Import your wish list

Log into your Purse account, paste (CTRL+V) your wishlist URL in the top search box, and press Enter. Purse will then import your wish list, and you can select the items from it you want to order.

Step 4: Select your discount

After selecting your items, you then get to choose your discount. Depending on market conditions, Purse will display the optimal discount range to ensure that your order gets filled quickly. In our experience, that range is usually between 10% and 20%.

Step 5: Deposit your bitcoin

Once you've selected your discount, you'll need to deposit the necessary amount of bitcoin into your Purse wallet. Purse will then hold these funds in escrow until the order is completed or canceled.

Step 6: Place your order

At this point, the listing will go into the Purse marketplace. When someone is willing to buy the items at your desired discount, they'll accept the order and place the order on Amazon. Your items will then be automatically shipped to your home, without you sharing your address with the buyer. Once the item ships, the buyer will send you the appropriate tracking links so you'll know exactly when your goods will arrive.

Step 7: Confirm delivery

Once you receive your items, log back into Purse and confirm that they were delivered. Purse will release your bitcoin from escrow and complete the payment.

And that's it! You've just saved money on Amazon by using bitcoin!

At first, we were skeptical and concerned about how safe it really was. But our first order was completed in just three days and went off without a hitch. Since then, we've used the service seven more times, saving over $340 and netting an average discount of 15%, even after fees charged by Purse.

You can use Purse to buy anything on Amazon with bitcoin. But if you still can't find what you're looking for, here's one more way to spend your bitcoin almost anywhere.

Spending Bitcoin with a Visa Debit Card

Even though bitcoin is not yet accepted by most merchants, there's an easy way to spend your bitcoin anywhere Visa debit cards are accepted.

The Coinbase Visa Debit Card (https://card.coinbase.com)

The Coinbase Card works just like a debit card for your Coinbase hot wallet. It functions similarly to a traditional debit card, allowing you to spend your cryptocurrencies linked to your Coinbase account anywhere that accepts Visa. When you make a purchase with your Coinbase Card, Coinbase converts the required cryptocurrency to the local currency and subtracts that amount from your wallet.

Like debit cards from traditional banks, the Coinbase Card also allows users to earn “cash back” at competitive rates. These rewards can be in the form of bitcoin or a variety of other crypto offered on the Coinbase exchange and are immediately deposited into your Coinbase wallet.

BitPay’s Visa Debit Card (https://bitpay.com/visa/)

Similar to the Coinbase Card, BitPay also offers a Visa debit card that you can connect to your BitPay wallet as well as your Coinbase account. It also offers cash back crypto rewards that are paid to your wallet. It has slightly higher fees than Coinbase, but if you use the BitPay mobile wallet, then their debit card makes it easy to spend your bitcoin wherever Visa is accepted.

The Ultimate System for Managing Your bitcoin

Not long ago, Matt's neighbor picked up some boxes for him at Home Depot. They cost $26.50. But instead of paying him back with a $20, a $5, a $1, and two quarters, Matt asked if he would accept bitcoin instead. "A check is fine," he responded.

Matt was surprised, especially since this friend owns some bitcoin and understands the significance of the technology. So why wouldn't he accept it as payment?

The reason? Taxes.

When it comes to using alternative currencies like bitcoin, it can be difficult to do so legally. The government doesn't recognize crypto (or gold for that matter) as currency. In 2015, the Commodities Futures Trading Commission (CFTC) ruled:

In this order, the CFTC for the first time finds that bitcoin and other virtual currencies are properly defined as commodities.

As such, you're required by law to pay taxes on any gains from holding alt-money instead of US dollars. But compliance can be very difficult. It means you have to document every time you spend bitcoin…every time you purchase bitcoin…and every time you receive bitcoin as income or a gift.

You also need to record the US dollar price of bitcoin at the moment of *every* transaction. This allows you to get your bitcoin cost basis and calculate your capital gains. Obviously, this can be very tedious and confusing, which is why it's such a disincentive for people who want to use currencies other than the US dollar.

But don't despair. There are techniques you can use to automate and simplify the process. Here are two tips for curing your bitcoin tax headaches.

TIP #1: Use Alt-Money Accounting Software

While using Bitcoin presents new challenges for legal compliance, the transparent nature of the currency makes it much easier to track, record, and calculate the important reporting metrics.

Just like Quicken helps businesses manage their bookkeeping and accounting, services like CoinTracker (https://www.cointracker.io) and CoinLedger (https://coinledger.io) do the same thing for alt-money enthusiasts. It's something I highly recommend for anyone who owns crypto.

You can set up a free account online where you can import and export your transactions. They will also give you a tax report with your yearly gains or losses. You can even use several accounting options like first-in-first-out (FIFO), last-in-first-out (LIFO), average cost, or tax-loss harvesting strategies that help to minimize your tax liability.

Just enter your bitcoin wallet address or sync your account with major exchanges like Coinbase. These services will then import your transaction history, including crypto purchases and sales in order to calculate your cost basis as well as your crypto returns for the year. What's more, these services also connect with tax filing services like TurboTax, making it easy to report your crypto gains (or losses) every tax season.

But be aware, the information stored in these services are not 100% private. Hackers or the government could easily obtain your transaction and public wallet keys that are stored in their databases. Because of this risk, wallets you want to be kept private should only be used for transfers. Since transferring bitcoin between wallets is not a taxable event and you don't need to track it to calculate capital gains or income tax, it's not necessary to input these wallets into your accounting software.

And that's why we also recommend this next tip…

TIP #2: Segregate Your Wallets by Function

Even though these crypto accounting services can make tax reporting much easier, it still can be tedious work to sort through your transactions and determine if each one was a purchase, sale, transfer, gift, or income.

To simplify this process even further, consider designating specific wallets for specific functions. For example:

Your Taxable Wallet

For Matt's primary wallet, he uses an online hot wallet from Coinbase. As mentioned earlier, we like Coinbase because they have some of the biggest backers in the industry, integrations with dozens of apps, and you can spend my bitcoin almost anywhere with the Coinbase Visa card.

When you sync your Coinbase account, the accounting software will also import notes about specific transactions, making it easier to remember whether it was a purchase, transfer, sale, gift, or income.

So anytime you buy or sell bitcoin, you should use this wallet. Any time you spend bitcoin, you should use this wallet. And any time you receive bitcoin as income, you should use this wallet. That way, three important tax reporting events are recorded in one wallet, making it easy to manage your crypto bookkeeping.

But this convenience also creates risk. As discussed earlier, hot wallets – especially those managed by a 3rd party – are at a higher risk of theft, loss, or confiscation. That's why you should only keep a limited amount of crypto in these wallets at any given time. Think of it like your crypto checking account.

Alternatively, the bulk of your bitcoin should be held securely in a cold storage wallet that's only used for transferring funds and doesn't need to be tracked by your accounting software.

Your Cold Storage

Just like you want a checking account for crypto, you also want to designate a savings account. And for that, you should have a Trezor cold storage wallet where you keep the funds you want to keep private and secure. Don't spend money directly from this wallet (send it to your Coinbase wallet first), nor should you receive income directly to it. That way, none of the activity needs to be tracked in accounting software and you can keep your bitcoin savings private while also staying tax-compliant.

In short, having separate wallets for specific functions, such as purchases, sales, transfers, and income, can simplify the tax-reporting process and minimize your security risks.

But please remember, we're not CPAs or any kind of tax professionals. Always consult with a qualified advisor about your specific tax situation before using any of the strategies mentioned in this book.

Closing Thoughts

So there you have it. You've survived our overwhelming explanation of bitcoin and our laundry list of crypto tips, tricks, and financial strategies. Hopefully, you now know:

- How a bitcoin wallet can replace your checking account
- How to keep it secure with cold storage
- How to save 15 percent off anything on Amazon by using bitcoin
- How to send bitcoin in a private, discreet way
- How to direct deposit your paycheck straight to your bitcoin wallet

But cryptocurrency is just the first part of this survival guide. Unfortunately, there's no magic bullet when it comes to getting nonbank financial services. The fact is, the government could ban crypto at any time and claim that it's needed to fight crime or terrorism…or simply in the interest of national security.

Think it can't happen? As you're about to learn, the US government has gone to great lengths to abolish the ownership of alternative currency in the not-too-distant past. That's why bitcoin (or any crypto) will never be a panacea for the unbanked. In order to achieve true financial security, you need to have multiple payment and currency options. And that brings us to Part 2.

PART 3

Gold’s Rightful Place in the 21st Century

The Mystery of Money

For thousands of years, gold and silver have symbolized wealth, beauty, and trust. Governments across every land adopted precious metals as currency, a practice that continued until only recently.

Since World War I, we've witnessed the international race to fiat money: a system of currency that's backed by nothing but faith in governments, their sanctioned financial institutions, and military might…all three of which can be manipulated by those in power.

Today, the banking system is intertwined with the fiat money system. Banks control and regulate the supply of fiat money. This means, if you want to become *unbanked*, you'll likely need *alternative* currencies like bitcoin. Or better yet, return to the only currency with a five-thousand-plus-year history of success: precious metals.

Now, if gold and silver seem backward and outdated, don't be fooled.

Despite accusations by economists that gold is a "barbarous relic," the technology and systems underpinning it haven't stayed in the bronze age. In fact, it's possible today to spend your gold as easily as swiping a Mastercard, while owning a store of value that's stood the test of time.

In this chapter, we'll answer several important questions surrounding precious metals:

- What makes good money?
- Why are precious metals one of the best forms of money?
- How can gold replace your checking and savings accounts?

To explain why precious metals make good money, first we need to define what *money* is. On the surface, it seems obvious. We use money every day. We spend it and save it, and then we pass it on to our children.

But what makes something *money*?

Economists, historians, and anthropologists still debate the true meaning of the word. Even dictionaries do not agree. Some call it a store of value, others refer to it as a unit of measure, like a gram or kilometer. But there’s one meaning of money that almost everyone can get behind:

Money is a medium of exchange.

But now we must go down another rabbit hole and ask ourselves what *that* even means. What *is* a medium of exchange? Essentially, it’s a form of payment. It’s something that can be traded for something else. But money isn’t just *any* medium of exchange, it’s often the *best*.

It’s like the wild card in a game of poker. It’s the card that everyone wants. Why? Because in an instant, you can trade it for any other card in the deck. Need an ace of spades? A king of hearts? Or a two of clubs? Your wild card can be swapped out for any of these at a moment’s notice. No hand in poker *requires* a wild card; you simply trade it for the card you really need at the time.

Money works the same way. You can’t eat money, but you can trade it for food or water. Money may not heat your home, but it can pay the electric bill. And money in itself won’t keep you alive, but it can purchase the vital resources you need.

By this definition, almost anything could be money. Seashells, livestock, cotton, land, and even baseball cards. As long as folks accept something as a form of payment, it can be a medium of exchange. But obviously, not all money is created equal. Some mediums work better in exchange than others.

Aristotle's Definition of *Good* Money

So what makes a good medium of exchange? In the fourth century BC, the great Greek philosopher Aristotle gave a very prescient definition for what constitutes *good* money.

In fact, he gave five characteristics, each of which are attributes that improve an item's ability to act as a medium of exchange. And as you'll notice, gold (and precious metals in general) checks every box:

Uniform

First off, a good medium of exchange should be uniform (or *fungible*), meaning units are easy to compare. Their traits are nearly identical. The easiest way to describe uniformity is by comparing it to something we already know: dollars. Since the Federal Reserve values a dollar bill the same as any other dollar bill, regardless of how worn or faded it is, the government creates a uniformity of value across all dollar bills. In the United States, a dollar is worth the same as any other dollar (at least in the eyes of the government and banks).

Similarly, because gold is a natural element, all gold is the same no matter what time or place it is found. On the atomic level, there are no variations of gold. Every ounce of twenty-four karat gold is equivalent to any other ounce of twenty-four karat gold. However, the same can't be said of other commodities. Consider land. Every acre of land is unique and is valued differently than every other acre. An acre of beachfront is not equal to an acre of swampland.

Divisible

In order for money to be considered divisible, it must be easily separated into smaller units and combined into larger ones. Because gold is the most malleable and ductile metal on the periodic table of elements, it can be easily manipulated into any size or shape. A piece of gold jewelry, for instance, can be melted down into a bar or vice versa.

But again, not all commodities have this quality. For instance, livestock can't be broken down into pieces for smaller purchases. How do you "make change" for a cow? Give back its tail and two hooves?

Convenient

Third, for an item to be a good medium of exchange, it needs to be convenient — meaning it should be easy to transport and not cumbersome. While carrying physical gold may not seem as convenient as a credit or debit card, it's quite convenient relative to other commodities. For example, an ounce of gold today is worth more than $2,000, allowing you to carry a large amount of value in a very small size.

But if you wanted to carry around other commodities to exchange, an ounce of oil would be worth 1.4 cents, an ounce of corn would be worth half a penny, while an ounce of iron would fetch about one-third of a penny!

In other words, it is simply too cumbersome to transport and store other commodities in the same way that you can with gold. Gold packs a lot of value in a small amount of space. You can carry around fractions of a gram, or even massive four-hundred-ounce bars worth hundreds of thousands of dollars.

Durable

Fourth, a good medium of exchange should be durable. If you're using money as a store of value, you want to make sure that it won't wither away before you have a chance to spend it. Money that is durable will last for a very long time without degrading its value.

This is probably gold's biggest strength. Because gold is a precious metal (and a *noble* metal), it's physically inert. It doesn't react with any other element, and thus, it never decays, rots, or rusts. An ounce of gold today is going to be an ounce of gold a million years from now, making gold uniquely useful as a form of money.

Valuable

Lastly, money needs to have intrinsic value. That means it has value on its own, not because some person or group commands it. Precious metals (despite popular belief) have plenty of industrial uses:

- Gold is the most malleable metal, which makes it easy to craft into jewelry and ornaments. In fact, gold has been used this way as early as 4000 BC, proving its ability to maintain value over the very long term!

- Because gold and silver don't react with other elements, they're also ideal for making medical devices and certain treatments.
- Because gold and silver are highly conductive, they're needed to make solar panels, calculators, and many types of electronics.
- These metals are valuable due to their finite supply and difficulty to obtain. It takes effort on a grand scale to harvest these metals, refine them, and produce them into a useable form. Unlike digital dollars, gold cannot be created out of thin air at the demand of government and private banks.

In other words, precious metals have value because of their unique physical properties. Their value isn't tied to any institution, which make them insulated from many types of crises. The same, however, can't be said of bank deposits. For all these reasons and more, precious metals have proven to be valuable resources for thousands of years.

How to Use Precious Metals as a Banking Alternative

Now that you understand the appeal of precious metals, let's discuss gold and silver's ability to act as an alternative to conventional banks, specifically savings.

Savings

Gold is most commonly used today as a method of savings. It's the money that you build up over time for a special purchase, for retirement, or to pass onto your children. Traditionally, savings doesn't need to be as liquid as checking, because you don't need to spend it immediately.

But when using precious metals as savings, there's no one-size-fits-all approach. There are many ways to own them. But we'll break them down into two categories:

1. **Physical Ownership** — You take personal responsibility for the care and custodial duties of your gold and silver.

2. **Indirect Ownership** — A trusted third party looks after your gold and is responsible for its safekeeping.

Both can be good options, but each has risks and benefits.

The Benefits of Owning Physical Precious Metals

So, why would anyone want to save *physical* gold and silver? The reasons are many, and they may surprise you.

No Counterparty Risk

The first benefit of taking possession of physical precious metals is that there's no counterparty risk. The only person you need to trust when storing metals at home is you (and possibly your family and fellow K9).

Unlike with bank deposits, CDs, stocks, bonds, or other forms of savings, when you own physical gold or silver, you eliminate third parties and middlemen. Your wealth never depends on someone else. It's in your hands, literally.

Privacy and Discretion

The other benefit of having savings in physical form, is privacy. With a conventional savings account from a bank, you can't hide your wealth from a desperate government, greedy spouse, or anyone else for that matter. Physical gold and silver is much harder to confiscate than digital bank assets that can be frozen at any time.

That's because you can easily hide your gold in a home safe or private vault, or even bury it in your backyard, ensuring that no one but you know where it's stashed. What's more, when buying physical precious metals, you can avoid any records of your transaction history. Simply by purchasing gold and silver from someone with cash, it's possible to avoid leaving an incriminating paper trail.

Drawbacks to Owning Physical Precious Metals

However, everything has its tradeoffs, and that includes physical wealth. If you decide to take this route, it's important to know the risks and pitfalls.

Responsibility Falls on You

The first drawback when taking possession of physical metals is that you become personally responsible for ensuring their protection from theft, damage, and confiscation, all of which can be burdensome and expensive at times.

Although there's no counterparty risk when storing your own metals, their safekeeping falls entirely on you. So unless you purchase extra homeowners or renters insurance (which can be very pricey for precious metals), you don't have any recourse if your metals are lost or stolen, whereas you may be able to sue or get reimbursed if someone else serves as the custodian of your savings.

Are you prepared to take on this level of responsibility? If not, be sure to read on to Part 4, where I discuss vital tips and best practices for storing physical wealth.

Physical Precious Metals Are Less Liquid

The next drawback is that physical metals are less liquid than most indirect ownership options. Unlike gold and silver exchange-traded funds (ETFs), for example GLD and SLV, metals in your possession can't be liquidated within seconds any time the market is open.

So if you decide to sell your gold or silver, you will likely have to find a local merchant who is willing to purchase them from you, like a coin dealer or pawn broker. Unfortunately, in-person merchants often pay much less than the current market rate — guaranteeing that the sale is a bargain for them and a rip-off for you.

A better alternative is to sell your metals to an online dealer like American Precious Metals Exchange (APMEX) (we'll talk more about them later). You'll get a better deal than from a local merchant, but it's up to you to make sure the metals arrive safely through the mail, and you'll likely have to wait a week or more to receive your payment.

The point is, because of the added time it takes to buy and sell physical precious metals, they obviously work better for savings than spending.

Forms of Physical Precious Metals

Now that you know the tradeoffs that go along with physical precious metals, it's time to get specific about the different forms they come in and which you should consider when stockpiling physical gold and silver.

Bullion

One of the most common types of gold and silver people buy is *bullion,* which refers to precious metals that are valued only by their weight and purity.

There are a couple of different grades of gold, so be careful to make sure that you only purchase the top-tier grade. Gold and silver are not considered bullion unless it has a purity of at least .999 (or 99.9%). However, in some countries like China, .9999 (99.99%) pure gold is the new standard for trade and is taking off in popularity.

When buying gold and silver bullion, you'll often find it in three shapes: bars, rounds, and ingots.

Bars

While you can find precious metal bars smaller than an ounce, bars are often *big.* For instance, the London Bullion Market Association's (LBMA) four-hundred-troy-ounce Good Delivery (GD) gold bar is the bullion of choice for large precious metal owners like central banks and sovereign wealth funds. Many consider these, along with one-thousand-ounce silver GD bars, the international standard in precious metals exchange.

So if you want your bullion to be more liquid, consider owning LBMA-approved Good Delivery bars.

Rounds

As the name implies, rounds are circular pieces of bullion that look like coins but are issued by private mints instead of governments. They also generally come in increments of one ounce or less. This is best if you only want to own bullion for its metal content or if you want to trade small increments and avoid melting down an entire bar to "make change."

Ingots

This is the catch-all term for relatively pure bullion that's neither a bar nor a round but will likely be forged into another shape later on (i.e. jewelry or coins). Smugglers who might want to get unbanked *too* badly will often melt gold into smooth-shaped ingots in order to fit them in *uncomfortable* places when crossing borders (if you catch our drift).

The main benefit of buying ingots is that you can buy and sell it closer to market rate than minted bullion. So if you're looking to save money when buying physical precious metals, ingots may be a good option for you.

Coins

Many folks mistakenly refer to government-minted gold and silver coins as bullion, but there are some important differences. While coins are the same shape as bullion rounds, coins are stamped with a face value that's enforced by a sovereign government. This means that they're recognized as legitimate government currency and honored in the same way as cash.

For example, the one-ounce American Silver Eagle coin has a face value of one US dollar, while the one-ounce silver Maple Leaf is denominated as five Canadian dollars.

However, you'd never want to spend these coins at their face value, since they're worth much more based on their metal content. For instance, while the American Silver Eagle has a face value of one dollar, its one ounce of silver is currently worth over twenty dollars.

But even though it may seem like a disadvantage to have such a low face value, this discrepancy creates a legal loophole for evading capital controls. The United States, for example, requires you to declare whenever you carry $10,000 worth of currency outside of the country. And the European Union has a similar regulation, requiring individuals to declare when transporting €10,000 or more outside of their borders.

However, since American Double Eagles only have a $50 face value, an individual could take two hundred ounces worth of gold eagles out of the country before hitting the capital controls limit. At current prices, that works out to about $400,000 worth of gold!

What's more, this is a perfectly legal way to move much more than $10,000 outside the country without having to declare it when going through customs. So on the off-chance you need to make a quick escape with your gold, having sovereign coins can be a discreet and legal way to move wealth abroad.

There are several types of one-ounce coins minted by sovereign governments. Here are some you should consider:

Mint	**Design**	**Metal**	**Denomination**
United States Mint	Double Eagle	gold	$50
United States Mint	Silver Eagle	silver	$1
United States Mint	Buffalo	gold	$50
Royal Canadian Mint	Maple Leaf	gold	$50 Canadian
Royal Canadian Mint	Maple Leaf	silver	$5 Canadian
British Royal Mint	Britannia	gold	£100
British Royal Mint	Britannia	silver	£2

Often, it will be pricier to purchase these coins because they're more desirable than bullion rounds or bars. However, the premium can be well worth it since these coins can be more liquid due to their popularity and government-sponsored nature.

Since government mints verify the purity of the coins, metal dealers are often far more willing to purchase sovereign coins than bullion rounds that were made by obscure, perhaps untrustworthy, mints.

Numismatics

In 1744 — when Germany was the centerpiece of the Holy Roman Empire — a boy was born in Frankfurt's Jewish ghetto. He was one of eight children, only five of whom survived into adulthood. His father was a merchant who sold silk cloth and ran a currency exchange from their modest home. He also dealt in rare coins and was commissioned by Crown Prince Wilhelm of Hesse to find investments for the royal collection. Because of his father's profession, the boy grew fascinated with money, especially the ancient gold and silver tokens he saw around the house.

By the time he was thirteen, he had acquired an internship in Hanover, where he learned the art of banking and money dealing from Samuel Oppenheimer's grandson. When he returned home at nineteen, he took up his father's trade as a rare coin dealer and won the support of his former patron, Crown Prince Wilhelm. By 1769, he earned the title of Court Factor, helping his coin business grow and garner an expansive list of noble clientele.

But this was just the beginning. The boy I'm referring to is Mayer Amschel Rothschild — the progenitor of the Rothschild dynasty. Today, Rothschild is referred to as the founding father of international finance. And in 2005, *Forbes* ranked him as the seventh most influential businessman of all time. But while his family name is now synonymous with the banking empire he helped create, few people realize that this legacy wouldn't exist if not for his father's coin business.

In the collectibles market, rare currency and monetary tokens are known as *numismatics*. And in today's world of global fiat money and unprecedented monetary experiments, buying rare coins as a form of savings is a legitimate wealth preservation strategy, just like it was in Rothschild's day.

The Benefits of Numismatic Coins

But why buy numismatics instead of ordinary gold and silver bullion or newly minted coins? The benefits are potentially three-fold:

1) More upside potential

While numismatics have value because of their gold or silver content, their historical significance and scarcity mean they trade at a premium to their metal's spot price. However, this value can rise or fall dramatically depending on the state of the market.

For example, in the late 1970s, there was an inflationary panic in the United States after Nixon severed the dollar's link to gold. As a result, a mania in numismatics erupted, causing the premium on many coins to rise faster than the value of their metal.

If another currency crisis happens in America and people lose faith in paper money, numismatics will likely soar just as they did back then.

2) Evade capital controls

Many numismatics were minted by sovereign governments that still recognize them as legal tender and honor their face value. For instance, you can still use a Morgan silver dollar from 1885 to pay off one dollar's worth of taxes, even though its collectible and metal value is worth much more than that.

And while it may seem like a disadvantage to have such a low face value, as mentioned earlier, this discrepancy creates a legal loophole for evading capital controls. Consider the 1933 Saint-Gaudens Double Eagle gold coin, which sold at auction in 2002 for $7.5 million, yet has a face value of only $20. That makes it a perfectly legal way to move over $10,000 worth of value outside the country without having to declare it when going through customs.

3) Avoid confiscation

On April 5, 1933, Franklin Delano Roosevelt issued Executive Order 6102. This mandate led to the wide-scale confiscation of privately owned gold in America. However, collectible coins were one of the few exemptions.

If such a confiscation were to happen again, some say this legal precedence could protect your wealth when the American government gets desperate. But bullion and regular coins might not be so lucky. Will that hold if gold were ever to be confiscated again? Who knows. Some say it will, and some people say yesterday's loophole is tomorrow's target. We'll let you make up your own mind about that and weigh the tradeoffs.

Just know that while they're more speculative and less liquid than ordinary coins and bullion, they offer unique benefits unlike any other asset class. You don't just own a piece of metal, you own a piece of history.

The Three Steps to Becoming a Numismatist

But which coins should you consider for your collection? And how do you know they're for real or that they'll hold their value for generations to come? And will you be able to sell them at a moment's notice?

These are the questions you need to answer before adding any numismatic to your collection. So let's start with the basics.

Step 1: Learn how coins are graded.

While coin collecting has been an investment strategy for hundreds of years, there wasn't a systematic way to grade them until 1948, when Dr. William Sheldon created the Sheldon Scale.

The scale ranges from 1 to 70, with 70 being a flawless coin and 1 being a coin that's almost ungradable. Collectors generally look for coins with a rating of 60 or higher, but I recommend coins graded 65 or above.

Numismatics of this caliber tend to make up 10 percent or less of the graded population and have risen in price two to three times as much as lower-quality coins.

In addition to the numerical grade, each rating is paired with a letter rating that further describes the quality. For example, a PO1 is in Poor condition and is the lowest grade, while an MS70 is the highest grade, in Mint State.

Step 2: Only buy coins graded by trusted third parties.

Because there are so many intricacies to grading a coin, it's not something that you should do yourself. It's best to send your coins to a trusted third party who can spot the subtle differences between each grade.

The two most respected coin graders are Professional Coin Grading Services (PCGS) and Numismatic Guaranty Corporation (NGC), both of which have been in business for decades and are rated Superior by the Professional Numismatists Guild.

So if you decide to buy numismatic coins, ensure that they're graded by one of these two services. Once you know the grade of a coin, one of the best ways to determine its value is by checking the price guides they publish.

Both PCGS and NGC keep detailed records of the coins they've graded, allowing you to know what they've recently sold for, as well as the exact "population." This is the number of coins a company has certified of a specific type, year, and grade, as opposed to the total number of coins that were minted. It tells you the supply of graded coins on the market.

Step 3: Look for coins that are easy to buy and sell.

Remember, numismatics are inherently more speculative than ordinary sovereign coins and bullion. And if they're very scarce, their value can swing wildly, or demand could dry up.

That's why it's also important to look for coins with large markets, high liquidity, and relatively consistent demand from collectors. With that in mind, here are three coins you should consider:

1. ***Saint-Gaudens $20 Double Eagle Gold Coins.*** These gold coins were issued from 1907 to 1933, right before President Roosevelt confiscated privately owned gold in America, giving them lasting historical significance. What's more, they were designed by the famous sculptor Augustus Saint-Gaudens and are considered by many to be the most beautiful coins in US history. Depending on the grade, you can buy one of these coins for less than a 50 percent premium over their gold content, which is incredible considering its age.

2. ***2006 American Gold Buffalo 1 Oz. Coins.*** What makes this coin special is the fact that it was the first American-issued gold coin made of .9999 pure gold, as opposed to the .9167 purity of typical gold eagles (which are blended with an alloy for durability). The coin is stamped with a modified version of James Earle Fraser's famous profile of a native American, while the back displays "Black Diamond," the largest buffalo ever held in captivity. These coins currently carry a small premium to the market price of gold, but they have the potential to grow over time due to their historic significance.

3. ***Morgan Silver Dollars.*** Named after their designer, US Mint Assistant Engraver George T. Morgan, these coins are arguably the most popular coin in world history and were issued from 1878 to 1904, and again in 1921. Because of their demand, scarcity, and 90 percent silver content, we feel confident that these coins will maintain their purchasing power over the long term.

Where to Buy Physical Precious Metals

So you finally found the perfect gold coin for your portfolio. You did all the research, you knew the grade you wanted, and you got an unbelievable deal on eBay. But when it arrived, you could tell something was off. The engravings weren't quite right. And when you put it on the scale, the weight didn't match up.

What just happened?

You bought a counterfeit coin.

Unfortunately, there are many fraudsters out there. So if you're buying rare coins, sovereigns, or bullion online, I don't recommend auction sites like eBay. You run the risk of buying fake precious metals, even though the packaging may claim that it's certified or that it's from a reputable mint.

Instead, go through experienced companies that have solid reputations and verify that their products are authentic. Also, look for dealers with large inventories so you're less likely to pay huge markups.

Which should you consider?

We'll save our recommendation for the end. But let's start with a few different options depending on what you're looking for…

American Precious Metals Exchange (APMEX)

One option to buy precious metals is American Precious Metals Exchange (www.apmex.com). They offer low premiums over spot, great customer service, and fast delivery.

They also have a wide selection and large inventory of sovereign coins, bullion, and numismatics. For their most popular items, they also offer to buy the metals back from you at competitive rates.

Moreover, they mint some of their own bullion, which you can buy at low rates over spot price. While these may not be as liquid as bullion from more well-known mints, their prices can make it well worth it, especially considering that APMEX will often buy the bullion back from you.

To buy from APMEX, all you have to do is go online, select the items that you would like to purchase, and then pay via Paypal, bank wire, or check. While it's more convenient to use credit or debit cards through the Paypal option, the one disadvantage is that APMEX charges a substantial premium for this payment type.

We've found that mailing a check after making your purchase is the best way to go. You'll get a better rate, you lock in your price at the time of purchase, and you have up to five business days for APMEX to receive the payment.

David Hall Rare Coins (DHRC)

If you're looking for obscure numismatics, We recommend contacting David Hall Rare Coins (www.davidhall.com). They've been in business since 1977. And with their experience and insights into rare coins, we also recommend picking up the phone and calling to pick their brains on the state of the market.

Ask questions like, "Which coins are a great value right now?" Or if there's one you have your eye on, ask them if now is a good time to buy that coin.

As with all investments, it's best to buy low and sell high. With numismatics, this often means buying coins that are out of favor at the moment and selling them when they're trendy again. David Hall and his staff can help you find bargains in the numismatic market while avoiding the "flavor of the week."

If they don't have the coin you're looking for, they offer a Want List Program. If you add your name and desired coin to the list, they'll contact you and offer you the coin if it becomes available before advertising it elsewhere. What's more, there's no obligation to buy or deposit required for this service.

Alternatives to Taking Possession of Gold and Silver

The big benefit to taking possession of your precious metals is that you reduce counterparty risk. However, personally storing metals comes with drawbacks.

Metals under your control are less liquid, and your home security won't be as robust as a professional vault. It's also more expensive to insure gold and silver that's stored in your possession.

So for the sake of convenience and efficiency, when most people purchase gold, they don't buy gold at all. Instead, they buy *exposure* to the price of gold through their brokerage or retirement accounts.

How *Not* to Buy Gold

The most popular way to do this is through exchange-traded funds (ETFs) like the SPDR Gold Shares ETF, which trades on the New York Stock Exchange Arca under the ticker symbol GLD. This fund is the world's largest physically backed gold ETF. But despite its popularity, it's far from the most secure.

- **GLD shares do not track the real price of gold.** GLD's prospectus says that the "investment objective of the Trust is for the Shares to reflect the performance of the price of gold bullion, less the expenses of the Trust's operations." This means that a 1 percent move in gold won't always equal a 1 percent move in GLD. And while the difference may seem small on a daily basis, it adds up over time.

  For example, if you bought GLD shares on January 3, 2007 and then sold ten years later, you would have made a gain of about 72 percent. But the price of physical gold rose 79 percent over the same period. So for every $100 invested in GLD, you would have missed out on $7 worth of potential profits. What's more, even when you compound GLD's modest fee of 0.4 percent over the ten-year time period, it comes out to a total fee of about 4.07 percent, which clearly doesn't account for the approximately 7 percent difference in returns. The bottom line is that you might be leaving profits on the table when investing in gold ETFs instead of the real thing.

- **Retail investors cannot redeem their shares for physical gold.** The fund's prospectus states that shares "may only be redeemed by or through an

Authorized Participant and only in Baskets." *Authorized participants* are often large institutions like brokers and hedge funds, while a *basket* is a 100,000 share block, which at today's rate is worth over $1 million. This means it's almost impossible for retail investors to redeem their shares for physical gold if they want to.

Now, please note that even though we've been picking on GLD specifically, these two drawbacks apply to almost every other gold ETF on the market.

Storing Your Gold with Trusted Third-Party Custodians

If you want many of the conveniences of gold ETFs but without those risks, consider buying physical gold through a dealer who also provides vaulting and custodial services. This can have three major benefits:

1. **International Diversification.** You can store your precious metals in foreign jurisdictions that may be safer than your current location.

2. **Security.** Trusted third parties will often protect your metals with state-of-the-art security and vaulting services that you can't get as an individual.

3. **Liquidity.** You can buy and sell your gold and silver through the dealer with almost the same speed as a gold ETF.

However, not all custodians are created equal. It's vital that you do your due diligence before trusting anyone to warehouse your precious metals.

Here's what we look for in a third-party custodian:

- **Gold that's allocated in your name.** There's a *big* difference between "allocated" and "unallocated" gold. When you buy gold from a custodian on an unallocated basis, you don't legally own the gold — they do. You're simply *lending* the custodian your gold, just like when you deposit cash in the bank. That means if the custodian goes bankrupt, you may never get your gold back. That's why you should always maintain 100 percent legal ownership of your gold.

- **Gold that's insured.** While unlikely, loss, theft, and natural disasters do happen. That's why any custodian for your precious metals should also provide full insurance coverage against these risks. Any reputable gold and silver custodian will provide comprehensive insurance as part of their storage fees.

- **Gold that's audited.** Good custodians should not only insure your gold, but they should authenticate their financial statements and customer accounts with regular audits performed by trusted third parties. This ensures that your gold is actually in the vault, not just recorded on paper. Some custodians even provide daily audits of their holdings to third-party bar lists, which you can view online.

- **Gold that's stored in certified facilities.** Make sure to look for approved vaults that follow LBMA guidelines or have been approved by COMEX. This means that your gold will be secured with best industry practices, like proper vault construction and a system to record all bars in storage and assign ownership. We also prefer custodians that partner with long-standing vault providers like Brinks or Loomis, ensuring that your gold is held in some of the world's safest vaults.

- **Gold that's stored abroad.** The last thing we look for is a custodian that offers vaulted storage in jurisdictions with low geopolitical risk, like Switzerland, Canada, or Singapore. The United States has a history of confiscating gold. So while it may be convenient to stay within close proximity to your vault, in the event of a severe financial crisis or martial law, you'll be happy that your gold is already out of the country.

If you follow these five tips when selecting a custodian for your precious metals, you'll have less to worry about in the event of a financial panic, natural disaster, or even war.

Think of these custodians as "piggy banks" for your gold and silver. Just like a piggy bank, when you put money in, it doesn't go anywhere. It stays put until you need it. Effectively, these custodians operate as full reserve banks for precious metals.

Unlike traditional banks that lend out your savings and expose you to repayment risk, these golden piggy banks provide only the warehousing services of a bank. They keep your savings secure, while allowing you to easily liquidate your holdings or transfer ownership at your discretion.

This is made possible through a provision of Common Law known as bailment, which occurs when you (the "bailor") give your possessions to a custodian (the "bailee") for safekeeping. The unique feature of bailment law is that when you transfer your possessions to a bailee, you maintain full legal ownership. This means that if the custodian ever goes broke, their creditors have no claim to your precious metals. In fact, bailees can't even claim your gold and silver as an asset on their balance sheet. The metals belong to you and you alone.

This type of relationship stands in stark contrast to that of deposit-taking banks. Once you give them your cash, it's not yours anymore. It legally belongs to the bank. Instead, you own a *deposit,* which is simply an IOU that promises to return your cash on demand. However, if the bank goes bankrupt, that IOU could turn out to be worthless.

Because of this benefit of bailment, the largest precious metal custodians are often incorporated in countries like the United Kingdom, United States, Canada, Singapore, and Australia, which operate under the common law system.

Which Custodian Should You Consider?

Now that you know the benefits of storing gold with a trusted third party and what to look for, let's talk about the precious metal custodian you should consider.

#1 Recommendation: Hard Asset Alliance

When it comes to buying precious metals and selecting a third-party custodian, we recommend the Hard Assets Alliance as the best choice for control, security, and convenience. Founded in 2012, the Hard Asset Alliance manages over $2.5 billion in assets for over 30,000 individuals and institutions. And it checks all the boxes mentioned earlier.

When you store gold with the Alliance, you maintain direct ownership. It's allocated in your name only and you have the option to take delivery at any time. And because of the "bailment" legal structure, if the Hard Asset Alliance ever went bankrupt, your gold and silver would remain *your* property and they wouldn't be sold off to pay creditors.

Another perk of the Alliance is the option to store your precious metals abroad in non-US jurisdictions including Zurich, London and Singapore, in addition to domestic vaults in New York and Salt Lake City. What's more, these vaults are managed by world-class private vaulting companies, including Brinks, Malca-Amit and Loomis.

But it's not just the storage options that make the Hard Asset Alliance appealing. The company performs daily audits to ensure its records match exactly with the assets in its vault. Then, a third-party auditor is hired at least every six months to perform a complete inspection as well. On top of that, the full value of every customer's holdings is insured as an extra backstop in the event of theft or fraud.

What separates the Hard Asset Alliance from its competitors though, is convenience. Through its online investment platform, you can buy gold and silver 24 hours a day, seven days a week – all for as little as $25. That's because the company offers a unique service called, "Metalstream," that allows investors to treat their holding like a savings account. Investors can automatically purchase gold or silver on a predetermined schedule for as little as $25, thereby taking advantage of dollar-cost averaging. This hassle-free investing option helps investors accumulate precious metals over time without worrying about market fluctuations or saving enough cash to buy large increments of bullion.

And if you want to save on taxes, Hard Asset Alliance offers accounts for that too. In addition to standard individual accounts, the company also offers accounts for businesses, trusts, in addition to Individual Retirement Accounts (IRAs). These options allow investors to tax advantage of potential tax savings on any capital gains they generate from their precious metal holdings.

Bottom line: The Hard Assets Alliance offers unparalleled control, security, and convenience to investors interested in gold and silver. With direct ownership, secure vaults, the Metalstream service, tax-advantaged accounts, secure online transactions, and easy access, the Hard Asset Alliance is our choice for those seeking a reliable and trustworthy platform for precious metals investments. Go to the website address: www.thecontrolplan.com/HAA to learn more. Full disclosure, we will receive compensation if you do business with them, but we truly believe this is the best option in any case.

Closing Thoughts

Hopefully by now you understand why precious metals (and gold in particular) have served as money for thousands of years, a position that will likely continue (to many bankers' dismay). Gold and silver protect the purchasing power of your savings over the long term. Plus physical metals can eliminate the counterparty risk of banks.

And while most people assume that gold is just as outdated as ever, the fact is that modern technology is allowing gold to resume its rightful place as the ultimate store of value.

But gold, silver, and cryptocurrency aren't the only forms of money that help reduce counterparty risk. As you're about to see, using physical cash can hamstring bankers' control over the money supply and eliminate many of the risks posed by their fractional-reserve lending.

PART 4

Black-Market Cash

7 Reasons Why Cash Is Still King

In today's plastic and digital world, it's easy to go without cash. Most Americans carry less than fifty dollars in physical cash on them, instead preferring the "security" and convenience of debit and credit cards.

Next to gold and silver, many economists consider cash the most barbaric form of money. They say it's dirty and inefficient, and it encourages illicit activity. But they often ignore the huge benefits that cash can give the average citizen.

In fact, if you're opting out of the conventional banking system, cash can be more powerful than you realize:

- It's 100% in your control
- It doesn't depend on modern infrastructure
- It's anonymous and private
- It can be worth *more* than bank deposits
- It's a hedge against financial crises
- It's immune to negative interest rates
- Withdrawing cash shrinks banks and limits inflation

These advantages of cash are why a growing number of government officials, academics, and bankers are pushing to phase it out entirely. But don't believe everything the talking heads say. Here are seven critical reasons why cash is still a vital form of money:

1. Cash Is *Your* Money, Not an IOU.

Having cash in your hand and having "cash" in the bank are *not* the same thing. Far from it. Physical cash is *high-powered* money or *base* money. This means that it is the ultimate form of the US dollar. Unlike a century ago, when America was still on the gold standard, cash can't be redeemed for anything else. Today, it is the final payer of all dollar-denominated debts, putting it at the top of the monetary food chain.

However, the same can't be said of bank money. When you deposit bills, you no longer own high-powered cash. Instead, you now own bank *deposits*, which are IOUs from the bank. They're promises to pay physical cash, whenever you want. So even though money in the bank is considered your *asset*, to the bank it's a *liability*. And this creates counterparty risk.

Over and over again, we've seen banks fail to meet this obligation to pay their depositors with cash. But by keeping your money outside the financial system and sticking with physical cash, this risk is eliminated, and you never have to worry about a bank's (in)ability to pay.

2. Cash Doesn't Depend on Major Infrastructure.

People knock cash because it's simple and old school. But this is an advantage. Physical money doesn't require high-tech infrastructure. Transactions can happen between two people, with no intermediary. And while this may be less convenient than digital payments, cash provides indispensable utility when the unexpected happens.

Just ask yourself, what if the power goes out? What if there's an earthquake? Or a hurricane? Or what if there's a cyberattack that shuts down the payment networks? Do you have enough cash on hand to buy food for a week? A month?

Always remember, digital payment methods like credit cards, debit cards, cell phones, and even bitcoin all rely on several infrastructures working together in order to make payments. Conventional banking hinges upon digital payment systems, the Internet, and the electric grid — all of which present their own vulnerabilities. But cash bypasses these risks.

3. Cash Is Anonymous & Private.

Since cash is "off the grid," you can conduct your commerce discreetly, without the worry of your expenses being scrutinized by anyone except the person you're doing business with. It's peer-to-peer, it's physical, and transactions don't flow through a clearinghouse (like a bank) — making cash one of the most anonymous forms of payment.

But that's not the case with the conventional payment system. With banks, your transaction data is recorded on a private ledger — leaving behind a digital footprint that traces back to your real-world interactions. That means your statements could get leaked by hackers, or a government snoop may see the risqué gift you bought for your wife. But cash prevents your financial privacy from being compromised by warrantless searches or cyber criminals.

4. Cash Can Trade at a Premium to Bank Deposits

As America witnessed on Black Tuesday, 1929, when people lose faith in banks, everyone tries to redeem their deposits at once. Cash becomes scarce. And while the FDIC does insure your money up to $250,000, the fact of the matter is, there's simply not enough cash to go around if everyone wanted it.

Think cash is plentiful? There's less than one dollar's worth of physical cash in existence for every nine dollars' worth of bank-money substitutes, like checking accounts, savings accounts, and short-term CDs — even though all of these are IOUs to ultimately pay cash.

If you've ever gone to your bank and asked to withdraw $10,000 in cash, you soon realize how *little* cash there really is. We've gone to a branch before and couldn't even get $4,000 in hundred-dollar bills.

Point is, during a banking crisis, deposits can become practically worthless, even though during normal times they're treated as equal to cash. While money-substitutes tumble in value, physical cash stays strong because everyone is so desperate to get it. People realize that $100 in cash money is worth much more than $100 in bank IOUs.

As historian Murray Rothbard wrote in his book *America's Great Depression*:

> *At times like these, also, it becomes clear that bank deposits are not really money…but mere money-substitutes, which serve as money ordinarily, but reveal their true identity when nationwide confidence begins to collapse.*

Rest assured, if a crisis like the Great Depression were to hit again, cash-in-hand would be much more valuable than bank IOUs that promise to pay cash.

5. Cash Is a Hedge Against Deflation.

But there's another reason cash gets a boost when the economy sinks: falling prices, or *deflation*. Folks often worry about *inflation* and how it's eating away at their savings. But prices don't *always* go up, and that's especially true during a panic.

Just remember that during the financial crisis of 2008, stock prices fell by nearly 50 percent. And after the Great Crash of 1929, many blue-chip stocks plummeted by 90 percent or more!

But by having a hoard of cash (or any strong currency, for that matter) you can turn a crisis into an opportunity by seizing once-in-a-lifetime bargains — making cash a great hedge against deflation.

6. Cash Is Immune to Negative Interest Rate Policy (NIRP).

In normal times, when you deposit cash in the bank, the bank pays you interest for lending it your cash. However, the rate of interest you get is heavily controlled by the central bank, which has so much power that it can push rates *below* zero. So instead of the bank paying *you* interest, you're paying the bank interest for the pleasure of lending them your money. It's a bizarre and perverse phenomenon that wouldn't be happening if not for central bank intervention.

But central bankers see it as their duty to confiscate money from depositors in this way. That's because central bankers theorize that a negative interest rate policy (NIRP) encourages citizens and corporations to spend more, instead of keeping their money in a bank. Under this assumption, they try to use NIRP to "stimulate" the economy when inflation falls below their target.

But you don't have to just sit there and take that. Vote against NIRP by taking your cash out of the banking system and protect yourself from this form of central bank taxation. In fact, some pension funds and insurance companies have resorted to storing *cash* in vaults as a way to evade NIRP.

After the crisis, the Federal Reserve kept interest rates near zero for more than seven years, and NIRP has already been attempted in Europe and Japan. In fact, Danish citizens were getting home mortgages at negative interest, meaning they were getting *paid* to buy a house! When the next banking crisis hits, it wouldn't surprise me if central bankers respond by pushing interest rates negative. But by having some savings in physical cash, your currency will be protected from this threat.

7. Withdrawing Cash Shrinks Banks and Limits Inflation.

Because private banks create money-substitutes that are pyramided on top of central bank reserves, they can have as much impact on the money supply and inflation as the central bank itself. For example, when you deposit $1 in cash, the bank may then use it to create an additional $9 worth of money-substitutes. And because these money-substitutes are treated as equal to cash (during normal times), the money supply effectively gets bigger; this weakens the value of the dollar.

However, when you withdraw cash from the banking system, the pyramiding process goes in reverse. So if you take out $1 in cash, banks may have to get rid of the $9 in money-substitutes that were created, thus shrinking their size as well as the "broad" money supply.

And since excess money can cause inflation, a smaller money supply can lead to the opposite: deflation — or, at least, *disinflation*, which means inflation is slowing down. Either way, withdrawing cash can help improve your purchasing power and limit the amount of money-substitutes banks create.

That's why we consider withdrawing cash to be one of the most powerful and effective ways that anyone can protest TBTF banks, shrink their size, and protect our currency from debasement.

Why Cash Is *Not* Bulletproof

Now, we wish we could say that cash is a magic bullet that fully protects you from greedy bankers and desperate politicians. But sadly, this is not the case. Because even though we love the utility and privacy of cash, it also involves several critical risks that everyone needs to consider.

Cash Risk #1: Inflation

Because the supply of currency is ultimately determined by the central bank, cash will always be vulnerable to monetary debasement. If central bankers are determined to inflict Americans with inflation, the purchasing power of your cash will likely wither away over time.

Since 1972, the value of the dollar has fallen over 86 percent, or an average inflation rate of about 4 percent per year. That may not sound like a lot, but each year that loss gets compounded. So if you're trying to save a million dollars for retirement over the course of thirty years, that 4 percent inflation rate means you have to save about $3.2 million just for your money to keep up its purchasing power. And with inflation surging over 6% in recent years, that number could be even higher going forward.

However, this doesn't mean you shouldn't hold cash. You can mitigate this risk by taking a "barbell" approach with your wealth. Have some cash on hand, but also hedge for inflation with stocks, crypto, real estate, and precious metals. That way, you're prepared for either possibility, inflation or deflation (which are both notoriously difficult to predict).

Cash Risk #2: The War on Cash

The beauty of cash is that it gives people financial benefits and freedoms that are a direct threat to government authority.

Politicians regularly speak out in opposition to cash, hating the anonymity cash affords to its users, giving them a blanket of invisibility to the prying eye of the tax man and law enforcement. Then you have lawmakers claiming that only criminals and tax evaders need or use cash (in large quantities), attempting to create a public stigma.

Slowly but surely, their plan has worked; more and more "experts" have come out and waged war on cash, calling for outright bans and the removal of high-denomination notes.

Former US Treasury secretary Larry Summers has been a fierce opponent of cash. In 2016, Summers wrote in the *Washington Post*, "It's time to kill the $100 bill." He then argued for an international treaty to stop production of cash notes as big as $50 or $100. "Such an agreement would be as significant as anything else the G7 or G20 has done in years," Summers championed.

And he is far from alone. Peter Sands, a Harvard professor and former bank CEO, is also against cash. He published a study called, "Making it Harder for the Bad Guys: The Case for Eliminating High Denomination Notes." In the paper, he didn't mince words when he wrote:

> *Our proposal is to eliminate high denomination, high value currency notes, such as the €500 note, the $100 bill, the CHF1,000 note and the £50 note. Such notes are the preferred payment mechanism of those pursuing illicit activities, given the anonymity and lack of transaction record they offer, and the relative ease with which they can be transported and moved.*

But it's not just politicians and academics who despise cash — bankers hate it too. As we've discussed, cash allows customers to call out banks on their big bluff: the claim that you can get cash for your deposits at *any* time.

What's more, cash limits the power of central bank policy. It effectively puts a floor on how low interest rates can go, called the "zero" or "effective" lower bound (ZLB/ELB). The logic is simple: why would anyone keep savings in the bank and *lose* money, when they can opt for cash and keep their currency intact?

That's why many bankers are supporting the idea of a "cashless society." Willem Buiter, the chief economist at Citigroup, wrote a research report to clients stating that, "the existence of the ELB is due to the existence of cash (bank notes) ...We view this constraint as undesirable and relatively easily avoidable from a technical, administrative and economic perspective." Buiter then concluded his findings by asserting that "the arguments against abolishing currency seem rather weak."

Kenneth Rogoff also falls into this camp. He's the former chief economist at the International Monetary Fund (IMF) and is now a professor at Harvard. In a recent paper, Rogoff called to ban the one-hundred-dollar bill and recommended that lawmakers "consider the costs and benefits to a more proactive strategy for phasing out the use of paper currency."

Then there's Andrew Haldane, the chief economist at the Bank of England. He was named one of *Time* magazine's one hundred most influential people in 2014 and claims that cash "hinders the effectiveness of monetary policy." So what's his solution? Haldane says the central bank should "maintain the principle of a government-backed currency, but have it issued in an electronic rather than paper form." In other words, *abolish* cash.

Something like a cashless society may sound far off, but as the *Financial Times* noted, "the fact that [Haldane] is squarely situated in the heart of the economic policy establishment shows how quickly the radical is becoming the new common sense."

The Demonetization of Cash Has Already Begun

Unfortunately, this "new common sense" is turning into action. Politicians have already passed legislation to ban high denominations of cash and make it more difficult to use. The five-hundred-euro note for example, referred to as the "Bin Laden," was abolished by the European Central Bank in 2016.

Several European Union countries have implemented restrictions on the size and frequency of cash transactions to combat money laundering and tax evasion. Countries such as France, Spain, Italy, Portugal, Poland, Greece, Slovakia, Belgium, the Czech Republic, Croatia, Romania, and Bulgaria have introduced limits on cash payments, with some as low as €1,000 per day.

In India, 500- and 1000-rupee notes (equivalent to roughly $6 and $12 respectively) have been banned as the country forces its citizens into the digital money system. Already the move has caused political and economic instability, even leading to riots in the streets.

But the shift against cash is happening in America too. A growing number of authorities are campaigning to abolish the hundred-dollar bill, just as the thousand-dollar note was discontinued in 1969. The fact is, as cash becomes more difficult to spend and fewer businesses accept it, the utility and value of cash could take a hit — making the demonetization of cash one of its biggest threats.

What You Need to Know About Cash Laws in America

When it comes to cash laws in America, there's *good* news and *bad* news. The good news is that cash is still protected by the Coinage Act of 1965, which states under Section 31 U.S.C. 5103: "United States coins and currency are legal tender for all debts, public charges, taxes, and dues." This means that physical US currency must be accepted for the repayment of all dollar-denominated debts, including:

- credit cards;
- car loans;
- student loans;
- medical loans; and
- home mortgages

So if you want to get rid of your bank account but need to pay off a car loan or mortgage, the creditors who issued the loans are legally required to accept cash as payment.

Now here comes the bad news. The mandatory acceptance of cash only applies to *debt* denominated in dollars. This means that businesses and individuals are not obliged to accept cash in exchange for goods and services.

For the most part, private businesses can take or reject any form of payment they choose. But since 9/11, the government has passed restrictions and regulations on cash — disincentivizing businesses from accepting it altogether.

Cash Compliance Is Becoming Difficult

For example, imagine you're buying your dream car. You've worked hard and saved responsibly, and now you have the cash to buy it outright. Without a car loan, you never have to worry about financing and keeping up with payments. Your insurance rates will be lower. And walking in with a cash offer can land you a much better deal.

But making big purchases with cash is becoming increasingly difficult to do. For example, did you know that if your car costs more than $10,000, the dealership is required to fill out Form 8300 and report your purchase to the IRS? In fact, this regulation applies to more than car dealerships. The IRS requires businesses to report any transaction that meets all five of the following criteria:

1. The amount of cash is more than $10,000.
2. The business receives the cash as:
   - one lump sum of more than $10,000;
   - installment payments that cause the total cash received within one year of the initial payment to total more than $10,000; or
   - previously unreported payments that cause the total cash received within a twelve-month period to total more than $10,000.
3. The establishment receives the cash in the ordinary course of a trade or business.
4. The same agent or buyer provides the cash.
5. The business receives the cash in a single transaction or in related transactions.

So unless you're buying something from an individual (not a business), any cash transaction above $10,000 — from buying a car, a boat, or a house to paying your student debt — must be reported to the IRS.

But Form 8300 applies to more than just purchases and sales. It also includes transactions made at banks or financial institutions. And these activities, in particular, could create some serious problems for you.

Using Cash Could Put You on a Government Watch List

Because of the new stigma around cash, owning or using lots of it (especially if you're making several purchases) can be considered a red flag by the government. In addition to filing Form 8300 when needed, banks are required to file Suspicious Activity Reports (SARs) against customers who use cash in ways that are out of the ordinary or with no apparent purpose. According to the *Bank Secrecy Act Anti–Money Laundering Examination Manual*, banks are required to report:

Transactions conducted or attempted by, at, or through the bank (or an affiliate) and aggregating $5,000 or more, if the bank or affiliate knows, suspects, or has reason to suspect that the transaction:

- *May involve potential money laundering or other illegal activity (e.g., terrorism financing).*
- *Is designed to evade the [Bank Secrecy Act] or its implementing regulations.*
- *Has no business or apparent lawful purpose or is not the type of transaction that the particular customer would normally be expected to engage in, and the bank knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.*

This policy is broad and gives bankers a massive amount of discretion over when to file a SAR. That means that almost any time you use a large amount of cash at a bank, your activity could be flagged:

- when you deposit or withdraw lots of cash
- if you buy a bank Certificate of Deposit (CD) with cash
- if your teller doesn't think you have a good reason to use cash instead of a wire, ACH transfer, or check
- if the teller or clerk is suspicious about how you came to acquire your cash
- if your teller thinks it's odd that you want to exchange large bills for smaller ones, or vice versa.

All of these banking activities could get you reported to the federal government. And as a result, more than 3 million SARs were filed in 2021 alone and have led to serious action by officials. As Assistant Attorney General Leslie Caldwell said with regard to SARs:

We encourage [banks] to consider whether to take more action: specifically, to alert law enforcement authorities about the problem, who *may be able to seize the funds, initiate an investigation, or take other proactive steps.*

What's more, your activities could be considered suspicious even if they're below the $5,000 threshold. For instance, if you attempt to bypass the limit (or they suspect this is the case) by making multiple deposits that are just below the SAR threshold, this is considered *structuring*, and they could confiscate your money on suspicion alone.

That's what happened to Carole Hinders. Her account had almost $33,000 in it and was seized by the government because she had regularly deposited amounts just below $10,000. But it turned out that there was nothing nefarious about her activity. Carole had run a modest cash-only Mexican restaurant for nearly forty years and always used the same bank, just down the street. But this didn't stop the IRS from freezing her money.

Seizures like these have happened to hundreds of people across the country. In fact, according to a *New York Times* investigation, "the government can take the money without ever filing a criminal complaint, and the owners are left to prove they are innocent. Many give up."

Honest folks end up surrendering their cash to the authorities because the legal costs to fight it can be more than twenty thousand, while the Institute for Justice found that the median amount confiscated was only $34,000.

Bottom line: banks are spying on you for the government. And the IRS could freeze or confiscate your money without pressing charges. But here's the kicker. Not only does the government encourage banks to report customers, they're also given complete immunity from prosecution if they accuse someone who's innocent or don't follow protocol when filing SARs. A federal "safe harbor" law states that banks and their employees:

shall not be liable to any person under any law or regulation of the United States, any constitution, law, or regulation of any State or political subdivision of any State, or under any contract or other legally enforceable agreement (including any arbitration agreement), for such disclosure or for any failure to provide notice of such disclosure to the person who is the subject of such disclosure or any other person identified in the disclosure.

This means a bank cannot be sued for filing a SAR based on discriminatory factors like race, religion, or income. They can't be sued if they report you without any evidence of wrongdoing. And they can't be sued for reporting you even if your cash transactions were below the $5,000 threshold.

Now, even if you *could* hold banks liable, it's hard to know if you've been a victim until it's too late. Banks don't have to tell you that they filed a SAR if you ask. SAR records are not available to the public, and they're protected from the Freedom of Information Act (FOIA). In every way, the law incentivizes banks to file SARs as often as possible, regardless of the evidence or consequences.

Your Cash Could Be Legally Confiscated Without a Warrant

But it's not just bankers who are helping the federal government seize cash; local and state police are getting in on the action too. Across America, ordinary citizens had their cash confiscated without a warrant or hard evidence, through what's known as civil asset forfeiture.

This is a complicated and legally questionable practice with roots dating back to 1651, with the British Navigation Acts. The acts stipulated that all British trading ships must fly the Union Jack. Those who didn't could have their ship and all the goods on it seized by Officers of the Crown.

In modern America, however, this law allows the government and the police to seize property that they suspect was involved in a crime, or assets they believe were obtained illegally. They need to offer no proof of this or even charge you with a crime. But as soon as it occurs, it becomes *your* responsibility to prove your innocence and show that the money isn't dirty.

For example, local law enforcement can seize property in any traffic stop on the mere assumption that it's being used for criminal behavior. Police departments even get to keep a slice of all the money they seize, creating a clear conflict of interest. According to an investigation by the *Washington Post*, civil asset forfeiture gained prominence after 9/11 and has led to hundreds of seizures since.

A fifty-five-year-old restaurant owner, for example, was detained for almost two hours in Alabama for minor speeding. In his car was $75,000 in cash that he had raised from family members to invest in a Louisiana restaurant. The money was seized, and ultimately, he ended up spending thousands of dollars in legal fees over ten months to get it back. But by then it was too late. He had missed out on the restaurant deal.

Something similar happened to Mandrel Stuart, a Virginia resident with a modest barbeque restaurant in Staunton. Police stopped him for a minor traffic violation and confiscated $17,550 in cash that he had in his car. He was shocked and was forced to fight it in court. The government then tried to settle with Mandrel in exchange for *half* his money. But he rejected the offer and took the case to trial, where he eventually got his money back. The win, however, didn't come soon enough. Mandrel had to close his restaurant when he was unable to meet the overhead.

"I paid taxes on that money. I worked for that money. Why should I give them my money?" Stuart told the *Post*. The simple answer is: you shouldn't. The seizure of property without due cause is unjust and violates your fourth amendment protection against unwarranted searches and seizures.

Safeguarding Your Cash from Confiscation and Seizure

So what are you supposed to do when you use cash often? As you've seen, there are two threats you need to worry about when protecting your money from civil asset forfeiture: bankers and police. If you don't handle yourself correctly around either of them, your money could get seized or frozen.

Protecting Your Money from Bankers

Let's start with bankers. First, never give them an excuse to file a SAR against you, especially when withdrawing or depositing large amounts of cash. Here are some tips for avoiding unnecessary suspicion:

- Unless you have a cash-based business, large cash withdrawals and deposits are a red flag. Try to minimize their frequency.
- If you have more than $10,000 worth of cash to deposit, don't try to avoid the limit by depositing less than $10,000 over multiple trips. You could be suspected of *structuring* and have your funds frozen anyway.
- In general, make your large withdrawals and deposits all at once, even if it means passing the $10,000 threshold and triggering Form 8300. It's better to stay compliant than to arouse unnecessary suspicion.
- Remember, as long as you have a "good" reason, it's unlikely that your cash deposits and withdrawals (even over $10,000) will lead to legal consequences. But the bank could eventually close your account because of the added administrative expenses of filing Form 8300 repeatedly.
- If a banker asks why you're withdrawing so much cash, don't say that you're using it for a big purchase. They'll often argue that you should use a check or bank wire instead. Then they'll think it's suspicious that such a large transaction would require cash. Instead, tell the banker the truth: say that you don't trust the banking system and want to keep an emergency fund in your own possession. This is a legitimate reason for withdrawing cash, and a banker is unlikely to have a good objection to it.

- If a banker asks why you pay your bills or mortgage with cash, the same answer applies. It's perfectly reasonable for anyone to distrust the banking system and want to keep their savings in cash.

Protecting Your Money from Police

Now let's talk about how to prevent police from taking your cash. With them, the key is to know your rights while keeping a cool and level head. Here are tips for dealing with police when you're carrying lots of cash. But remember, this should not be considered legal advice:

- First, it's best that police don't find your cash at all. If driving with cash, lock cash in the trunk of your car or the glove compartment.

- When stopped by police, you have the right to remain silent. But if you decide to do so, tell the officer of your choice so it's clear that you're not ignoring him or her.

- If the police ask to search your car, home, or yourself, you have the right to refuse consent. But if they have a warrant, your refusal will not stop them.

- You're also required to exit the vehicle if requested by police. And they may give you a pat down if they believe you're concealing a weapon.

- If stopped by police, ask the officer if you're under arrest. If not, you have the right to leave calmly.

- If the officer does arrest you, ask for a lawyer immediately and don't answer questions until they're present.

- Don't be stupid by having illegal substances or firearms on you while carrying lots of cash. This gives officers justification to seize your funds.

- While you want to be firm about protecting your rights, stay calm and be polite. Don't become emotional or do anything erratic. This could lead to other charges like disorderly conduct or obstructing justice.

- Don't lie to the police or give them false documents. This will only be used as evidence against you. If you're afraid to answer a question, invoke your right to silence and wait to consult with a lawyer.

- Try to memorize what happened during your interaction. In most places, it's 100 percent legal to record your encounters with police, even without their consent.

These tips are important, but they're also just a starting point. To avoid potential red flags, it's also best to keep your cash usage low-key and conduct transactions discreetly.

How to Use Cash Discreetly

Using cash in person is one of the most common and private ways to exchange physical currency. However, there are other (more discreet) methods of trading cash that folks rarely consider. In fact, there are two privacy tips that we learned from Dr. David Eifrig Jr., in his *Big Book of Retirement Secrets,* that you need to know about.

Sending Cash Discreetly in the Mail

Despite what you may believe, sending cash in the mail, through the US postal service (USPS) is actually a fast and relatively secure way to send money. But like anything, the key to sending cash through the mail is to take proper precautions to ensure the safety of your funds. All it takes is a few simple steps.

Let's say you want to send $10,000 through the mail. Here's how to do it:

Step 1: Purchase the necessary supplies

You'll need three things:

a. twenty standard-size envelopes without windows
b. twenty first-class stamps (one for each envelope)
c. one magazine with plenty of pictures

Based on current rates, these supplies should cost roughly fifteen dollars, or about 1.5 percent of the total amount sent (much cheaper than a bank wire).

Step 2: Prepare the cash for mailing

To ensure that your mailing is discreet, tear out a page from the magazine and use it to wrap five $100 bills. Next, stuff the wrapped bills in an envelope, write the address of the recipient and attach a stamp. Repeat nineteen more times until all of the envelopes are filled. However, don't add extra tape to the envelope. This could draw attention to the mailing and compromise your transfer.

Step 3: Put the cash in the mail

To increase anonymity, don't send the cash from your home address or write a return mailing address on the envelope. Also, don't mail all your envelopes at once. Spread it out over several days and use several public USPS mailboxes to increase your privacy.

Please remember that accidents do happen. The USPS handles more than 500 million pieces of mail each day. Parcels get lost or damaged in transit. Since this is the case, you should never send more cash in a single package than you can afford to lose. Spread out the risk by sending several small batches over time.

However, there is another way to transmit money securely, anonymously, and even overseas. It's a system that's used worldwide, and it is older than any bank in existence today. In fact, it doesn't actually *move* money at all.

Hawala: The 1,200-Year-Old Anonymous Global Payment System

More than 1,200 years ago, an anonymous, yet secure payment method was born out of brutal necessity. It began in the Middle East in the eighth century, before the invention of western banking. Back then, Muslim traders traveled for months along the Silk Road and needed a safe way to conduct business.

So instead of carrying bundles of gold and silver, which were vulnerable to theft, merchants would make payments through Hawala, an Informal Value Transfer System (IVTS) that moves funds through trusted third-party brokers known as Hawaladars.

In this way, a Hawaladar operates much like a banker (except without all the risky lending. Despite its ancient roots, Hawala is still in use today and can be a legal way to discreetly move funds abroad.

In fact, many Americans got their first taste of it during the Vietnam War, when US soldiers needed to send money back home but didn't have access to conventional banks.

Here’s how it works. Let’s say that Alice lives in the United States and wants to send $5,000 to her brother Bob in the UK. But instead of using a bank wire, she opts to save money (and get more discretion) by going through a Hawaladar.

The transfer happens like this:

- Alice contacts Trent, her local Hawaladar, who offers to send the funds for a small commission and fixed exchange rate.
- Alice pays Trent $5,000.
- Trent gives Alice a code word that can be used to claim the funds in the UK.
- Alice shares the code word with Bob.
- Trent calls his cousin Ted, who also lives in the UK, and gives him the details of the exchange.
- Bob then meets with Ted, tells him the code word, and receives $5,000 worth of British pounds (minus the commission).
- Trent and Ted then settle up at a later date.

In the end, the transfer looks like this:

Alice -> Trent -> Ted -> Bob

This is often simpler and more efficient than a traditional bank wire, which can be cumbersome and inefficient, like this:

Alice -> Local Bank Branch -> Correspondent Bank -> Foreign Bank -> Foreign Bank Branch -> Bob

In an international wire transfer, multiple banks are often the intermediaries. But with Hawala, two brokers can replace four bankers or more.

So now that you understand how it works, why should you use Hawala?

The Major Benefits of Hawala

Safety

Despite the fact that Hawala involves no legal contracts and depends simply on the honor code, it's surprisingly safe. The word *Hawala* in Arabic means "transfer" or sometimes "trust." According to FinCEN, "Hawala dealers are almost always honest in their dealings with customers and fellow hawaladars. Breaches of trust are extremely rare."

That's because Hawaladars are known for their reputation, and if something goes wrong with the transfer, they'll likely take the loss personally rather than tarnish their good standing in the community.

Speed

With Hawala, the exchange is also fast compared to traditional banking. Unlike international wire transfers, which can take weeks and often get "lost" in transit, Hawala transfers can happen in two days or less. As FinCEN admits, "the delivery associated with a hawala transaction is faster and more reliable than in bank transactions."

Discretion

Unlike conventional bankers, many Hawaladars don't require your social security number or identifying information to send money. And since Hawaladars settle with each other in batches and often through anonymous methods like gold, there's little (if any) paper trail to connect you with the transaction.

Resiliency

Hawala doesn't depend on modern infrastructure or government regulation. According to the World Bank, "Hawala transactions are highly adaptable to conditions of wars, civil unrest, conflicts, economic crisis, weak or nonexistent banking systems, as well as economic sanctions and blockades."

Worldwide

While Hawala is the most common name for it, originating in the Middle East, these types of transfers can be found in many countries. In China, it's called, *fei-ch'ien* or "flying money." In Hong Kong it's *hui kuan*. In India it's *hundi*. In the Philippines it's *padala*. In Thailand, it's known as *phei kwan*. And in South America, it's simply referred to as the *Black Market Peso Exchange*.

How to Find a Hawaladar

In the digital age, your first bet is to look online. You can search through online classified sites like Craigslist and those offered by ethnic newspapers. According to the Association of Certified Anti–Money Laundering Specialists (ACAMS), “The advertising is generally in code, often referencing travel-related services and currency exchange deals.”

Look for foreign exchange services with phrases like, “sweet rupee deals.” Typically, the currency exchange and Hawala service are integrated into other businesses, often operating as part of convenience stores, electronics stores, prepaid cellular shops, or gold dealers.

However, many brokers attract clients by word of mouth alone. So if you’re looking to send money via Hawala, ask your friends and relatives who have connections where you’re trying to send funds.

How Much Cash to Keep on Hand

Ok, now that you know how to protect your cash and use it privately, let's get to a question you've likely been wondering: how much cash should you have on hand?

Unfortunately, there's no simple answer. Everyone's situation and circumstances are different. Not having enough cash could put you in serious jeopardy during a crisis. But too much cash could limit your diversification and sap your returns, thus delaying retirement. So for starters, here's an easy rule of thumb: *Save at least a month's worth of living expenses in cash.*

That's the *minimum.* If your family spends $5,000 a month, then that should be your immediate goal. This should be enough to get you through a panic, while not diverting too much away from other savings and investments.

Now comes the next question: what *type* of cash should you have on hand? Unless your living expenses are denominated in foreign currency, it's best to have cash in US dollars. Many folks may object to this recommendation, citing the recent monetary experiments by the Federal Reserve. However, the dollar is still the most widely accepted currency in the world and is seen as a safe haven. You can go to most countries and find a large market for US cash.

Liquidity is the main benefit of having cash in a panic, and the dollar is certainly the most liquid currency. But it's not just the *type* of cash you need to consider — the denominations you have are also of vital importance.

The fact is, in a financial emergency, you'll likely need cash to buy necessities like food, water, fuel, and medical supplies — not luxury items. As such, it's important to have many small denominations like $1s and $5s, which will be the most useful for making in-person exchanges. If you want to trade with someone, and they can't give you change for a hundred-dollar bill, this is a bigger impediment to the deal than having too many small notes.

While it's good to have large bills like $50s or $100s, these are better for transporting wealth than actually spending it. In these situations, gold and bitcoin may be better suited for moving value than large cash notes.

That's why we recommend having a basket of denominations that includes both small and large bills. Here's the allocation we recommend for $5,000 worth of cash you have for emergency purposes:

Denomination	**Number of Bills**	**Value**
$100	30	$3,000
$20	50	$1,000
$10	50	$500
$5	75	$375
$1	125	$125
Total	**126**	**$5,000**

However, having lots of physical cash has drawbacks. Few people are security experts. And protecting your money comes with unique risks that are typically delegated to bankers. When you opt out of the banking system, you take responsibility for protecting your wealth while losing out on much of its convenience.

The Digital Alternative to Cash

As you just saw, cash provides many benefits over the conventional banking system. But it also poses risks and lacks the convenience of the modern digital financial system. You can't spend cash online and it's a lot more cumbersome than swiping a card. That's why I also want to share with you a system that uses cash to purchase prepaid debit cards and gift cards, allowing for the privacy of cash transactions while maintaining the convenience of a debit card.

Here's how it works: to maintain privacy and convenience, simply purchase prepaid debit cards or gift cards for your favorite merchants using cash at brick-and-mortar retail stores. Popular retailers such as Walmart, Target, and CVS typically offer a variety of prepaid debit cards and gift cards that can be purchased at their customer service counters or at checkout registers. Purchasing these cards in person allows you to avoid providing personal information that may be required when purchasing online.

Prepaid cards have some limits though. Only so much money can be loaded onto the card at any time. These limits vary depending on the card issuer, but generally range from $500 to $5,000. To maximize privacy and convenience, it is best to choose cards with higher load limits to reduce the frequency of purchasing new cards. Also, consider using multiple cards simultaneously, to distribute spending across various accounts and reduce the traceability of transactions.

To use your prepaid debit cards while maintaining anonymity, here are some best practices we recommend:

- Use cards for online transactions and in-store purchases, but avoid linking them to any personal accounts, such as email addresses, phone numbers, or shipping addresses.

- Make purchases at a variety of merchants and avoid forming any noticeable patterns that may lead to the identification of the cardholder.

- Do not register the card or provide any personal information during activation, if possible.

- Regularly check the card's balance and transaction history online, using public Wi-Fi networks or VPN services to maintain privacy.

- Dispose of used cards securely by shredding or cutting them into small pieces to prevent unauthorized access to any remaining funds or personal information.

You can also use prepaid debit cards to purchase gift cards as an additional layer of privacy. By purchasing gift cards for specific retailers or services with prepaid debit cards, you can further distance yourself from transactions and make it more difficult for others to deduce your identity. Just like prepaid debit cards, gift cards should be purchased with cash and used without registering or providing any personal information.

In short, by using prepaid debit cards and gift cards purchased with cash, it is possible to maintain a high level of privacy and convenience in financial transactions. By carefully selecting cards with higher load limits, avoiding the registration of personal information, and distributing spending across multiple cards, you can significantly reduce the risk of personal data being compromised or misused. So if privacy is a high priority for you, this system offers a practical alternative to the conventional banking system, allowing for greater control over personal financial privacy.

PART 5

Why Banks Can’t Beat Home Safes and Private Vaults

The 25 Items You Should Store Physically

Financial experts say that wealth protection starts with diversification. But diversification goes way beyond owning stocks and bonds…emerging markets and domestics…dollars and euros. It also means owning digital *and* physical assets.

Why? Just ask yourself: if Wall Street is ever struck by a financial panic, cyberattack, natural disaster, or long-term power outage, wouldn't you want to have some physical money on hand, which you can access at a moment's notice, instead of on a bank's digital balance sheet?

To be resilient, you have to prepare for the unexpected. That's why you should have some assets in tangible form, as well as backups of important documents. For starters, here are twenty-five items you should consider storing physically:

- Cash
- Precious Metals
- Stock And Bond Certificates
- Cryptocurrency Wallets And Backups
- Collectibles
- Rare Books
- Mortgage Papers
- Passports
- Tax Returns
- Social Security Cards
- Citizenship Records
- Pension Records
- Trust Documents
- Deeds And Property Titles
- School Transcripts
- Will And Trust Documents
- Life Insurance Records And Annuity Policies
- Bills Of Sale
- Marriage, Birth, And Death Certificates
- Medical Records
- Family Photos
- Home Improvement Receipts
- Articles Of Incorporation
- Patents And Other Intellectual Property
- Blueprints

If you can't afford to lose something, you should always secure a physical copy of it as a backup, in addition to digital copies.

Now don't get me wrong, storing these prized possessions comes with risk. A fire could destroy your home. A flood could ruin your documents. And a thief could steal the cash hidden under your mattress.

The fact is, owning physical assets means taking responsibility for your money. And security is a big part of that. That's why folks often turn to banks to protect their physical valuables by renting a safe-deposit box.

But that could be a big mistake.

Not-So-Safe-Deposit Boxes

During the Great Depression, almost ten thousand banks failed and were forced to close their doors. Not only did customer deposits vanish in thin air, but many people were also barred from accessing their safe-deposit boxes, which included stocks, bonds, deeds, trusts, wills, pocket watches, rare coins, jewelry, and other family heirlooms.

Eventually, boxes were handed over to the federal government for "safekeeping." For fifty years, contents from more than 1,600 unclaimed safe deposit boxes were kept in cardboard boxes in the Treasury basement, waiting for their owners to retrieve them. Some never did.

Could something like that happen again? It's possible. We all saw how institutions were brought to the brink in 2008. But even if your bank doesn't fail, your safe deposit box could still be in danger.

Just ask Carla Ruff, a San Francisco resident. She had a safe-deposit box at a local Bank of America branch just six blocks from her home. Carla also had a checking account at the same bank and never missed a payment on her box.

Yet despite all this, the bank broke into her safe and handed her belongings over to the state of California, claiming that the owner was "unknown," even though it was loaded with documents containing her name and address.

By the time Carla found out what had happened, it was already too late. The state government had auctioned off her great-grandmother's pearl jewelry, worth $82,500, for a measly $1,800. And important documents that she needed when her husband was dying were thrown in the shredder.

But this is not an isolated incident. When ABC News reported the story in 2008, US states were holding more than $32 billion worth of unclaimed property that they were supposed to safeguard for their citizens. But instead of keeping it secure, some states were simply selling off these valuables to balance their budgets.

We don't know about you, but we don't want our families' heirlooms getting auctioned off… we don't want our vital documents getting shredded…and we definitely couldn't wait fifty years to get our valuables back after a banking crisis.

Bottom line: bank safe deposit boxes come with serious risks.

So what are the alternatives?

How to Properly Secure Your Valuables at Home

The big problem with a safe-deposit box comes down to one thing: counterparty risk. In other words, you have to *trust* someone else with your belongings. You have to hope they're honest and have your best interests at heart.

Do you trust your banker? Or do you trust your politicians? I sure don't. And neither should you. Now, taking financial security into your own hands isn't easy. Most folks aren't security experts.

That's why this part of the book is filled with common-sense tips that often go overlooked, combined with powerful security solutions you've likely never considered. That way, you'll have the tools to protect your physical assets without having to depend on some banker or government stooge.

This brings us to our first alternative to bank safe deposit boxes: home safes.

We like home safes because they're more private than safe-deposit boxes. No one knows about your safe except you and the people you tell. No one can spy on you when you access your safe, and no one knows what you keep in there. Plus, a well-fortified, properly placed safe can ward off most intruders.

However, not all safes are created equal. Some safes can be broken into with a simple screwdriver. Some will melt within the first minutes of a fire. And others are as waterproof as a hairdryer. So when evaluating a safe, there are three key threats you need to consider: fire, flood, and theft.

The best way to know how well a safe will stand up to these risks is by checking if it is certified, and if it is, inspecting the type of certification. This is important because cheaper, off-brand safes will often "self-certify" for fire standards. But trusting a safe's *self*-certification is like trusting a bank to self-certify that it is "risk-free." They simply can't be trusted.

Instead, get the opinion of a credible third party. That's where independent certifications come in. Look for safes that have been inspected by Nationally Recognized Testing Laboratories (NRTL), which provide both quality and safety certifications. NRTLs have been approved by the Occupational Safety and Health Administration (OSHA) and are required to follow rigorous testing standards.

When looking for safe certifications, there are two NRTLs you should look for: Underwriter's Laboratories (UL) and Intertek (ETL). You've probably seen UL certifications on many of your home electronics, like laptop chargers and refrigerators. ETL is also a highly respected and long-standing lab that was previously called the Edison Testing Laboratory and was founded by Thomas Edison in 1896.

These two labs issue the most well-known safe certifications. So if the safe isn't UL or ETL certified, it's hard to trust that it's properly fire-, water-, or burglar-proof.

Fireproofing

When it comes to protecting paper documents, electronics, or cash, having a fireproof safe is critical. However, no safe can withstand the heat *forever*. Fire ratings can range from thirty minutes to four hours.

For fireproofing, a UL-72 certification is what you're looking for. These come in three classes depending on the safe's ability to maintain its internal temperature below a certain threshold: Class 350, 150, or 125. Each class then comes in five time-based ratings, ranging from thirty minutes to four hours, depending on how long they can stay under their limit.

UL Class:	Sustains Temperature Less Than:	Duration * (hours):	Recommended to Protect:
350	350℉	½, 1, 2, 3, 4	● paper ● documents
150	150℉	½, 1, 2, 3, 4	● class 350 items ● CDs ● magnetic tapes ● photos ● film
125	125℉	½, 1, 2, 3, 4	● class 150 items ● floppy disks ● USB flash drives ● computer hard drives

So a Class 350 one-hour safe should keep your valuables below 350℉ for at least an hour, while a Class 125 four-hour safe won't surpass 125℉ for the first four hours of a fire.

So which fire rating does your safe need? That depends on two things. First, consider what you'll store in the safe. If you're only planning to store documents, you may only need a 350-class safe. If you're storing film or tapes, then you should upgrade to the 150 class. However, if you want to protect electronic media, such as CDs or flash drives, you need a 125-class fireproof safe.

The other thing you should consider when picking a safe is where you live. If your home is in a rural area, for instance, your local fire department may take longer to respond in the event of a fire. So it may be prudent to purchase a safe with a greater fireproof rating to offset the possibility of added burn time.

Waterproofing

For protection from flood, look for a safe that's certified as ETL waterproof. This means a safe will keep your items dry when it is kept submersed for an hour below two inches of water while letting no more than 0.5 grams of water (or about eight drops) into the safe.

One warning, though, about waterproof safes: because of their airtight insulation, moisture can often get trapped inside through regular use. To make sure your valuables don't get damaged, open your safe for half an hour, once a month, to let moisture escape. If this isn't possible, place delicate items like documents, stamps, and cash in a sealed container within the safe.

Burglar-proofing

If you're buying a safe, you obviously want it to be resistant to theft and forced entry. That's why you should evaluate a safe by checking for classifications used by insurance companies, in addition to burglar-proof certifications from UL.

The insurance industry divides safes into two construction ratings: B or C. B-rated safes are the most basic and include a lock, walls that are less than one-half-inch thick, and a door that's less than one inch thick. Notably, C-rated safes are better protected, featuring a minimum of one-half-inch thick walls and a door that's at least one inch thick.

The problem with these ratings is that there's no approval or testing required to label a safe as B or C rated. That's why it's important to look for the following certifications from Underwriters Laboratories:

Residential Security Container (RSC): RSCs are often gun safes, and thus, provide a minimal amount of protection. RSCs built to UL standards can resist entry for five minutes when rigorous prying, chiseling, drilling, punching, or tampering attacks are used. The thing to remember is that RSCs will stop a child from accessing your guns but not a skilled thief from snatching your valuables.

Now, if you're storing thousands of dollars worth of property or more, you should look for a *jewelry-grade* safe. These are safes with a performance certification issued by UL, ranging from TL-15 to TXTL-60x6:

Class	Time to Entry (minutes)	Safe Has Been Tested Against:			Sides Tested
		Tools *	Blowtorch	Explosives	
TL-15	15	X			Door/Front
TL-30	30	X			Door/Front
TRTL-30	30	X	X		Door/Front
TL-15X6	15	X			All Six
TL-30X6	30	X			All Six
TRTL-15X6	15	X	X		All Six
TRTL-30X6	30	X	X		All Six
TRTL-60X6	60	X	X		All Six
TXTL-60X6	60	X	X	X	All Six

* Common tools include pressure-applying devices and mechanisms, hand tools, carbide drills, picking tools, grinding points, portable electric tools, and cutting wheels.

What safe is right for you? Personally, I think it's better to have too much safe than not enough. So if you're storing more than $100,000 worth of valuables in your safe, you should definitely consider a TL-30X6 safe or better. You can buy one for less than $5,000 and rest assured that your safe will stand strong against most intruders.

But no matter what burglar-proofing you choose, remember that no safe is 100 percent resistant to theft. By getting a certified safe, you'll buy yourself more time in the event of a break-in and deter the average thief who's trying to get in and out fast.

Insuring Your Valuables

If you have a safe that's rated RSC or better, you may be able to get a discount on your homeowner's or renter's insurance premiums. Just ask your insurer to learn which safes qualify and the type of reduction you can expect to your policy premiums. Depending on your insurer, you could save enough money on premiums to justify an investment in a higher-quality safe.

But keep in mind, insurance for monetary instruments like cash and precious metals can be quite expensive (likely over 2 percent of their value per year) or your provider may not cover these items at all.

Insuring your valuables also comes with a tradeoff. While they may be reimbursed in the event of a fire, flood, or theft, reporting these items to the insurance company compromises the privacy offered by a home safe. And ultimately, that information could wind up in the hands of hackers or the government.

14 Tips for Securing Your Home Safe

Now that you know what to look for in a home safe, let's talk about a few best practices, broken down into eight dos and six don'ts, some of which are commonsense while others are less obvious.

8 Home Safe *Dos*

1. Conceal your safe. Keep it out of sight.

2. Keep the safe's location to yourself unless there's a fire. In that case, tell the fire department where the safe is located right away.

3. Bolt your safe to the wall or floor. Most safes include installation hardware for this purpose.

4. Install your safe next to a wall, on the side opposite of its hinges. For example, when looking at your safe, if its hinges are on the left and the door swings open from right to left, place the safe with its right side against a wall. This makes it difficult for thieves to get leverage when trying to pry open the safe.

5. Diversify your risk by spreading your valuables across several safes hidden around your home. You shouldn't put all your eggs in one basket — the same goes for safes.

6. Consider buying *diversion safes,* which look like innocuous items around your home. It could be a can of shaving cream in your bathroom, a dictionary on your bookshelf, or a can of soup in your pantry. But really, it's a small safe stuffed with cash.

7. In addition to diversion safes, consider buying a *wall safe* that can be concealed behind a piece of art, or even a *floor safe* that can be hidden under your rug or hardwood floors.

8. Lastly, you should also think about having a *decoy safe.* This is a safe that's hidden but somewhat obvious. That way if a thief breaks in and finds it, he'll likely stop his search and focus there. You shouldn't keep anything in your decoy that can't be replaced. But if an intruder breaks in and holds you at gunpoint, you can open the phony safe instead of the *real* one.

Think you know what to do now? Good. Now here's what *not* to do:

6 Home Safe *Don'ts*

1. Don't leave the safe open when it's not in use. Duh! Enough said.

2. Don't keep your spare safe key or combination near the safe. Again, pretty obvious.

3. Don't put a safe in your master bedroom (unless it's a decoy). That's the first place thieves typically search for valuables.

4. Don't share your safe combination or key with anyone except your family, lawyer, or executor of your estate.

5. Don’t tell anyone that you even own a safe (except for the people just mentioned). Some folks have big mouths and even bigger egos. Don’t be one of them by letting it slip at a dinner party that you’re storing $100,000 worth of gold or cash at home.

6. If you just bought a safe, don’t throw out the empty box without cutting it into pieces first. The packaging could be a dead giveaway to passersby who might guess that you are storing valuables at home, making you a prime target for burglary.

What You Need to Know About Private Vaults

Our favorite reason to own a home safe is because they reduce counterparty risk. But never forget that they're also tied to your identity. This means that your safe and the contents inside will never be *anonymous*.

For example, if the IRS, FBI, or DEA obtains a search warrant for your house, your safe will be compromised, no matter how much you spent on home security. So what's a better way to keep the location of your most prized belongings a secret, even from the US government? Private vaults.

In short, a private vault is like a bank safe deposit box, except these companies don't issue deposit accounts, extend loans, or exchange currency. Instead, they only offer *warehousing* services that protect your physical assets from theft, fire, flood, and even government confiscation.

This is possible because private vaults aren't regulated like banks. Since they don't engage in any activity classified as a "financial transaction hook," private vaults don't fall under the jurisdiction of the Financial Crimes Enforcement Network (FinCEN), and thus they evade typical bank secrecy and anti–money laundering regulations.

As Reuters explains, "commercial banks have a limited responsibility to report to the Treasury Department suspicious activity associated with safe-deposit boxes. But the unregulated, nonbank safe-deposit companies have no obligations to know the identities of the customers they serve or report apparent violations."

Because private vaults aren't held to "know your customer" (KYC) regulations, you don't need an ID or social security number to open an account, and you can even assume a fake name like Mickey Mouse or Donald Duck. By using a pseudonym instead of your real name, your identity will be better protected if the vault's records are subpoenaed by a court. This also makes it challenging for the government to search or confiscate the contents of your private vault.

What's more, private vaults tend to offer a concierge-like experience and allow you to access your vault twenty-four hours a day, seven days a week, 365 days a year. This means that private vault facilities don't shut down during bank holidays, and you'll worry less about them closing their doors because they issued too many risky loans.

However, private vaults are far from foolproof. So before you get one for yourself, there are some important risks you need to consider.

First, if you decide to rent a private vault under a fake name, you won't be able to insure its contents. Now, this may not seem like a big deal, but the probability that a private vault will be robbed is far from zero.

According to Dave McGuinn, a security consultant for banks and private vaults, several safe-deposit firms were opened over twenty years ago, but most failed. In 2012, for instance, a company called 24/7 Private Vaults, based out of Nevada, suffered a disastrous heist and was forced to end its operations.

The point is, it's always possible that your private vault could be compromised. And if you decide to use it anonymously, you won't be reimbursed for potential losses.

That's why it's vital to choose the *right* private vault, one that's been around for a long time yet has maintained a spotless reputation. So which private vaults should you consider? Here are three of the oldest and most successful private vault providers in America:

Inwood Security Vaults

Location: Dallas, Texas

Founded: 1981

Website: http://www.inwoodvaults.com/

Just a short drive from downtown Dallas, Inwood Security Vaults was founded in 1981 by James Collins. Over more than thirty-five years in business, its customers have never suffered a loss due to theft or damage. What's more, Inwood uses state-of-the-art security features like atmospheric and temperature controls, a Halon fire retardant system, 24/7 surveillance by ADT, foot-thick steel walls with reinforced concrete, and five layers of bulletproof glass. Box owners can also have their mail delivered to the vault for an additional fee.

Lastly, Inwood offers a high level of privacy for their customers. Rental fees can be paid in cash, and there's no need to provide your social security number or ID to open an account. You can then access your vault by simply providing your safe-deposit box key and a valid signature matching the one on the account.

Mountain Vault

Location: Phoenix, Arizona

Founded: 1983

Website: https://www.mountainvault.net/

As its name suggests, Mountain Vault is built deep in the heart of an Arizona mountain and encased in thick layers of steel and concrete. These natural and manmade elements protect the vault from earthquakes, flooding, lightning, fire, electromagnetic pulse, and all sorts of wide-scale disasters. Mountain Vault offers a wide range of safe-deposit boxes and vaults of different sizes, in addition to offsite media storage, backup retrieval, and courier services.

To access their safe-deposit boxes, customers must provide their key and a custom PIN code and then pass through a 24-7 security system, armed guards, and a six-thousand-pound vault door. Mountain Vault's exceptional customer service has also helped the company maintain an A+ rating from the Better Business Bureau and stay in business for over three decades.

The Vault

Location: Newport Beach, California

Founded: 1982

Website: http://www.privatesafedepositbox.com/

Located in upscale Newport Beach, the Vault is one of the oldest nonbank safe-deposit box facilities in the country. What makes the Vault special is that it provides all customers with complementary insurance coverage, ranging from $30,000 to $500,000 depending on the size of the box rental.

Better yet, you're not required to disclose the contents of your box or even have them appraised to qualify for the insurance. This provides an added layer of security while still allowing customers to maintain discretion. However, to file a claim with the insurance company, your real name is required on the account documentation.

What's Right for You?

So what choice is right for you? Ultimately, there is no solution without drawbacks. No safe or private vault is 100 percent secure. But of the three, we hope you've realized that home safe and private vaults have significant advantages over bank safe deposit boxes.

If you're looking to eliminate counterparty risk and take security in your own hands, then a home safe is ideal for you. But if you want bank-grade security and privacy that banks can't legally match, then you should strongly consider a private vault.

Better yet, why not do both? Store the assets you need at a moment's notice in your home safe, while you keep higher-value or discreet items in a private vault. As I mentioned earlier, diversification is the key to resilience. And that means always having a backup plan.

	Bank Safe-Deposit Box	**Home Safe**	**Private Vault**
24/7/365 access	NO	YES	YES
Protection from fire and flood	YES	MAYBE	YES
Climate controlled	YES	NO	YES
No counterparty risk	NO	YES	NO
Insurance discount	YES	MAYBE	YES
Private viewing	MAYBE	YES	YES
Anonymity (no ID verification)	NO	NO	YES[1]

[1] Anonymity and insurance are mutually exclusive.

PART 6

Silicon Valley Funding Secrets

Crowdfunding: The High-Tech Threat to Conventional Banking

Bankers are among the world's most profitable middlemen. Yet many folks have no idea why. We think they borrow from us at one rate, lend it to someone else at a higher rate, and then make a profit on the difference between the two.

But it's not that simple. In fact, it's far more controversial. As professor Murray Rothbard writes in *The Mystery of Banking*, "It should be clear that modern fractional reserve banking is a shell game, a Ponzi scheme, a fraud, in which fake warehouse receipts are issued and circulate as equivalent to the cash supposedly represented by the receipts."

Let's say you deposit $100 of physical cash into your checking account. If banks keep cash reserves equal to at least 10 percent of their loans, you'd think they can only lend out $90 of your money and must keep the other $10 on hand, right? Not always.

You see, banks not only lend your money to others, but they also leverage your cash in order to make new money, called *deposits*, which are simply promises to pay cash. Now, the word *deposit* is a bit of a misnomer, because it implies that for every deposit, there is a corresponding *reserve* (in our case, US dollars in cash or digital reserves at the Fed). But that's not the case.

In fact, banks can lend deposits before they even have the reserves to back them. This means when you deposit $100 in a checking account, the bank is not limited to lending out $90. Instead, they deposit all $100 at the *central* bank, which can then be used to back *$900* worth of loans.

In this scenario, the bank is still maintaining the 10 percent reserve requirement by holding $100 worth of reserves for $900 worth of loans. However, they can make a lot more revenue because the "money" supply is ten times bigger. In this case, the bank generates interest from $900 worth of loans, instead of just $90 previously.

This is a simplified example, but it shows how private banks distribute money and also create it. It's a privilege that gives banks a near monopoly on capital. They decide if you get a loan and the interest rate you pay — directly impacting who has money and who doesn't in today's economy.

As a result, if you want a steady return on your cash, you typically turn to a bank. And if you want to raise money for a new car, home, education, medical bills, or a business venture, you turn to a bank too. In other words, banks are the *one-stop shop* for your money needs.

But even banks are vulnerable to competition and new technologies. Today, entrepreneurs have finally found a way to take a chunk out of big bank profits and provide alternative funding that didn't exist in the twentieth century.

It's called *crowdfunding* — a growing trend that lets you raise capital online, directly from friends, family members, customers, and individual investors, instead of being stuck at the mercy of a few financial institutions.

Over the past decade, crowdfunding has become one of the biggest disruptions to develop in Silicon Valley. In fact, you may have already heard about it in the media.

"Crowdfunding is challenging the banking sector." *(International Banker)*

"Banks can't ignore crowdfunding anymore." *(Forbes)*

"Crowdfunding promises to decentralize and to generally transform corporate finance around the world." *(Harvard Law & Business Review)*

Bottom line: crowdfunding is a very real threat to big banks and old-school financial institutions. Even Jamie Dimon, CEO of JPMorgan Chase, warned his shareholders that "Silicon Valley is coming. There are hundreds of startups with a lot of brains and money working on various alternatives to traditional banking."

Bankers and venture capital (VC) are worried because crowdfunding is removing them as middlemen between those who have money and those who need it. And as a result, capital is becoming more accessible while investors are getting returns that surpass those of traditional bank accounts.

This means if you're looking to refinance credit card debt, remodel your home, buy a new car, or even fund your next business venture, you may not need a bank loan at all. Instead, you could use crowdfunding.

And that's what more and more people are doing. In 2010, crowdfunding platforms raised roughly $880 million. But over the following decade, the crowdfunding market exploded to approximately $84 billion in 2020, experiencing a compounded annual growth rate of nearly 56%.

But there's not only *one* type of crowdfunding to consider. Like there are many ways to raise money, there are several options to crowdfund your project, venture, or purchase, depending on your financial goals. In this chapter, we'll cover three specific types of crowdfunding:

Peer-to-peer (P2P) lending. Also known as marketplace lending (MPL), P2P lending is where individuals use online platforms to pool their capital and lend it to qualified borrowers. The funds are then used to pay for all sorts of expenses you'd typically finance through a bank: student loans, auto loans, business loans, debt consolidation, and more.

But unlike a bank, these online platforms don't create money out of thin air. Instead, they simply connect lenders and borrowers while providing credit checks and collection services. Plus, by doing everything online, borrowers get faster access to credit and lenders get higher yields, which is why some call P2P lending the "Uber of the Financial Industry."

Equity crowdfunding. Trying to raise money for your business but don't want to take out a loan? Instead of raising money by going into debt, you can also crowdfund your business by selling ownership in your company to a large group of people. Like P2P lending, equity crowdfunding is also done through online platforms that allow businesses to pitch their ventures to hundreds of individual investors, instead of exclusively to investment banks or venture capital firms.

For many, this is a game-changer. Before 2016, if a business owner wanted to sell shares to the public, they had to overcome a litany of regulations from the SEC and find an investment bank to back the initial public offering (IPO). Otherwise, the opportunity was limited to institutional or ultrawealthy investors only.

But because of recent legislation and the advent of equity crowdfunding, almost anyone can now invest in "early stage" and "seed" level companies *before* they go public and the biggest gains are already made.

Reward and donation crowdfunding. Selling debt or equity may be a good option if your business already has traction, but how do you get funding if you're a nonprofit or if you're still developing a product? That's where reward and donation crowdfunding come in.

These types of crowdfunding platforms allow charities to raise money for an important cause. Or businesses can use them to presell products and services before they're ready to launch. It's a great funding model if:

- You're a musician looking to produce a new album;
- You're an inventor building a first prototype; or
- You're an activist trying to boost social awareness.

So far, people have used donation and reward crowdfunding to create independent movies, video games, and groundbreaking technologies, without forcing them to take on debt or give up a piece of their company.

Plus, completing a successful crowdfunding campaign often serves as a proof-of-concept and can lead to increased sales and further funding opportunities for your project or business. In fact, it's become a badge of honor in Silicon Valley to get funded this way.

Obviously, this type of fundraising isn't for everyone. It all depends on your goals and personal situation. But between these three crowdfunding models (P2P lending, equity crowdfunding, and reward and donation), there's an opportunity for almost anyone to get the money they need.

Now that we've covered the basics, let's dive into the specifics of each crowdfunding model and answer several important questions:

- Is crowdfunding safe?
- What kind of investment returns can I expect?
- What happens when borrowers default on their loans?
- What are the best platforms to use?

By the time you've finished this part of the book, you'll have a good idea of what to expect as a borrower, lender, investor, or donor. And hopefully, you'll never have to rely on a bank or financial institution again to fund your next project or purchase.

Peer-to-Peer (P2P) Lending

Peer-to-peer lending began in February 2005 with the launch of Zopa in the United Kingdom, making it the world's first P2P lending platform, followed by San Francisco–based Prosper a year later.

Since then, marketplace lenders (MPLs) have originated millions of loans and in 2020, the P2P lending market size reached an estimated $67.9 billion. But despite this acceleration, MPLs are still a small part of the financial market. Today, marketplace lending accounts for less than 1 percent of total bank lending in the United States.

But it may not stay that way for long. P2P lending is now a global trend experiencing some of its fastest growth in countries including the United Kingdom, Australia, and China. In fact, Allied Market Research estimates total marketplace lending to reach up to $558.9 billion by 2027.

This doesn't bode well for traditional banks. Research firm McKinsey predicted that bank profits from consumer credit, mortgages, and wealth management could fall as much as 60 percent because of new competition.

The P2P Lending Advantage

So what's giving P2P lenders such an advantage? For starters, they avoid paying for expensive branches and ATMs by operating solely online. And because they don't offer deposit accounts (i.e., accounts that can be withdrawn on demand with no principal risk), they don't have cumbersome capital requirements.

In other words, P2P lenders take advantage of the financial system without exposing themselves to the same risks and expenses as banks. This has created a paradigm shift in modern finance. As Prosper's cofounder, Chris Larsen explained after his company's launch:

> *Until now, financial institutions have controlled who is able to obtain credit and the rates people pay…Over time, this one-sided control has bred inefficiencies and excessive margins — leading to higher rates for borrowers, and restricting people who have money to lend from entering and generating income from this vital and lucrative market.*

“Marketplace lenders” help solve these problems, in part by extending credit to people who are often ignored by traditional financial institutions. In April 2020, for instance, as the COVID-19 pandemic affected the global economy, the loan approval rate from big banks dropped to 11.8%, whereas alternative lenders had a rate of 57.1%. As the *Wall Street Journal* admits, the “biggest banks in the U.S. are making far fewer loans to small businesses than they did a decade ago, ceding market share to alternative lenders.”

It’s happening because marketplace lending is reducing costs and then passing the savings along to borrowers and lenders. A 2018 study by LendingTree found that borrowers who consolidated their credit card debt with a personal loan through platforms like Prosper saved an average of 7.94 percentage points on their interest rates. This equates to a reduction from an average credit card interest rate of 20.93% to an average personal loan interest rate of 12.99%.

But it’s not only borrowers who are benefiting. Investors in P2P loans also get higher interest rates than those offered by traditional savings accounts or CDs. As of this writing, the average savings account only pays about 0.24 percent per year, while four-year CDs average 1.23 percent.

P2P lenders, on the other hand, have the opportunity to make higher returns, even with a conservative portfolio of loans. Generally, returns range from 3% to 8% annually, but higher returns are possible with higher-risk loans. For example, on Prosper, investors could expect an estimated average annual return of around 5.3%.

“Across the board, experts agree that a wonderful real-world return of 5% or more can be achieved through a simple diversified peer-to-peer lending portfolio,” says LendingMemo. Such an increase over traditional savings vehicles can make a huge difference to your wealth over the long term.

Risks and Caveats to P2P Lending

The next crash could always be worse or different from what we’ve experienced in the past. And considering that online P2P loans are a relatively new asset class, it’s impossible to predict exactly how they’ll perform over time.

If borrowers default, lenders (you) absorb the losses. Also, borrowers who repay their loans early may reduce your overall returns. This means that the yield you get from P2P loans will often decrease over their lifetime.

For example, imagine you buy a basket of loans that start off paying 14 percent per year. But gradually, some folks default on their debt while others pay it off quickly. By the time the loans mature, your annualized yield may turn out to be only 7 percent — half the average interest rate on the loans, yet still a very respectable return. The bottom line is that P2P loans carry risk, and their returns could vary dramatically.

Here's something else to consider: just like "junk" mortgages were fraudulently packaged and sold during the housing bubble, P2P loans are also susceptible to mispricing and mislabeling. It's hard to know if the loan you're getting is the grade the platform claims it is.

This is important because there's no FDIC guarantee with P2P loans. And unlike savings accounts and CDs, P2P lenders won't get taxpayer protection. But the high-interest rates received by investors over the past ten years have made up for the risk. More than a decade's worth of experience in P2P lending has shown returns that are much greater than those of traditional savings vehicles but with far less volatility than the stock market.

And isn't eliminating bailouts the point? Opting out of the banking system requires financial responsibility. But by taking the right precautions, the benefits of alternative finance can be well worth it. As you're about to discover, there are ways to easily reduce your potential losses as a P2P lender.

But before we get to that, there's one last caveat about P2P lending that you need to be aware of. Most of the big-name P2P platforms don't actually allow investors to lend money *directly* to borrowers, and in turn, cut out the banks completely. As Prosper admits on its website:

> *As an investor on our marketplace, you are not actually lending your money directly to borrower members, but are, instead, purchasing Notes from Prosper, the payments of which are dependent on Prosper's receipt of payments on the corresponding borrower loans. An investment in a loan listing is an investor's commitment to purchase the Note issued by Prosper, with the proceeds of the sale of the Note used by Prosper to purchase the specific borrower loan described in the listing on which the investment was made.*

This means that when you invest in a P2P loan from large platforms, you're purchasing a "note" that's backed by the payments from a specific borrower. This means that your money isn't used to originate the loan, you're simply buying the loan from the P2P lender after the fact.

So if the money is already lent by the time you buy the notes, then where does the original loan come from? The unfortunate answer: banks. When originating their loans, MPLs like Prosper don't use *your* money. Instead, they've partnered with a bank to do that, and then they securitize the loan, so it can be resold to investors like you or other financial institutions (like banks).

Does that mean you shouldn't use P2P lending? Not necessarily. Because the bank that originated the loan is reselling it instead of holding onto it, they're taking less risk, which means the taxpayers are taking less risk. However, it doesn't remove banks from the equation completely. Luckily, we've found two workable solutions to avoiding banks that we'll show you later in the chapter.

Tips to Boost Your Returns (And Lower Your Risk)

Without a doubt, the biggest way to lower risk is by owning *hundreds* of P2P loans, not just a handful or even a few dozen. For example, consider that 99 percent of LendingClub investors experienced positive returns when they owned more than one hundred loans and each loan was worth 1 percent or less of their total portfolio.

Now, it may seem difficult to invest in that many loans, but P2P lending platforms make it easy for investors to stay diversified. In fact, many P2P platforms allow you to buy *fractions* of loans in increments of $25. So if you have $2,500 to invest, simply search the platform for one hundred loans that meet your criteria and invest $25 into each. That way, you have enough loans to spread out your risk, and each loan is only 1 percent of your total portfolio. Many platforms also offer automatic investing, where your idle cash is used to buy loans according to your preset specifications.

That brings us to another way to manage your risk, which is to screen candidates for repayment factors like credit rating, loan purpose, loan grade, and credit inquiries in the last six months. Most P2P lenders have proprietary credit models and grading systems that let you fine-tune your loan portfolio to match your risk tolerance.

So, which P2P lending platforms should you use?

Prosper

The big P2P lender is Prosper (www.prosper.com), which since its launch in 2006 has financed nearly $10 billion in loans. The minimum investment is just $25. Notes can be traded on the open market. And folks can borrow over terms ranging from 3 to 5 years.

Prosper evaluates borrowers through a proprietary Prosper Score that considers their debt-to-income ratio and other criteria that are adopted by credit bureaus. Applicants are then categorized into credit grades ranging from AA (lowest risk) to HR (highest risk). And when Prosper loans go into default, they're consolidated and sold to a third party. This allows investors to get some compensation for their loans instead of getting stiffed completely or waiting twelve to eighteen months for collections.

Prosper suggests investors can make 5.3% on average. And according to their 2016 survey, 83.5% of active Prosper investors achieved returns that met or exceeded their expectations.

One reason for Prosper's success may be that its borrowers are more qualified than most. Typically, they have higher incomes and credit scores than the average American.

	Average Prosper Borrower	**Average American**
Annual Income	$88,572	$72,641
FICO Score	710	695

However, it's important to note that Prosper only offers *unsecured* loans ranging from $2,000 to $35,000. That means that there's no collateral backing the loan. For example, if someone gets a loan and uses it to buy a new car, the lender can't repossess the car if the borrower defaults. Credit cards work the same way.

Plus, Prosper only offers *consumer* loans, not *commercial* loans. Customers can use their loan for business purposes, but it doesn't work the same as an ordinary commercial loan. In this case, the liability of the loan stays with the individual, not their business. This actually makes it safer for the lender, especially if it's a new, unproven business.

Prosper's inventory though is limited. And as a result, Prosper may not always have the loans you're looking for in stock. For example, if you prefer only AA-grade loans, it may take a while to build out a full portfolio of over a hundred notes. It could take days or weeks until you're fully invested.

Silver Bullion (www.silverbullion.com.sg)

P2P lending platforms like Prosper may be a step in the right direction, but they don't cut out the bankers completely. Conventional lenders are still intimately involved when you use those platforms.

But if you want to borrow money in a way that doesn't involve money-making hocus pocus, here's one thing you can do: leverage your precious metals as collateral for a secured P2P loan.

Now, you already know, gold and silver have limited utility when sitting in a safe-deposit box. That's why Silver Bullion created a P2P lending platform that allows customers to borrow money against their vaulted precious metals. This means you can harness the purchasing power of your gold, silver, and platinum bullion, but without selling it!

You see, unlike the big P2P lenders who partner with banks to quickly issue loans and then resell them to investors, Silver Bullion's platform is a true marketplace where borrowers and lenders bid for the best rates. Loans aren't funded until an investor agrees to the terms and lends his or her own savings, instead of relying on banks to create new money out of thin air. Here's how Silver Bullion describes it:

> *Our P2P lending platform matches borrowers directly with those that have liquidity and who are comfortable to lend with the borrower's bullion as collateral.*
>
> *Those who wish to lend against their gold and silver submit a borrowing request, which allows him/her to set the currency, amount, interest rate and duration. The borrowing request is then posted on our platform for potential lenders to accept.*
>
> *Likewise, lenders can choose to accept an existing borrowing request, or submit a new lending offer and customize their own terms.*

It's like an auction house but for gold-backed P2P loans. You can go on Silver Bullion's website, see interest rates borrowers are requesting, and either lend them funds or offer terms that work best for *you*. Loans start as small as $3,000 and are repaid over one, six, twelve, or twenty-four months.

And because Silver Bullion already authenticates, stores, and insures its customers' precious metals, the company makes the perfect third party to facilitate these bullion-secured loans. In order to be approved for a loan, customers are simply required to have precious metals worth at least twice as much as what they borrow.

For example, if you want a loan of $50,000, then you need to have at least $100,000 worth of bullion in their custody. This collateral protects lenders from losses, because if a borrower can't make an interest or principal payment, Silver Bullion can forcibly liquidate their holdings to prevent delinquency. Plus, the company maintains a "sweeper fund," which is also used to prevent missed payments.

This makes these loans incredibly safe. And as a result, they have rates lower than most unsecured consumer debt. As of this writing, for instance, interest rates on Silver Bullion's marketplace for 1-year loans range from 5.25% to 6%. So while you won't expect double-digit yields from these investments, they still beat the return you get these days from a savings account or bank CD.

Keep in mind, though, Silver Bullion's P2P marketplace does have its drawbacks. For example, because the loans aren't chopped up and securitized like other P2P notes, you're likely being lent money from a single person, not a "crowd" who have all invested just a little bit. Conversely, lenders can't risk just a few dollars like with other platforms. Instead, if you want to invest in a loan, you have to lend the entire amount.

Silver Bullion's marketplace is also much smaller than the mainstream P2P lenders. This lack of volume makes it difficult to find loans that meet your specifications, or it may take longer to get the funding you need. However, their platform is growing, and we expect other bullion custodians to catch on to the trend.

Now, the biggest objection to this type of borrowing will likely come from those who need a big loan — specifically, a mortgage. Few people have $1 million worth of precious metals that they can use as collateral for their dream home. So what should you do to avoid the banking system if you're buying a house?

National Family Mortgage (NFM)

Many financial advisors will tell you that it's a bad idea to lend money to friends and family. No one wants to harass their loved ones over an unpaid debt. It causes awkward conversations and hurt feelings, and it can ruin relationships.

But these headaches could be a thing of the past thanks to National Family Mortgage (www.nationalfamilymortgage.com). The company has been in business for more than thirty years, helping finance more than $500 million worth of mortgages, but in a way that works unlike any bank or P2P lender out there. What makes NFM unique is that it has automated the process of lending money to family and friends by taking care of the chores that typically make mortgages a nightmare.

For example, if you want to loan your daughter money for her first home, NFM will file the formal paperwork for the mortgage, like the promissory note, state-specific liens, deeds of trust, and security deeds. This ensures that the debt is legally recognized and secured by the value of the home.

NFM also offers collection services like online payments, e-mail reminders, and monthly statements that make it easy to keep track of how much you owe. Plus, the company handles any foreclosure and eviction procedures in the event of delinquency. That way, you never have to assume the role of debt collector, and you can preserve your relationship with the borrower.

In fact, financing a home loan this way has many of the benefits of a conventional mortgage. Interest payments you make are tax deductible. And for lenders, NFM provides annual tax documents, like the 1098 and INT-1099, which make it easy to report your interest income to the IRS come April.

However, there are two important drawbacks to NFM that you should consider. First, 100% financing means you need a friend or family member with lots of cash on hand. Few folks have $500,000 worth of idle bank deposits or physical cash.

Second, if you're a lender, it's difficult to diversify. This makes default a serious risk to consider. NFM doesn't perform credit checks, set interest rates, appraise homes, or judge whether someone can afford the mortgage. That responsibility still falls on you. So if you decide to take this route, you must perform your own due diligence.

Try to reduce your risk by appraising the real estate and ensuring that the borrower doesn't overpay for the property. That way, if they *do* default, you're more likely to recoup your investment when selling the house.

For many of these reasons, NFM is not right for everyone. But it's a good method for keeping wealth in the family — allowing it to pass from generation to generation — without straining the relationship between lender and borrower.

And best of all, this type of lending does *not* increase the money supply. When a friend or family member finances the entire loan, the money already exists in their bank account. Unlike a bank, they're not creating deposits to lend on the spot. In other words, NFM is a backdoor way to take power from banks.

Closing Thoughts

Raising money through P2P lending is a powerful tool for borrowers as well as an exciting asset class for investors. P2P loans offer several benefits:

- Lower interest rates for borrowers
- Faster loan approval
- Higher yields for lenders
- Secured and unsecured lending options

However, disrupting the lending industry isn't the only way you can fund your venture. In fact, because of legislation that went into effect in May 2016, you too can sell shares of your small business, but without the regulatory headache of an Initial Public Offering (IPO).

Equity Crowdfunding: The Mini-IPO Loophole for American Investors

"Going public" is probably one of the most overrated goals a business can achieve. People believe that if individual investors buy your shares, it's a blue ribbon…a badge of honor. It proves that you've made it. And it also shows that your company has followed the legal hurdles that prevent most companies from selling shares to individual investors.

IPOs not only convey faith by the investing public, but they can also show that institutions like investment banks endorse the offering as well. For example, most businesses partner with an investment bank to underwrite their IPOs. As underwriter, the bank typically sets the starting share price, which determines the value of your company.

This gives the investment bank a lot of power, especially since they often commit to buying shares personally. On many occasions, investment banks have *underpriced* shares, allowing themselves to get a good deal. Then they sell the stock to their clients when it pops on the day of the IPO. That's easy profit for the bank. But it comes at the expense of the fundraising entrepreneur.

That's why, to conduct an IPO in the past, you typically needed to be a big company with institutional support from an investment bank. And if you couldn't go public, the only way to sell equity was through venture capital (VC) firms, which are private investment companies that vet, develop, and fund startups in exchange for an ownership stake.

But VCs aren't meeting the demand either. According to data collected since 1994, an average of 643,000 US businesses launch every year. Yet in 2016, only 2,700 "seed" and "early stage" companies received venture capital. That's less than 0.4 percent of the market. So if few startups are getting VC funding, who's filling the gap?

Well, just as crowdfunding has disrupted the traditional world of lending, it's also transforming the way people sell ownership in their businesses. This is known as *equity* crowdfunding, and it's democratizing access to capital like never before. As the *Washington Post* wrote about this trend, "one thing is certain: the balance of power is rapidly shifting — from venture capitalists to entrepreneurs."

But this change didn't happen on its own. In fact, it had a specific catalyst — an Obama-era reform that passed in 2012, known as the JOBS Act. And you may not realize it, but it's a big freakin' deal.

How the JOBS Act Changed Everything

Consisting of seven "titles," the JOBS Act is a hodgepodge of legislation. Many influential entrepreneurs lobbied for it. At the time, there were several proposals floating around that had similar objectives. But instead of competing against each other for support, they were combined into one monolithic law. As *AngelList* cofounder Naval Ravikant admitted in an interview:

> *It ended up being a giant dog's breakfast of different bills combined together, and then some genius, probably some congressional staffer, said "How are we gonna get this thing to pass? Oh — let's say it has something to do with jobs. Jumpstarting Our Business Startups! JOBS, JOBS!" And then, what congressperson can vote against something called the JOBS Act? It was a miracle.*

As you can tell, there are a lot of parts to the JOBS Act. So if your eyes glaze over at the first sign of legalese, don't worry. I won't go into all seven titles. For our purposes, there are two major benefits to consider:

1. It made it easier for startups to *sell* equity.

2. It made it easier for small investors to *buy* equity.

So if you're a founder who wants to raise money by selling stock in your company…or you're an average Joe who wants to invest in "seed" and "early-stage" startups — the JOBS Act made those things suddenly become much easier.

The Benefits for Startups

One of the biggest benefits of the JOBS Act is that it lets startups (or "emerging growth companies," as the new bill defines them) issue equity without subjecting themselves to the typical disclosure and reporting requirements that a public company must endure.

For example, companies are now allowed to phase in many of these standards over five years. And smaller offerings even get an exemption from the part of

Sarbanes-Oxley, which requires public companies to hire a third party to audit their financial statements.

Plus, the JOBS Act also allows startups to raise more money from nonaccredited (a.k.a. nonwealthy) investors than in the past. Under Title IV (known as Regulation A+), private emerging growth companies are now allowed to sell $50 million worth of stock to everyday Americans, not just the ultrawealthy. In fact, some even describe Regulation A+ offerings as mini-IPOs.

Seedvest, an equity crowdfunding platform, says that like an IPO, “Reg A+ allows companies to offer shares to the general public and not just accredited investors…However, the fees associated with a Reg A+ offering are much lower than a traditional IPO, and the ongoing disclosure requirements are much less burdensome, effectively making a Reg A+ offering a mini-IPO.”

But Regulation A+ might not be right for every company. That’s why companies are allowed to “test the waters” first. This means that they can publicly advertise their interest in selling equity as a way to gauge investor demand and decide whether a Reg A+ offering is the best choice.

The Benefits for Small Investors

So what’s in it for investors? Well because of the JOBS Act, you can now participate in “angel investing,” which is when you buy equity in private, early-stage companies. They call you an *angel* because it’s like you’re coming down from heaven and blessing a young company with money. Before the JOBS Act, these opportunities were only available to investment banks, VCs, and *accredited* investors (the wealthiest 2 percent of Americans).

Now, we’re not saying this strategy is for everyone. The reckless investor could lose a fortune this way. So why should you want to invest in risky, early-stage private companies? One word: returns. According to a twenty-year study by the Kauffman Foundation, the angel investors sampled made an average of *2.6 times* their money in just three and a half years. That’s an annualized return of 27 percent — which blows the doors off the stock market average over the same period.

Keep in mind, a big reason why these returns have been so astounding is because they’re not part of the public markets. With a high degree of confidence, we would guess that these returns fall over time as the equity crowdfunding market grows in popularity and accessibility. But that's not to say you can't make great money with Reg A+ offerings. In fact, we've already tasted some success.

Just consider the tale of Elio Motors, the very first company to sell equity through Reg A+. Matt participated in the offering through the crowdfunding platform StartEngine (more on them in a minute). At first, he thought it would be a long- to medium-term investment. The plan was to sell the stock once it went public, where he hoped it would get bid up in a frenzy. He just had no idea how quickly that would happen.

On December 31, 2015, Matt's investment in Elio became official. But by late February, Elio stock had made its way to the public, over-the-counter (OTC) markets (also known as the "pink sheets"). Then, by early March, shares traded as high as forty dollars, giving him over a 230% gain on paper. But he didn't even realize what was happening! By the time he found out that shares were trading publicly and got them transferred to his Fidelity account, they had tumbled back down to the twenty-dollar range, where he finally cashed out.

Luckily, he still managed nearly a 70 percent gain in less than three months — or an annualized return of 301 percent. Obviously, this type of investment is very volatile. And this gain is *not* ordinary. Don't expect this return on average, let alone your first attempt. But it just shows the type of *pop* these investments can provide to a generally conservative portfolio.

Restrictions for Unaccredited Investors

Because of the JOBS Act, now you can participate in this type of investing too. However, there *are* some restrictions. For example, even though Reg A+ offerings are open to the general public, there's a cap on how much non-accredited investors can risk on a single pitch. Reg A+ offerings are divided into Tier 1 and Tier 2 offerings. For Tier 2 offerings, non-accredited investors are limited to investing no more than 10% of the greater of their annual income or net worth, whichever is higher. This limit applies on a per-investor, per-offering basis. And there is no investment limit for non-accredited investors in Tier 1 offerings.

While this cap may seem like the symptom of an over-imposing nanny state, its "heart" is in the right place. Remember, investing in young, tiny companies is a numbers game. The Kauffman study also found that angel investors made most of their returns from only a small portion of their startup investments. According to their findings, the "top 10 percent of exits account for 75 percent of the total cash returns in the sample."

So if you *do* decide to test the waters of angel investing for yourself, don't put all your eggs in one basket. It's best to start small and build up a portfolio over time. And as with any investment, never risk more than you can afford to lose.

Watch Out for the Fine Print

It's also important to keep a close eye on the fine print of any investment you make. Several platforms use a financial contract called a "simple agreement for future equity" (SAFE), which makes you an *investor* who has the chance to become a *shareholder* in the future.

In other words, your contract becomes equity only if the company achieves a "liquidity event," such as going public or getting acquired by another company, at which point you could potentially profit. These contracts often include provisions like valuation caps, discounts, or both.

A *valuation cap* sets the maximum price you'll pay when your SAFE converts into equity. A lower valuation cap means you could get more shares (or cash), which is a good thing.

A *discount* also allows investors to convert their SAFE into equity at a lower price. So a bigger discount means you'll get more shares (and more potential profit) when your investment reaches a liquidity event.

If your SAFE includes both a valuation cap and discount, they don't "stack." You get to choose which one to use depending on which provision gets you the most shares when converting to equity. Now, if we're starting to lose you, don't worry. Just remember that opportunities with low valuation caps and high discounts are more favorable for investors.

How to Find the Best Regulation A+ Opportunities

But if you don't want to dig through all the term sheets yourself, it's always wise to consider independent, third-party research to help perform due diligence. Unfortunately, big-name research firms don't typically cover securities and offerings this small.

That's why in 2014, a company called Crowdability (http://crowdability.com) was launched to meet this specific need. As the company states on its website, "We aim to protect individual investors. By educating and empowering them, we believe we can help them avoid making costly mistakes — and provide them the highest chances for success."

Crowdability helps investors in three ways. First, it provides free educational videos, whitepapers, and newsletters that are helpful in explaining JOBS Act legislation along with the basics of equity crowdfunding. Second, Crowdability aggregates deals from a dozen equity crowdfunding platforms and then allows you to filter offerings by factors like valuation, industry, location, and more. And lastly, the company does in-depth research on many Reg A+ offerings and issues specific recommendations about which investment opportunities have the most potential.

Equity Crowdfunding Platforms for General Investors

Now, if you've done any Googling about equity crowdfunding, you may have noticed that dozens of platforms have launched since the JOBS Act was passed. But many of them only offer opportunities for accredited investors, which are folks who either have a net worth above $1 million (excluding your home) or an annual income of $200,000 or more for individuals ($300,000 or more for couples) for the last two years.

Unfortunately, most people simply aren't accredited investors. That's why the two platforms I want to share with you are all open to the general public.

Republic

Many investors have heard of AngelList. It's one of the most popular equity crowdfunding websites in the world. Unfortunately, it's only available to accredited investors. But because of the JOBS Act, company executives Kendrick Nguyen and Paul Menchov decided to give everyone access to angel opportunities when they launched Republic (http://republic.co).

"We're trying to be more than just a crowdfunding platform, but a community to help founders and give investors the necessary education and context," said Nguyen. True to its name, the platform allows regular investors to have a seat at the startup table. There are no income or net worth requirements, and you do not need to be a US citizen either. Virtually anyone who's eighteen years or older can participate and start investing for as little as ten dollars.

Since its launch in 2016, Republic has helped over 350 businesses raise capital, more than 40 of which have raised over 1 million and 14 of which have raised the maximum of 5 million. Spread across many industries, companies that raise capital through Republic are typically early-stage startups that have some combination of a large supportive community and established traction.

Start Engine

The cofounder of Start Engine (http://startengine.com), Howard Marks, ran Activision before starting this equity crowdfunding platform where the general public can browse dozens of early-stage investment opportunities. To date, the platform has helped over 500 companies raise more than $350 million from over 100,000 investors.

In fact, Start Engine was one of the first platforms to take advantage of Reg A+ when they helped Elio Motors raise $17 million in equity from 6,600 investors, eventually making it the first equity crowdfunded company to go public.

StartEngine has seen continued success in raising money for startups, having helped over 550 businesses raise capital and raising over $650 million from nearly 1 million users. The platform has grown to include 37,000 shareholders and has raised $227 million for companies in the past year. What’s more, StartEngine led the equity crowdfunding industry for nearly two years straight, including over $227 million raised in 2021 and growing its revenue by 23x.

Reward and Donation Crowdfunding: The Secret to Raising Money from Nothing

Governments despise tax dodgers. Throughout history, lawmakers have demonized this class of criminals and used them to justify countless pieces of onerous legislation. Just consider what happened on March 9, 1999, when the UK announced IR35, a new law aimed at "disguised employees." These are folks who work full-time but are then converted to independent contractors as a way to reduce taxes for both parties.

Freelancers were outraged by the law. Despite the policy's intent to close a loophole, it ended up targeting more than 150,000 legitimate IT contractors based in Britain. And because of it, their taxes were about to go *way* up! But what can one person do? As the ultimate "small business," contractors lack the resources to fight such legislation alone.

In another era, most folks would have accepted this situation as something out of their control, the same way we accept earthquakes and hurricanes. But that's *not* what happened. Instead of feeling powerless, thousands of workers banded together on the Internet and formed the UK's first online trade organization, the Professional Contractors Group (PCG).

With the support of its members, the PCG raised £100,000 from about two thousand freelance workers in just two weeks. It wasn't a loan. And because they're freelancers, they couldn't offer equity in return. Instead, PCG united people behind a specific cause and promised to use the funds to fight IR35.

In fact, the PCG's efforts became the first recorded case of online crowdfunding and forever changed the way folks fundraise. Since then, individuals and small businesses have received over a billion dollars from dozens of countries. They're using the money to mass-produce new prototypes, publish young-adult fantasy novels, fund mission trips abroad, and fight against social injustice — all without sacrificing a stake in their business or taking on an unbearable amount of debt.

Reward vs. Donation Crowdfunding

When it comes to raising money *without* selling debt or equity, there are two types of crowdfunding that you should consider: *reward* and *donation.* Donation crowdfunding, as the name implies, is usually philanthropic and helps a specific cause. For example, a community might crowdfund to build a new church. Or in the case of IR35, folks pooled their money together to support political reform.

Reward crowdfunding, on the other hand, is when you raise money by promising to give your contributors something of value at a later date. This typically happens if you have a prototype or an idea for a product, but you don't have the funds to create it yet. The Pebble Smartwatch, for instance — the first commercially successful smartwatch — raised nearly $10.3 million from 68,929 users on the Kickstarter platform. In return, backers of the project were the first get the new watches.

The great thing about this model is that almost anyone can use it to get their idea off the ground. It's basically a way to sell your product or service *before* it's ready. Here are a few examples of how this type of funding is used by individuals:

- A musician can presell copies of her next album and then use the funds to produce it in a professional studio.

- An upstart coffee company can presell bags of their new arabica and then buy the roaster they've longed for.

- A software engineer can presell a breakthrough video game and then hire the development team to program it.

People might think this is "putting the cart before the horse." But really, it's a way for you to get the funding you need *without* taking the risks that go along with issuing debt or equity. In fact, reward crowdfunding dates back to Victorian-era patronage, when artists were supported directly by their audiences. And because it involves little red tape, it's far easier than conventional funding options.

However, there are some costs involved. Crowdfunding companies make money by charging a platform fee (typically 5 percent). And that doesn't include the payment processing fee, which can be an additional 2 to 5 percent. Luckily, these aren't upfront costs. They're taken out of the money you raise, so there's not an extra financial burden.

The Anatomy of a Successful Fundraising Campaign

Whether you're raising money through reward or donation-based crowdfunding, the factors that make a successful campaign are the same. When getting started, there are four questions you need to ask yourself:

Question #1: What Does Your Plan Look Like?

It may seem obvious, but before you start a crowdfunding campaign, you should have a crystal-clear idea about its purpose. What's the reason behind your project? How will you execute your plan? What's your budget? And how will you spend the contributions?

If anyone is going to give you money, you need to present a plan that's neatly laid out, transparent and sets clear expectations. Almost all campaigns feature a short video that achieves this purpose. These can look like high-end movie trailers, cartoons, slides with audio, or simply someone talking to their audience in front of a webcam. However, if your project is ambitious and you have a big funding goal, it can be worth it to invest in a professionally produced video.

The point is, you need to communicate to folks in a way that grabs their attention and sells them your idea. Tell them all the crucial details. Share your personal story and explain why your project is so important — not just for you, but for the world.

Also, don't forget to tell them how much progress you've already made and try to set realistic expectations when estimating how long it will take to complete. If you're successful with a reward crowdfunding campaign but fail to deliver on time (or at all), it could bruise your or your business's reputation. So follow through on your word.

Question #2: How Will I Promote the Campaign?

You might think this should be one of the last things you think about, but the fact is, how you promote your campaign will play a big part in your success. For example, the first people who will contribute tend to be people you already know, like friends and family.

These contributors are the most important because getting close to your funding goal early on in the campaign is a huge tailwind. It all comes down to human psychology. If users see you're far from your goal and only have a few days left, they'll be less likely to contribute. However, if your funding is almost complete, folks will jump at the chance to get in before the opportunity closes. This is known as the "herding effect," and it's vital to consider when planning your fundraising campaign.

To take advantage of this bias, you need to do a lot of marketing *before* you launch. Write a list of people closest to you. Who would be most likely to contribute to your project? Also, brainstorm online and offline communities who'd be interested in supporting your project. These can be Facebook groups, social clubs, networking groups, local businesses, and more.

Question #3: How Much Am I Trying to Raise?

After you have a well-constructed plan for your project, it should be much easier to figure out how much money you need to raise, although it's best not to *underestimate* how much you'll need. If you manage to hit your goal but the funds aren't enough to follow through on your reward, you could sabotage your success. Most platforms use an "all-or-nothing" model where projects receive zero funding if they fail to hit their goal in time. However, it's not only *your* project that should influence your funding target. It's also worth considering the overall crowdfunding market to help set realistic expectations.

For instance, the average amount raised by successful Kickstarter campaigns is around $20,000 to $25,000. However, this figure can be skewed by a few extremely successful campaigns that raise millions of dollars. The median amount raised, which is less influenced by outliers, is usually around $5,000 to $6,000. This means that folks who hit their funding goals tended to have small, low-budget projects. That's not to say your project *can't* raise $300,000 in thirty days. But if you put a little work into your marketing or your project is ultra-niche, you'll have a lower chance of reaching your goal.

Question #4: How Much Time Do I Need?

Now, this next tip may seem counterintuitive, but a *shorter* project deadline could make your fundraising even more successful. Kickstarter analyzed all of its crowdfunding campaigns and found a surprising trend. While 44 percent of the platform's projects reached their goal, the success rate was only 24 percent for those with a ninety-day deadline. Conversely, the projects that lasted between ten and thirty days had the greatest rates of completion. In fact, these results led Kickstarter to reduce the maximum project time from ninety to sixty days.

It's also important to note that the vast majority of contributions came at the very beginning and end of the campaigns. The days in between tended to be lackluster. So remember, if you want your best shot at a successful campaign, keep it under thirty days and heavily engage your audience near the launch and close of fundraising.

Reward/Donation Crowdfunding Platforms to Consider

Now that you know the basics of reward and donation crowdfunding, it's time to introduce some of the most popular platforms and explain what makes each of them unique. As you'll see, the type of project you're trying to fund will heavily influence which crowdfunding platform is best for you.

Kickstarter

Described as "the people's [National Endowment for the Arts]" by the *New York Times*, Kickstarter (www.kickstarter.com) has become one of the most popular ways to fundraise online and is now ubiquitous with reward-based crowdfunding. In 2009, the platform was founded out of Brooklyn, New York, and raised over $5.4 billion from more than 19 million backers for over 200,000 successful projects.

In addition to the Pebble Smartwatch, notable projects on Kickstarter include the Coolest Cooler, which raised over $13 million, the Kingdom of Death board game, which raised over $12 million, and the self-proclaimed World's Best Travel Jacket, which pulled in more than $9 million.

But Kickstarter doesn't allow just any pitch on their platform. "We focus on creative projects — music, film, technology, art, design, food, and publishing — and within the category of crowdfunding of the arts, we are probably ten times the size of all of the others combined," said cofounder Perry Chen, when asked what makes Kickstarter unique.

In other words, Kickstarter is for you if you're creating something new and promise to share it with your contributors. And since it's one of the world's most popular websites, using the Kickstarter platform can help you attract a lot more eyeballs to your project.

Indiegogo

As one of the first crowdfunding platforms, San Francisco–based Indiegogo (www.indiegogo.com) has helped raise over $2 billion since launching in 2008. But unlike Kickstarter, Indiegogo is an *open* platform, meaning you can raise funds for anything — there's no application or approval process required. You can use it for reward *or* donation-based crowdfunding. And while the platform funded only independent films at first, it's since expanded to fashion, technology, music, health, games, travel, community projects, and more.

There are several advantages to using Indiegogo. It is one of the most accessible crowdfunding platforms. To date, projects have been launched in more than 220 countries and territories.

The company also offers resources to help creators with product development and delivery. Plus, if your campaign is successful, Indiegogo lets you extend it so that customers can contribute even after the funding deadline. Or you can put your new product on the Indiegogo Marketplace as another way to attract patrons after the campaign ends.

Like Kickstarter, Indiegogo charges a 5 percent platform fee on funds raised. However, if you're raising money for a *personal* or *nonprofit* purpose, Indiegogo waives that fee. With Indiegogo, you also have the option to still receive funds even if you didn't reach your target before the deadline. They've also partnered with companies like Stripe, Amazon, Brookstone, Arrow, and MicroVentures to provide services that help folks make their campaigns even more robust and professional.

GoFundMe

Founded in 2010 out of San Diego, Gofundme (www.gofundme.com) has become the world's largest social fundraising platform, raising over $9 billion from more than 120 million donations. Unlike other crowdfunding platforms, Gofundme allows you not only to raise money for an important cause but also get funding for personal goals or a family emergency. For example:

- An Ohio neighborhood raised $50,877 to help a local family after a fire destroyed their home.
- One mom raised $1,629 to get her fourteen-year-old daughter to the Junior Olympics.

- Community members in Detroit raised $2,155 to help a beloved peanut vendor after his moped was stolen.

In other words, it's a way for people in difficult situations to get the financial support they need, without uncomfortable conversations. But campaigns can be for less dire causes too — like to fund your honeymoon, check off a destination on your bucket list, or fund your new woodworking hobby.

The site allows you to raise money for almost anything. But there are some restrictions. For example, you can't break any local laws, ask random folks to buy you stuff, or promote inappropriate content.

Another thing that makes Gofundme unique is that there are no time limits on the campaign. You can continue raising money indefinitely or leave the fundraising page up even after the campaign ends as a way of memorializing your efforts. Plus, Gofundme isn't "all-or-nothing." You keep all of the donations you receive, even if you don't hit your funding target.

In a lot of ways, Gofundme seems like any other charity. But while many Gofundme campaigns are for philanthropic causes, it's unlikely that you can deduct your donations on your tax return. Gofundme's website states that most contributions are considered gifts by the IRS. So unless you form a legal charity or nonprofit for your project, contributors can't deduct their donations.

Time to Get Started

Now that you have the tools to raise money without giving up equity or piling up debt, you're ready to take advantage of these tools and use them for yourself. What will you do? Scale the Himalayas? Mass produce your prototype? Film that documentary you've always dreamed about? Reward and donation crowdfunding can help make it a reality.

Conclusion

So here we are. You've made it to the end. As you've learned by now, it's not easy to opt out of the conventional banking system. It often means using *unconventional* means. Warehousing and lending functions like The Control Account. Forms of payment like bitcoin, gold, and physical cash. It means securing your valuables at home or in a private vault. And it means fundraising from your peers, in a way that doesn't create new money out of thin air.

Some may be disappointed that this book offered no magic bullet, and some may question whether giving up your bank is even possible. It's true that life without banks is inconvenient. We struggled with this problem, too. How do you become independent of banks if you still have a bank account? A mortgage? A credit card?

That's why it's important to remember that you can actively protest banks *without* cutting the cord completely. Taking power away from banks is not an all-or-nothing proposition. You can't expect to close all of your financial accounts tomorrow and get along just fine. It's a process that takes time.

We'll admit that we both have bank accounts (we're more than happy to take payments *from* the banks as long as we can move that money *outside* of the financial system). But we never keep more in the bank than we can afford to lose. And our banks shut down at a moment's notice, we wouldn't lose an ounce of sleep, because we have the financial alternatives to thrive *without* it.

While going 100% unbanked is the ideal, everyone has to start somewhere. That can mean creating your first crypto wallet and buying some digital currency. It might mean keeping more cash at home or closing your safe deposit box for a private vault instead. Or maybe you start investing in P2P loans as an alternative to stashing your savings away in a low-yielding bank CD.

The point is, these little things matter if you're worried about the banking system and want to become your own banker. Each step you take makes you more diversified and resilient to a financial panic. While banks may still be an entrenched force in the modern payment system, having these alternatives in your arsenal helps you prepare for even the worst bank-fueled credit crisis.

Don’t wait until it’s too late. Get ready today. You now have all the tools you need.

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THE UNBANKED SURVIVAL GUIDE

CONTROL YOUR FREEDOM, FINANCIALS AND FUTURE

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"The Unbanked Survival Guide" is a comprehensive guide that helps you navigate the world of **private banking alternatives.** Discover how to replace traditional banking functions. Learn about **alternative currencies, financial tactics,** and **breakthroughs** to store, use and grow your wealth. Gain the tools and knowledge to **reclaim control** of your money.

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"We discovered a specific set of tools and strategies that [...] offer the benefits of the modern financial system without a bank." | Matt Rizvi

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