



Protect Yourself with  
Precious Metals Investing

# TABLE OF CONTENTS

<b>Buyer Beware</b>	<b>03</b>
<b>Sketchy Marketing Tactics</b>	<b>04</b>
<b>Beware of Predatory Business Practices</b>	<b>05</b>
<b>Incentivized Customer Reviews</b>	<b>06</b>
<b>Be Cautious, Stay Vigilant, and Take Action</b>	<b>07</b>
<b>Four “Golden Rules” for Precious Metals Investing</b>	<b>08</b>
<b>Choosing the Right Partner</b>	<b>09</b>





## Buyer Beware

Any investment comes with risk - and every investment opportunity should warrant research and due diligence. Alternative investments can be both lucrative and powerful - but, without doing your research, you can fall victim to fraudsters and scams.

As a self-directed IRA custodian, we see all kinds of sales pitches, investment sponsors, and investment opportunities. We've also crossed paths with many precious metals dealers and processed countless metals transactions.

Over the past few years, some alarming trends have emerged in the precious metals market. Predatory metals dealers are taking advantage of older consumers, manipulating them into bad purchases, and leaving behind a wake of heartbroken buyers in emotional and financial distress.



While not all precious metals dealers are bad, the market is rife with unregulated brokers fueled by greed and fast money. These bad actors are actively working to incite fear and manipulate consumers - all in the name of making a sale. The elderly are particularly vulnerable, and often specifically targeted.

If you have aging parents, or if you have considered investing in precious metals, this guide will go over some things to watch for.

# Sketchy Marketing Tactics

It's well-known that older people have a harder time falling asleep and wake up more often at night. Aging brains disrupt the body's circadian rhythm, causing changes in sleep patterns as we approach our retirement years. Precious metals dealers have capitalized on this, targeting senior citizens with late-night or early-morning television infomercials and social media marketing.

These messages are designed to reach an aging population during a time of isolation, capitalize on their fears of losing their retirement, and manipulate them into purchases with the promise of making money. The timing and messaging of this marketing is no coincidence. The ads appear during late night and early morning hours when seniors are most likely to be alone and unlikely to call family members or advisors.

The advertiser typically takes a "doom and gloom" approach, preying on common concerns: fear of government encroachment and mishandling, inflation, taxes, and market crashes, then suggests the need to protect your retirement. The ads strategically exploit these pain points, implying that a variety of impending disasters will cause the dollar's value to fall, the value of precious metals will rise, and the

only way to survive will be to buy precious metals. In some cases, the ads highlight a list of benefits alongside some disadvantages in an effort to appear balanced. Rarely do these messages explain costs and fees or even give details about what the buyer is actually purchasing.

The precious metals dealer then extends an incentive designed to build trust, offering freebies like "thousands of dollars in free silver," "free IRA and storage fees" or "free shipping to anywhere in the US." They close the loop by applying pressure and creating a sense of urgency with "a limited time to take advantage of these offers."

For all too many, it works. Older consumers are investing at a staggering pace - without understanding what they are buying, researching the purchase, or evaluating the risks. These unscrupulous brokers have caught our aunts, uncles, parents, and grandparents, hook, line, and sinker.

And once the purchase is made, it's too late.

# Beware of Predatory Business Practices



## **Red Flag #1 - not disclosing the actual cost of the precious metals.**

Precious metals dealers aren't regulated, so no guidelines exist on markups or fees. This means brokers have free rein to charge exorbitant rates and gouge customers without reprisal.

Dealers often quote prospective buyers a total purchase price per ounce but don't share how much of the total they will retain as their commission. These markups can be HUGE - 40% or more of the actual metal cost - with the investor unaware that a commission has been added. This means the buyer pays a \$50,000 purchase price, but doesn't know they are receiving only \$30,000 in metals. Frequently, buyers don't discover the discrepancy until they attempt to sell the metals and realize the current value is lower than the initial purchase price.

Investing in gold and other precious metals comes with risk, including loss. While gold may be considered a "haven" investment, gold and other metals are not impervious to price declines. Recovering from an initial 40% loss is difficult, even in the best market conditions.

Not all precious metals dealers engage in price gouging, but it's far more common than not. The most egregious offender we've seen was charging 140% over the actual cost of the metals. The lack of good faith is both shocking and appalling.



## **Red Flag #2 - not fully explaining what they are selling.**

We've seen brokers selling "special" coins at inflated rates, despite the items having no resale market. The broker sells "limited edition," or "specially minted," coins at a premium, claiming they hold value for their uniqueness in honoring a person, place, or event. The purchase price of the coins is significantly higher than the value of the metal content, but they neglect to tell the buyer that there is no resale demand. When the buyers attempt to resell, they discover the value of the coins is limited to the metal content, causing the buyer to take a loss.

Brokers discourage buyers from doing research or evaluating offers with pressure to "Act now, before they're gone!" While terrible, these tactics are effective - buyers rush into commitments, the dealers make big money with no reprisal, and the buyer is left with no recourse.



# Incentivized Customer Reviews

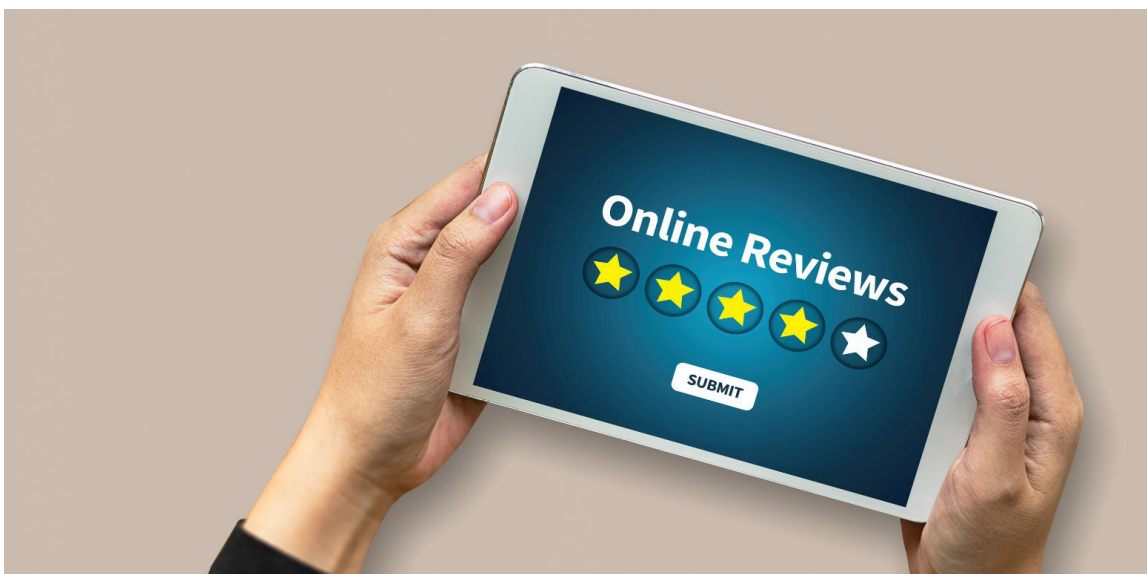
Google “buy precious metals,” and you’ll get pages of search results with the overarching message that every precious metal dealer is the number one dealer. Consumers look at reviews to establish trust and credibility - if a company is number one and has hundreds of five-star reviews, they must be good to their customers, right?



Incentivized reviews can create a good first impression, mask underlying issues, and imply the dealer is operating on the up-and-up. The dealers know this and strategically use incentives to solicit positive reviews. Immediately after a purchase, the dealer will encourage customers to leave a positive review in exchange for a freebie like free shipping, free storage, or even a silver coin. The goal is to capture the review early, portray a stellar reputation, and prevent new prospective customers from finding out they collect a 40% commission on precious metals purchases.

This technique is highly effective - telling a customer they can receive a free silver coin in exchange for some typed words goes a long way. The positive reviews start to pile in, the dealer appears reputable with high customer satisfaction, and further scrutiny is deterred from new potential buyers.

Remember this when you read their reviews and evaluate when the review was given. Is the buyer at the beginning of their precious metals journey and being showered with freebies? Or at the end when they’ve realized the “special” coins they’ve purchased for thousands of dollars can’t be resold and have little value?



# Be Cautious, Stay Vigilant, and Take Action

While watchdog groups and federal protection agencies are dedicated to protecting consumers, their budgets and resources are small compared to the dealers who are raking in huge profits. Legitimate dealers who operate in good faith are out there but are much harder to find. The ones who advocate for their clients and do business with integrity are often drowned out in the marketing frenzy. Couple this with the fact that selling precious metals is an unregulated industry and you have an environment that is ripe for scams.

Financial fraudsters tend to go after college-educated, optimistic, and self-reliant people. They also target those with higher incomes and financial knowledge who have had a recent health or economic change. As legendary bank robber Willie Sutton said, fraudsters tend to go "where the money is."

Older Americans, nearing retirement, who have worked and built wealth over a lifetime are a particularly lucrative target. If you haven't been a victim of a fraudulent pitch, you probably know someone who has.

If you believe you have been defrauded or mistreated by a professional or firm, file a complaint with the Commodity Futures Trading Commission (CFTC). Likewise, if you suspect someone you know has been taken in by a scam, send a tip.

**Commodity Futures  
Trading Commission (CFTC)**

<https://www.cftc.gov/complaint>

**866.366.2382**



# Four “Golden Rules” for Precious Metals Investing

Working with the right precious metals dealer can mean the difference between a return or a loss on your precious metals investment. With the right research and due diligence, a precious metals purchase through a legitimate dealer can add value and diversification to your investment portfolio.

These tips can help you distinguish the dealers that may be offering a viable investment opportunity from those who are purely interested in filling their own pockets. Using the four “golden rules” can help you avoid problems when it comes to investing in physical precious metals:

01

## Say “no” to pushy salespeople.

Investing in physical precious metals comes with the risk of encountering high-pressure sales tactics and even fraud. Remember: reputable investment professionals shouldn't push you into “acting now” or making an immediate investment decision. Even if no fraud occurs, this type of pressure is inappropriate. Be particularly wary of unsolicited telephone calls, persuasion tactics dangling the prospect of large profits, or implying that there are limited quantities of an investment available. Many of the victims I've talked to didn't want to “be mean” and say no to a pushy salesperson. If you are unsure or uncomfortable with an offer or transaction, it's not “mean” to say no. Take whatever time you need to look into the investment, the company, and the fees.

02

## Research the company.

Check out the company's background and research its leadership before you invest. Unfortunately, there is no centralized, regulator-approved list of precious metal dealers, but just like other businesses, you can find dealers accredited by the Better Business Bureau. The U.S. Mint also maintains a searchable database of dealers, and the Commodities Futures Trading Commission (CFTC) website allows you to search the firm or owner's name for disciplinary actions.

03

## Be on high alert when you hear “low risk.”

Don't fall for a pitch that physical metals are a “safe” or “low-risk” investment. Physical precious metals investments are susceptible to risks like storage charges, price fluctuations, and the use of investor loans to finance the dealer's purchases of metal bars, bullion, or coins. If you're thinking about buying metals, ask the salesperson for a risk disclosure statement. If the salesperson says no, end the conversation and find another precious metal dealer.

04

## Get a full accounting of costs, fees, and current value.

The current market value of the metal is called the “spot price.” Knowing the spot price will help you make educated decisions about the broker's fees and commission structure. Don't make any investment without understanding exactly where your money is going. From account opening fees to exorbitant sales commissions and high fees for shipping, storage, and other recurring expenses, ensure you understand your all-in costs - and the level of return you need to earn to break even.



# Choosing the Right Partner

In the precious metals industry, dealers that operate with transparency, trust, and integrity are both rare and highly valued. The market is full of bad actors, predatory practices, and outright fraudsters.

At Preferred Trust, we believe in advocating for, inspiring, and educating our clients. We pride ourselves on the transparency we provide to help investors protect themselves, and our ability to protect the tax-sheltered status of our clients' IRA accounts with the way we facilitate transactions. While these set us apart from competitors, the biggest differentiator of Preferred Trust is how selective we are in working with potential investment sponsors. A thorough due diligence process reveals their underlying business strategy, and we are not shy about declining to work with businesses that don't share our core values.

**“ The biggest differentiator of Preferred Trust is how selective we are in working with potential investment sponsors. ”**

While we cannot endorse or promote any specific investments or companies, we can share that our clients report the following precious metals dealers have served them well, operated in good faith, and have charged clients fairly for the services they provide:

ST. JOSEPH PARTNERS



NEPTUNE-GBX  
GLOBAL BULLION EXCHANGE

Including precious metals as part of a diversified investment portfolio can help you mitigate risks, provide a buffer against losses in other investments, and act as insurance against catastrophic events in the financial markets. Physical precious metals like gold, silver, platinum, and palladium can also provide investors with tangible assets that they can physically hold, providing a sense of security and ownership compared to purely digital investments.

## HAVE QUESTIONS? WE CAN HELP!



[WWW.PREFERREDTRUSTCOMPANY.COM](http://WWW.PREFERREDTRUSTCOMPANY.COM)



[CLIENTSERVICE@PTCEMAIL.COM](mailto:CLIENTSERVICE@PTCEMAIL.COM)



[www.PreferredTrustCompany.com](http://www.PreferredTrustCompany.com)

**888.990.7892**