



## **THE TRUE WEALTH 10-YEAR FORECAST**

***Plus, the one thing you need to know to make  
a fortune in the next 25 years***

My grandparents lived through the Great Depression. The impact stayed with them forever...

My grandparents were a great influence on me. As they got older, my grandmother managed to go to work five days a week *and* care for my grandfather full time until she died in her 80s. She never complained, to the point that we didn't realize how much she was doing until she was gone. My wife and I named our only daughter after them.

If my grandparents were still alive today, they'd be shaking their heads at how people handle their money now. They lived lean – somehow, they never spent money, but they never needed anything either. My grandparents didn't believe in having any debt (they didn't even have a mortgage).

And after living through the terrible decade of the 1930s when stocks got obliterated, they *never believed* in buying stocks for the rest of their lives. They only bought Treasury bonds, the simplest investment on the planet. They sure missed out on a lot of gains though...

My wife's parents, on the other hand, invested heavily in stocks throughout the 1990s when stocks soared. As a result, they'll probably always believe that stocks can make you a fortune.

Neither belief is right. There are times when stocks can make you a fortune, and times when you can get obliterated. The key is knowing when they might string a decade of gains together, and when they might do nothing. If we can get close to that, then we're set for life.

My goal today is to help direct you. I'll share with you what I think is a little known – but huge – secret. It'll help you be in the game when it's time to be in. And it'll tell you when to play it safe when it comes to stocks. The best part is, it requires you to make only one major portfolio adjustment. And you won't make that trade for another 10 years.

### **The Once-a-Generation Trade**

My grandparents must have thought they were making a sensible decision by avoiding stocks.

If *you'd* lived through the Depression, and through an entire generation (seventeen years from 1930-

1947) where stocks lost money, would you ever consider buying stocks again? Probably not. Yet stocks rose by more than 500% in the next generation, from 1947 to 1965 (eighteen years).

Folks who invested in stocks during the 1950s and made that 500% return started to believe the opposite of my grandparents – they now believed that stocks always go up. This boom ended with the “tronics” mania, the 1960s version of the dot-com stock craze.

For the next generation from 1965 to 1981 (sixteen years), the Dow Jones Industrials stock index gained less than a point:

<b>Stocks Go Nowhere for 16 Years:</b> (Dow Jones Industrial Average, year-end values)	
1964	874.13
1981	875.00

Folks who invested heavily throughout the 1970s decided – like my grandparents did before – that you could never make money in stocks. You needed real assets, like real estate and gold.

It's funny how it all goes in stages...

Almost like clockwork, that '70s generation of investors who saw the Dow go nowhere learned to avoid stocks – then missed out on the greatest stock boom in history. Stocks soared from the end of 1981 to the end of 1999 (eighteen years).

When you look at it over history, a rough pattern starts to emerge...

It's a pattern where *every 17 years or so, the investing generation switches. One investment rises by triple digits, the other loses money.* Again, it's not clockwork, but it is interesting.

I can show this “switching” to you in a simple table. I've put together stock prices versus commodity prices. Take a look... *triple-digit gains in one generation, losses in the next.*

## 100 YEARS OF INVESTMENT GENERATIONS

Generation	Commodities	Stocks	Years
1914-1930	-14%	159%	16*
1930-1947	244%	-30%	17
1947-1965	-18%	503%	18
1965-1981	123%	35%**	16
1981-1999	-9%	1054%	18
1999-2016	????	-????	17

**Data source:** the CRB Index and the S&P 500 Index, from Globalfindata.com

\* Data starts in 1914, so we don't have 17 years of data

\*\* While stocks had a small positive return for 1965-1981, if you adjusted the number for inflation, it would be negative.

The simple idea here is that **we're into a new investment generation now.** *If the last investment generation ended around 1999, and if the pattern holds, then we could see stocks do poorly for about seventeen years... or until 2016.*

I'll admit the evidence from a statistical standpoint is a bit flimsy, as we're only going back five generations here. But the generational idea makes sense... and the numbers do fall into place.

Since the end of 1999, we're on track once again. Stocks (as measured by the S&P 500 index) are down about 13%. Meanwhile, commodities prices (as measured by the CRB Index) are up 29%. Some commodities like oil and gold are up significantly more.

The point of this newsletter today is not to get you to invest in commodities now based on that table. The point today is that, **sometimes, it's good to be in stocks, and sometimes it's not.**

How do you know when to be invested in stocks, and when to avoid 'em? You can use this 17-year rule. It's basically driving at this idea: **If the last generation of investors loved stocks, and made triple-digit returns on them, then don't buy 'em. It's too late. You missed it. Do something else.**

**If the last generation of investors lost money in stocks for an entire generation, and now hate them, then it's probably time to buy.**

The last generation of investors loved stocks. The table above tells us it's time to do something else.

And just exactly what should you buy? Oh man, have we got a Big List of things to buy for you...

## If You're Embarrassed to Tell Your Friends About It, It's Probably a Great Investment

*"A pair of small Chinese [centuries old] porcelain vases at Northeast Auctions in New Hampshire this August, with a presale estimate of \$400 to \$600, fetched \$545,000.00."*

– *Forbes* magazine, December 26, 2005 (out next week)

Tom Dyson and I have been talking Chinese ceramics lately around the *DailyWealth* office, wondering when they're going to take off in value. (Don't worry, I'm not going to tell you to buy 'em.)

Why Chinese ceramics? One reason is, newly-minted Chinese millionaires will probably come looking to buy up their history. Another reason is, absolutely nobody is talking about them. A third reason is, I'm embarrassed to tell you that we're looking... so it must be worth a look!

None of these are the reasons we started to look in the first place. Ultimately, what drove us to look at these is this: ***Chinese ceramics were the one big winner near the top of The Big List that we haven't personally invested in yet.***

What's The Big List?

The Big List has been our cheat sheet for the last few years... The idea behind The Big List is pretty simple. We're buying up what worked during the last generational switch....

The last stock market peak was the late 1960s. A few years after that, gold, coins, commodities, and other assets (including Chinese ceramics) started to soar. So we took The Big List as our blueprint.

Here we are, a few years after a stock market peak once again, and the exact same things are working. It's uncanny. Take a look:

### THE BIG LIST:

#### What Worked the Last Time Around

Performance of various assets, June 1970-1980

Oil	1,866%
Gold	1,458%
U.S. coins	1,053%
Silver	739%
Stamps	619%
Chinese ceramics	607%
Diamonds	315%
U.S. farmland	271%
Old masters' paintings	242%
Housing	164%
U.S. consumer price index (inflation)	110%
Treasury bills	110%
Foreign exchange	102%
Bonds	89%
Stocks	81%

Source: *Tomorrow's Gold*, by Marc Faber

It really is crazy. The exact same things that did well in the 1970s have done well again today, practically in the same order. I believe there's plenty more to come.

They say history doesn't repeat itself, but it rhymes... the last time around, these things soared because of fears of inflation. Commodities rose because the dollar was falling. This time around, it may be supply driven... As Jim Rogers says "*Do you know anyone who's opened a lead mine in the last 20 years?*" How about a sugar plantation? How about a coin shop?

This time, commodities and the rest of this stuff will rise as people look for an alternative to stocks, and see prices moving up here.

Tom Dyson, my *DailyWealth.com* co-editor, who's good at challenging my investment ideas, emailed me last night saying "*oil has turned over. It looks like gold and silver have too. Is copper next?*"

Even if it is, I'm not worried.

I believe we're only at about the year 1972 on this list. From 1972 to 1981, stocks were horrible performers. And the things above did well for another eight years after 1972.

As I'll explain today, I think that's a likely case once again – the time to sell these things and buy stocks once again will be about a decade from now.

Again, I think we're about in late 1972... which is very early on this list. Coins provide us a good blueprint for what's possible from here...

The CU3000 Rare Coin Index (at [www.pcgs.com](http://www.pcgs.com)) soared 348% from 1972-1974. It took a breather for a few years. Then from 1976 to 1980, it rocketed up 1,195%. Wow!

To put what that really means in perspective, coin legend David Hall says: *"With a modest investment in the right coins in the early 1970s, you could cash out and buy a house by 1980, and many did."*

To give you an idea of how early we still are in this game, the CU3000 Coin Index is only up 2% in the last 12 months. Our pre-1933 gold coins have done a bit better, up 11%. Coins are up, but the boom has not even begun.

I can say this with confidence, because I know the general public is not buying. We're nowhere close. Heck, even my biggest supporters aren't buying yet. Tom, we're definitely closer to 1972 than 1980...

Not long ago, I talked to a longtime reader, who I've known since I was a kid. (Yes, Ted, I'm talking about you.) He lived a few blocks away. I stayed at his beach house as a kid, and played on the high school soccer team with his son. He recently told me: *"Steve, you've made me a lot of money over the last few years. I appreciate your conservative style. But I lost my shirt in coins in the early 1990s, and I'm never buying them again."*

When it comes to coins, Ted sounds like my grandparents that lived through the Depression. Ted

simply invested in coins at a very bad time. Even today, rare coin prices are down 66% from their highs sixteen years ago. Now that's a bear market! Wait, how many years ago was that peak? Was that about a *generation* ago? *Hmm... You don't say...*

Ted is not alone. My father is an avid reader of *True Wealth*. He likes to buy most everything I write about. But he hasn't bought any of my recommended coins either. And my mother-in-law is in the exact same boat – she can tell you all about our stock recommendations, but no coins for her, thanks. They're all from the same generation... a generation that saw coins (and stamps and other collectibles) get annihilated.

**To me, the way you make money investing is extremely simple. You buy something of extraordinary value at a time when nobody else wants it. And you sell it at a time when people are willing to pay any price to get it.**

Gold coins offer one of the best investment opportunities in the world right now. You could make many times your money in the next ten years. It happened the last time around. And I suspect it'll happen again.

It won't be a straight rocket ride, of course. We'll have severe shellackings, like we had this week in gold...

## **Gold gets shellacked... it won't be the last time**

Gold jumped to \$540 an ounce last week, and then quickly gave back the gains. Be prepared, for this type of thing is going to happen...

Most people think gold went straight up from \$35 an ounce in 1971 to \$800 in 1980. That wasn't the case at all. Gold absolutely soared until mid-1973. And then it quickly lost a quarter of its value, shaking out nearly everyone. Gold had gone up hundreds of percent by then, so everyone thought the move was done.

But it wasn't. Gold soon hit new highs in 1974. Then it got obliterated again... falling from about \$200 an ounce at the beginning of 1975 to about \$100 an ounce by mid-1976. Those that weren't shaken out before were shaken out this time.

Gold started coming back, and the third time was the charm. Everyone had seen gold jump twice now. They finally believed in it by the third time. The general public started clamoring to get in. That's when gold rose above \$800 by January 1980, and the coin index rose 1,195%.

The point is, it won't be a straight shot up. Each successive move higher will bring in more believers, until everyone believes. The list above is our cheat sheet for the next ten years. It'll be a rough ride, but we'll try not to get bucked off, and give it time to develop.

Then in ten years, when everybody loves basically everything on The Big List, we sell. We get out of our Big List holdings, and we buy stocks.

Summing up, since the last generation loved stocks, this next generation has to learn to hate them. It'll probably take 10 years. At that point, we'll buy stocks with all we've got. Our friends and neighbors will think we're crazy for doing so. We'll be embarrassed to tell them what we're up to. And it's exactly where we want to be...

Of course, it may not be exactly ten years. But that's a reasonable ballpark guess. Based on the size of the boom that we just went through in stocks, and how it captivated everyone, it'll probably take the full 10 years to shake everyone out of believing in stocks, and into believing in The Big List.

**Editor's note:** Since this issue went to press in January 2006, stocks (as measured by the S&P 500) have produced essentially flat returns.

The returns produced by The Big List are a much different story... Gold has returned 80%. Silver has returned 120%. Farmland, crude oil, and diamonds have also soared in price. The Big List continues to be an extraordinary place to store wealth.

## Outlawed For 41 Years, Now Legal Again



One investment, which most Americans know almost nothing about, is the secret behind some of the world's richest families:

**the DuPonts – the Hopkins – the Morgans – the Adams – the Rothschilds**

These super wealthy families prize this investment for its safety and anonymity.

The last time conditions were this good... **it returned 665%.**

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