

# Estate Planning and Wealth Preservation with Precious Metals

In a year that has been underpinned by uncertainty, Joshua Rotbart, the Managing Partner of J. Rotbart & Co., shares his expert insights into the virtues of capitalising on the robust, liquid and transferable asset class that is precious metals, especially in the context of succession planning, a topic which is particularly pertinent as Asia sits on the cusp of the largest wealth transfer the region has ever witnessed.

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**BY:**

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**Precious metals, especially** gold, have maintained their standing as symbols of prosperity and wealth throughout human history. As limited resources that must be mined and extracted, their scarcity adds to their value.

This value has grown steadily over time, often outpacing other investments such as stocks and fiat currencies. Precious metals have withstood historic cataclysms, protecting their owners' wealth through economic turmoil since the dawn of civilisation and allowing them to pass on their fortune to their heirs for generations.

Physical precious metals, such as gold bullion bars and coins, continue to be a prudent and reliable safe haven for wealth preservation and should be seriously considered during estate planning.

### **Precious metals preserve wealth**

While many people believe fiat currencies are only worth the paper they are printed on, precious metals have always been held in high esteem. History has stood by precious metals as a store of value and tangible assets that are easily transferable and liquidated.

Gold and silver were used as currency for thousands of years, long before countries established their own fiat currencies. Even then, and all the way to the 20th century, they valued their fiat currencies based on a gold standard, meaning that fiat currencies were pegged directly to gold. Today, government central banks are still procuring gold<sup>1</sup>, to have a larger degree of financial freedom and to bolster their fiat currencies, further confirming gold's status in wealth preservation.

### **Gold withstands economic turmoil**

As of this publication, economies around the world are reeling from the effects of COVID-19. But as fiat currencies and stock markets are plunging and wildly fluctuating, gold has held strong<sup>2</sup>, even soaring in value. During turbulent times such as these, investors realise the benefits of precious metals such as gold. There are no counterparties<sup>3</sup> to contend with, nor are there regulatory limitations or obstacles hindering purchases, trades or sales, which is what may face holders of ETFs, or 'paper gold', and other financial instruments such as shares.



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Gold is proving itself once again as a great hedge against market downturns as physical gold is a stable and relatively risk-free asset. Investors turn to physical gold in times of distress as it is not issued by a single authority and cannot go into default. Gold is a tangible asset owned fully and directly by its holders.

Gold has been a trusted asset against financial meltdowns through the course of history (great examples can be seen during the 2001 and 2008 financial crisis), as investors turn to gold to hedge their risks.

Gold ETFs and 'paper gold' are as good as the company that issued them, meaning that, if the issuing company goes into default or goes bankrupt, it is likely that the investors will not be able to be fully compensated based on their "paper" holdings.

### **Economic policies can affect gold prices**

In addition to unpredictable or collapsing markets, governments are stepping in to help by implementing quantitative easing (QE). QE is a policy whereby a central bank injects more money into circulation meant to increase money supply and investments in the markets through such actions as buying government bonds. The idea is that, with low interest rates and more money available, banks will lend more, and businesses will continue to operate. Unfortunately, QE

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<sup>1</sup> [https://jrotbart.com/gold-what-happened-in-2019-and-what-to-expect-in2020/#1\\_Central\\_Banks\\_Noticeably\\_Increased\\_Gold\\_Purchases](https://jrotbart.com/gold-what-happened-in-2019-and-what-to-expect-in2020/#1_Central_Banks_Noticeably_Increased_Gold_Purchases)

<sup>2</sup> [https://jrotbart.com/what-to-do-during-the-coronavirus-crisis-stay-financially-healthy-withgold/#Protect\\_your\\_Gold\\_and\\_Precious\\_Metals\\_against\\_Covid-19\\_with\\_gold](https://jrotbart.com/what-to-do-during-the-coronavirus-crisis-stay-financially-healthy-withgold/#Protect_your_Gold_and_Precious_Metals_against_Covid-19_with_gold)

<sup>3</sup> [https://jrotbart.com/how-should-you-buy-gold-physical-vs-papergold/#4\\_Safe\\_Haven\\_from\\_Counterparty\\_and\\_Other\\_Risks](https://jrotbart.com/how-should-you-buy-gold-physical-vs-papergold/#4_Safe_Haven_from_Counterparty_and_Other_Risks)

can lead to inflation and to the unfortunate result of money losing its value when more and more of it is being printed. This often negatively impacts most investment instruments except for gold, as its value tends to increase<sup>4</sup> with inflation.

### Precious metals should be part of every investor's legacy

Experts<sup>5</sup> highly recommend diversifying wealth portfolios with precious metals. Investors want their investments to at least maintain its value, but they prefer to see these nest eggs grow over time. Precious metals such as gold are not only an excellent hedge against market downturns, but analysts time and time again see gold as a sensible, if not profitable, asset class for the future<sup>6</sup>.

Gold is a great diversifier to one's portfolio as it combines minimum risk with long term price appreciation. If the economy is doing well, gold is purchased in the form of jewelry and investment for the future. If the economy is doing badly, gold usually acts as a balancer to the investment portfolio.

Physical gold bullion, whether in coins or bars, is a tangible commodity that does require planning and forethought when purchasing. They are valuable assets and vital for protecting your wealth and your family's future, so you want to ensure that it is bought, stored, and allocated securely and done so in a professional manner with a reputable company.

### Keys to estate planning with precious metals

When planning your estate, you may want to take special consideration regarding tangible assets such as precious metals. As shown above, gold is perfect for passing wealth through generations. Also, it is one of the very few assets that appreciate in value over the years and that can be physically redeemed with minimal process and costs.

Although most of our clients invest in gold under their personal name, about 10% of them would do so under a trust or foundation. This allows clients flexibility in terms of how the gold is handed down. A designated third party acts upon your instructions when the trust is triggered. This can include when and how your assets are distributed. Through trust and foundation structures, you can provide to your beneficiaries certain levels of privacy and protection against taxes and litigation.

Furthermore, you may assist in easing the handling of your affairs by avoiding probate and other potentially costly legal processes.

To determine the best course of action, you should seek expert advice to ensure your wishes, and your heirs, are well taken care of. The decision on how to hold the gold should be viewed in light of the overall estate planning.

### Tips on acquiring precious metals

We meet many families when they start looking at how to pass their wealth on to the next generation. Many of the conversations are around how to secure their investment and what is the best way to set up gold trading and, mostly, its custody.

When acquiring physical precious metals, you should go through an experienced, well-known firm that deals with reputable refineries and mints. An ideal way to ensure authenticity and purity is to demand sources be members of the London Bullion Market Association

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(LBMA) or the London Palladium and Platinum Market (LPPM). Members of these organisations are obligated to meet certain standards, such as Good Delivery<sup>7</sup> rules for bullion bars and coins. You should also receive full documentation of all purchases, including serial numbers for each item.

Once purchased, it is highly recommended to store precious metals in private vaults that offer state-of-the-art storage facilities with the latest security technologies and ensure that full liability coverage is provided. This is the recommended setup when buying gold for succession purposes planning. If you

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<sup>4</sup> <https://economictimes.indiatimes.com/wealth/invest/factors-that-affect-gold-price/articleshow/64464960.cms>

<sup>5</sup> [https://www.jrotbart.com/joshua-rotbart-discusses-gold-as-an-investment-with-pearlmagazine/#Top\\_portfolios\\_hold\\_3-10\\_of\\_their\\_value\\_in\\_gold](https://www.jrotbart.com/joshua-rotbart-discusses-gold-as-an-investment-with-pearlmagazine/#Top_portfolios_hold_3-10_of_their_value_in_gold)

<sup>6</sup> [https://www.gold.org/sites/default/files/documents/gold-investmentresearch/the\\_impact\\_of\\_inflation\\_and\\_deflation\\_on\\_the\\_case\\_afor\\_gold.pdf](https://www.gold.org/sites/default/files/documents/gold-investmentresearch/the_impact_of_inflation_and_deflation_on_the_case_afor_gold.pdf)

<sup>7</sup> <http://www.lbma.org.uk/good-delivery-explained>

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are storing your bullion as suggested above, you may want to create a joint account with your beneficiary/beneficiaries so that ownership can be transferred relatively smoothly. With a joint account, there should be a clause in the storage contract guaranteeing the other account holder has immediate access. But if all account holders pass away at the same time, these assets may end up in probate, causing bureaucratic processes that may not be welcome during a difficult time.

### **Precious metals are fundamental to wealth preservation and estate planning**

Preserving wealth and prudent estate planning are how we all take care of our families. By ensuring diversification in our investment portfolios with precious metals, we strengthen the value of the bequest we leave behind for our loved ones. And with careful and well-advised estate planning, the benefits of these precious metals can continue through generations. ■

