

Precious Metal Storage Considerations

Not all professional vault environments are alike. The following are some helpful tips when selecting a professional vaulting facility.

READ THE STORAGE AGREEMENT!

Look for clauses that are one-sided and benefit the facility or program. Many contracts are designed by attorneys who are paid by the custodian to protect the custodian's interests. Customers may be unaware that they are signing away any recourse or responsibility by the custodian.

Make sure the facility is insured. Some facilities may be bonded but carry no insurance. Please be aware that a bond is not insurance. A Bond is limited in scope and may not cover the same risks as an insurance policy.

Reduce any "conflicts of interest" risk. Some facilities are owned by or associated with precious metal dealers. This could cause conflicts if the dealer is unable to secure metal as promised for new or previously paid transactions from their clients. The ability to use existing metal in a vault rather than defaulting on a transaction has been a concern in the precious metals markets dating back to the Goldsmiths of the Medieval times.

Understand the insurance limits and deductibles the vault is responsible for. It may be much more common than we think for facilities around the world to under insure their total exposure of items being stored. The probability is low that everything in the vault would be stolen or damaged in one setting. However, as we have witnessed, natural or geo-political events may cause unusual circumstances that place owners of metals in vaulting facilities at much greater risk than they realize.

Another cost saving measure for storage facilities is to have high deductibles on their insurance policy or bond. If the facility experiences a large loss or a number of smaller losses, having a insurance deductible set too high may effect the cash flow of that facility and lead to a "going concern" risk.

If the facility is part of a bank. The bank may be insuring a bulk of the metal internally with the bank's assets. As we have seen in this volatile financial system, bank's are constantly under pressure from their leveraged balance sheets and fractional reserve liquidity.

Talk with the facility and understand their viewpoints with regard to political and social policies. How accessible would the facility be if unfortunate events occurred in the country where the metal is being stored (example riots or natural disasters). If the facility has not thoroughly developed views or policies to deal with these possibilities, precious metal owners may be stuck in a situation of complete frustration and inability to obtain their wealth.

Again, one of the most critical elements of owning precious metal is how you store it.