

# Wealth Creation and Preservation

## Special Report

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### *Why should you have a safe at home?*

As we work our way into the third full year of bursting bubbles in the economy – housing, credit, commodities, stock markets, and more – it seems like the crisis is deepening and our uncertainty about the future is on the rise. There are several things we can do to lessen our apprehension about the future and reduce the shock of negative events that may happen to us. These things include:

1. Building a cash reserve of as much as six months' of daily living expenses. This money should be in an account with full liquidity that pays a competitive interest rate. I usually recommend ING Direct; please contact me for a coupon good for \$25 when you open an account.
2. Storing food and necessities at home.
3. Improving your marketability in the employment arena.
4. Reducing and, where possible, eliminating your debt.
5. Changing your personal spending habits by eliminating impulse purchases and most non-essentials.

I discuss these things in *Moneywise: Your Guide to Keeping Ahead of Inflation, Taxes and the Declining Dollar*. There is one other item I did not add to that list in *Moneywise*, but it is just as important as the others. You should buy a [small] safe and install it somewhere in your home out of sight, possibly inside a closet on the floor. It should be high quality and offer fire and burglary resistance. It should probably be low-tech; you don't need electronic fingerprint identification or digital keyless entry for something you will use less than once a week. Here are some characteristics of an appropriate safe:

Fire resistance

Combination lock plus *supplemental* key lock\* (as opposed to an *alternate* key lock, which is less secure)

Minimum weight 100 pounds

Minimum internal size 1 cubic foot

Ability to be bolted to the floor

Should be able to remain closed and locked for extended periods without having problems with dampness and humidity. A safe that needs to be aired out constantly will become a nuisance.

### What should you put into your safe?

What will the safe be used for? I recommend three key items. You should keep your **important papers** in it. Many people make the mistake of keeping their important papers, including their will, in a bank safety deposit box. Legally these boxes are closed upon the owner's death and access is determined by the probate court. Some states are aggressively claiming assets in "owner unknown" safe deposit boxes. If our government declares a "bank holiday" you might not be able to access your safe deposit box for days or weeks.

Just as important, you should store **valuables** in your safe. Burglary is one of the few areas of employment on the rise in this economic downturn. Valuables include jewelry, credit cards you are not currently using, and cash.

The reason why I recommend a larger safe over a smaller one is to give you a place to store **silver**. A recent article claimed (without documenting its sources, unfortunately) that the world has only a 9-year supply remaining. Since there is already far less silver than gold worldwide the price of silver should rise dramatically even if the price of gold remains stable. I believe silver will provide an essential hedge against future inflation and even hyperinflation. Silver is heavy and takes up a lot of space; dollar for dollar, gold is much more compact. Gold is not likely to do as well as silver. Gold is not scarce, and there is no danger of running out.

### What brand and model of safe is appropriate?

I don't recommend certain models or brands of safes. I would be wary of the "lightweights" sold at Staples and Office Depot stores, though if you search their catalogs you will find better items. Don't be afraid of a safe weighing between 100 and 200 pounds; they should be difficult to move. Movers can handle a 200 pound safe as easily as they handle a washing machine. If it is over 300 pounds you will pay an extra fee to move it, just as you would for a piano.

Some safes, such as those pictured below, have a steel body with no insulation or other material. The difference between the outside dimensions and the inside dimensions are slight. Others have concrete between layers of steel for burglary and fire protection. Some even have a jacket filled with water or other fluids to enhance their fire protection. If you store electronic media, CDs, and DVDs in your safe you want to have as much fire resistance as possible. It only takes enough temperature to warp plastic to make a DVD unreadable. Paper, on the other hand, ignites at 451° Fahrenheit; it takes time and intense heat to make paper in a good safe catch on fire.

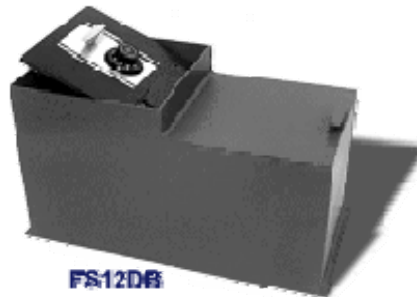
"Numismatic" coins – those with value for their scarcity and their appeal to collectors – can be damaged by high heat. Coins encapsulated in a grading company plastic "slab" can be damaged when heat warps the plastic. Bullion silver and non-numismatic coins like American silver Eagles are unlikely to suffer damage from heat unless the temperature rises sufficiently to cause them to soften and melt.



Above: a professionally graded and "slabbed" gold coin with numismatic value. You need a fire-resistant safe to store these types of collectibles.



The safe pictured above is an example of a relatively small safe with only a combination lock instead of a digital lock or a key lock. This model weighs 128 pounds and has a capacity of 1.23 cubic feet. You can store several thousand ounces of silver in 100-ounce bars in a safe this size (as many as 90 bars), less if you have silver coins or Eagles. 1.23 cubic feet should hold about 560 40-coin rolls of “junk” silver US quarters in plastic tubes. It offers no fire protection, which accounts for its light weight. If you store valuable documents in your safe you will probably want a fire-resistant safe instead of this model.



The type of safe in the picture above is installed in the floor, usually when the building is under construction or remodeling. These safes tend to have little or no fire protection and can be awkward to access. Once installed, however, they are very difficult to remove and can often be hidden easily. Based on their internal dimensions, you get a lot more safe in this style than you do in others.



This Sentry safe above emphasizes fire resistance over security. It is advertised as being suitable for CDs and DVDs. Note the “alternate” key lock, which can be used instead of the combination. I don’t recommend this type of lock.

How much should you spend?

Price is not everything. You should be prepared to spend \$600 to get the right combination of size, burglary – and fire-resistance. You may have to pay extra for delivery as well.

You should check the web using a Google search and look at the various types of safes available. I suggest working with a reliable safe company where you can get good advice and service.

### Storing the combination

Please have all those who are permitted access to the safe to practice and memorize the combination. To be on the safe side, don't place the only copy of the combination in the safe itself. Find a secure place to put the written combination somewhere else in the house.

### The "Midnight Gardener"

Many years ago someone came up with an idea for storing valuables outside, buried in the ground. Since a garden is an appropriate place to hide something (unlike a lawn, the soil is turned frequently) and because you are better off burying your valuables outside in the dark, the device was given the name "Midnight Gardener". A newer version of this device is currently available. It has several drawbacks, most of which have to do with remembering *what* is buried and *where*.

If I am able to locate a reliable safe dealer I will place a link on this website to that dealer.

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

\* A supplemental key lock works with the combination lock instead of substituting for it. In a high-quality safe you have a long key that functions to prevent the safe from being opened even when the correct combination is dialed.