

By Mark Skousen

Miami Advice

In pushing through Congress the Comprehensive Money Laundering Prevention Act of 1986, the chairman of the House Banking Committee announced that this far-reaching legislation would serve notice to "drug dealers, tax evaders, illegal aliens, prostitutes, organized crime and illegal gamblers" that the government means business. Interpreted broadly enough, these categories of "criminal" activity would, I suspect, include a good many Americans.

This new law, as well as the tax-reform legislation, is bound to enlarge the federal leviathan, especially in your financial affairs. Central to the war on drugs, tax evaders, and other "dregs" of society is the effort to attack financial middlemen. Many innocent investors are going to be harmed by these draconian measures.

Be prepared for the following in 1987:

Reporting at the \$3,000 level. The old \$10,000 rule for cash transactions is out. Now, any cash transaction—including cashier's checks and money orders—by a banker, stockbroker, coin dealer, car dealer, or other business in excess of \$3,000 must be reported to the Treasury. Imagine the trouble and invasion of privacy associated with real estate and other transactions that require cashier's checks.

The reporting requirement is worth avoiding at all costs because it in essence provides the government a list of suspected drug dealers. If your name appears several times, you could be investigated by the feds without your knowledge or permission. Unfortunately, it's going to get harder to avoid.

A new informer program. The money-laundering act makes it illegal for businesses to accept money from a "known drug dealer." This makes hearsay part of the law! Undoubtedly there will be lawsuits over defamation of character, but the law protects banks and businesses from liability if they disclose information to the government about suspected crimes. Henceforth, banks and other businesses can discriminate with impunity. They may start turning away people who appear to be the "drug-dealer type" or who speak with a foreign accent. You might have to take a drug test before doing business with your stockbroker or banker!

Your wealth will also be affected by the new tax law. Now you'll have to list Social



Security numbers for your dependents five years of age and older. In addition, starting on the 1987 tax return, you'll be required to list tax-free municipal-bond income. Finally, the IRS budget is going up \$700 million a year for the next five years, and most penalties (over 50 are in the tax code) are going to double. Expect the IRS to hire thousands more agents to harrass and intimidate those with high income.

What to do? It's time to create a private investment portfolio while you can still legally do so. By this I mean private, nonreportable investments that can be hidden from government, relatives, lawsuit-happy individuals, and other privacy invaders. I recommend the following:

• **Gold and silver coins.** We are in the beginning of a new inflationary trend, and precious metals are bound to move up. Buy popular gold, silver, and platinum coins. For maximum privacy, buy locally with cash at a reputable coin shop or a coin show. Store your coins in several safe-deposit boxes.

Recommended gold coins include the new American eagles, Chinese pandas, Canadian maple leaves, and Krugerrands, as well as the pre-1933 \$20 and \$10 eagle gold coins in brilliant uncirculated condition. However, stay away from high-grade MS65 coins—it's a phony market created by greedy promoters. Stick with common-dated uncirculated coins. I also recommend uncirculated U.S. silver dollars and half-dollars.

Two platinum coins worth investigating

are the Isle of Man Noble and the Swiss Shooting Taler. (It's especially important to buy platinum confidentially because it is a strategic metal that the government will demand for its own purposes during a military or financial crisis).

• **Junior growth stocks.** Junior industrial and mining stocks can be a good investment if you're selective. Most won't pay any dividends, so they remain a quiet investment. Plan on holding for the long term. (For maximum privacy and safety, take possession of all junior stock certificates.) For a list of prospects, write for a sample issue of Dave Remark's monthly newsletter, National Securities Corp., 500 Union St., Seattle, WA 98101.

• **Foreign investments.** The private investor always seeks to protect his wealth from his government by investing outside his country. I recommend Swiss bank accounts, either in Switzerland or in the Bahamas. Other low-profile alternatives include England, Austria, Luxembourg, and Hong Kong. Foreign investments that qualify as private are precious metals, nondividend-paying stocks, insurance products, and real estate for personal use. For recommended banks and private investment alternatives, see my special report, "Secrets of Creating Private, Tax-free Wealth," P.O. Box 2488, Winter Park, FL 32790, \$20.

You must report more than \$5,000 in a foreign bank account to the Treasury. But you can avoid this limitation by purchasing Mocatta metal certificates, which represent ownership of gold or silver in Switzerland. You buy the certificates in the United States and the metals are stored in Switzerland, and most tax experts argue that this is not a foreign bank account. For more information, contact Rhyne Precious Metals, 110 Cherry St., Seattle, WA 98104, 800/426-7835.

Also consider purchasing a second home in a foreign country or opening a safe-deposit box in a country you frequently visit. All of these privacy-enhancing measures will help protect you from the advancing federal leviathan.

Mark Skousen, editor of the investment newsletter *Forecasts & Strategies*, is the author of *The Complete Guide to Financial Privacy*, Simon & Schuster (1983).

KEVIN POPE

By John Dentinger

Sweet Success

Robin Rose is a sweet and feisty entrepreneur, the head of Robin Rose Ice Cream & Chocolate, with half a dozen stores in Southern California, two in Japan, and more in the works. She's been praised by *People* and *Los Angeles* magazines as having the best ice cream in Los Angeles. She recently received a governor's award as an outstanding California woman entrepreneur.

All of this came about in part because she has excellent products to sell and there is a market for quality ice cream and chocolates. But there's a little more to it: marketing savvy, a magnetic personality—and, of course, a rocky road to travel.

Rose's father was an entrepreneur. He started a furniture business, in which her mother also worked. It wasn't a luxurious childhood, but her father's work fed the family and gave then-Robin Friedman a model of ethical business conduct. "My father never hurt anybody, he never owed money that wasn't paid back, he gave people jobs, he took care of everybody fairly," she says.

She majored in economics at Stanford—where she also took ROTC courses in tactics and guerrilla warfare—and then earned an MBA from the University of Chicago. A long-time libertarian, she went to Chicago partly because of Milton Friedman. But her passionate view of business wasn't shaped in the classroom.

"If I taught econ, I would make value judgments—which, God bless Milton Friedman, were absolutely banished from his class. I am terrified that America is not going to be competitive past the year 2000. I am sickened at the size of the government, but I don't see that it's reversible."

So what would Robin Rose do? "I would give students a pep talk: Go out there and try to excel. Give 110 percent instead of 90 percent. Try honesty instead of deceit. It is its own reward, and it's a very invigorating way to live.

"When I went to Japan, I got goosebumps—people 80 or 90 were out early in the morning washing their sidewalks—the work ethic is so ingrained there. I see us as a flabby country....Are we really prepared to be a second-class economic power?"

Despite her strong views, however, Rose's stock in trade is ice cream, not ideology. "I can't afford to worry about it. I'm just going to collect my royalties from



Robin Rose: "Laissez-faire means 'watch it.'"

Japan, where they love my ice cream and call me 'Lobin Lose.'"

She got into the business after five years designing sales promotions for Gallo Wineries and a brief stint as a liquor-industry consultant. In the beginning, Rose planned to sell chocolate truffles, a product she thought would capitalize on the boom in gourmet food.

She mortgaged her condominium, raised \$200,000 in investment funds, and got the liqueur manufacturer Cointreau—one of her consulting clients—to donate \$2,000 worth of their extract to the enterprise. She rented manufacturing space, where she experimented with a staggering 500 batches of truffles before settling on her recipes.

That done, she approached "every candy company in the western states" and offered a deal—they would make the chocolates and she would market them. "I just had one door after another slammed in my face."

So she rented her own warehouse near the beach in Venice, California, and began large-scale production with the help of her parents and a makeshift chocolate melter—a steam kettle rigged to an electric motorboat propeller. Her lease required that she buy \$16,000 worth of ice-cream-making equip-

ment already on the premises; she then found herself forced to spend an extra \$20,000 to get the freezers to work. (People in the marketplace sometimes misrepresent things, she says dryly.)

The money spent, she began making ice creams, some with liqueurs. And in a serendipitous moment, she melted down a batch of raspberry truffles that didn't look good enough to sell and threw them into the ice-cream maker. When she began retailing ice cream a week later, Raspberry Chocolate Truffle sold out first. Within a few months, ice cream sales overtook chocolate sales.

In its early days, the business was called Via Dolce (Sweet Street), but love soon led to a new name. When a closed-circuit television salesman named Roy Rose came to install a new security system, Robin Friedman drafted him into helping her make ice cream. (She also instructed him to strip down to his shorts lest he ruin his clothes. The salesman complied.) "I knew I was in love within three weeks of our first date," she says. Robin Friedman became Robin Rose—and so did the store, which happened to be located on Rose Avenue.

In less than five years in business, Rose says, "I seem to have skirted one disaster after another, most of them from disreputable salesman." About two years ago, two men offered to set up a partnership deal to take her business national, then tried to squeeze her out. Rose has since looked with a jaundiced eye on "partnership" offers.

Lately, Rose has taken on her large competitor, Baskin-Robbins, which came out with liqueur-flavored ice creams, as well as a Raspberry Chocolate Truffle flavor. "It's not wrong for them to imitate me. It's wrong for them to say they created it." The press, with discerning palate, has sided with her.

Rose says her respect for the free market has been battered by the marketplace, but it survives. "My accomplishment is that I didn't become a statistic—I didn't become one of the four out of five businesses that fail within the first five years. I don't want people leaving high-paying jobs, putting everything at risk, so that they can become a failure, a statistic," she says. "Laissez-faire means 'watch it.'"

John Dentinger is a Los Angeles free-lance writer.