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THE PREHN INSTITUTE | RESEARCH

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Gold Just Crashed. Two Investors Explain Why They're Not Worried.

Felix Prehn and Clive Thompson break down the worst precious-metals quarter in 13 years — what caused it, who profited from the panic, and what every beginner investor needs to know about gold, silver, debt, and staying sane in a sell-off.

FELIX PREHN

Economist and former investment banker
The Prehn Institute

REPORT SCOPE

Plain-English explanation of the video.

RATING

None

PRICE TARGET

None

BOTTOM LINE:

The headline. Gold and silver just had their worst quarter since 2013. Silver hit a record high near $125 an ounce earlier in the year, then collapsed. Gold fell sharply alongside it. It was, as Felix put it, a "bloodbath."

About Felix Nikolas Prehn and The Prehn Institute

Felix Nikolas Prehn

Felix Nikolas Prehn is an economist and former investment banker. He writes and lectures on how the financial markets work, with a focus on how ordinary savers can protect what they have built.

The Prehn Institute

Felix Nikolas Prehn is the founder of The Prehn Institute. It publishes research on the financial markets and provides instruction in how they work. It gives no financial advice.

It takes no sponsorships and no endorsements, ever. So its work answers to its readers and to nobody else.

Our work online

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1. What Just Happened? The Worst Quarter in 13 Years

The headline. Gold and silver just had their worst quarter since 2013. Silver hit a record high near $125 an ounce earlier in the year, then collapsed. Gold fell sharply alongside it. It was, as Felix put it, a “bloodbath.”

Felix’s framing. Felix opened the conversation by calling it a “bloodbath” — and the numbers justify the word. He sees this as a moment where most retail investors made their most expensive mistake: panic-selling into a crash and chasing the next hot thing (AI stocks).

Clive’s reaction. “I must say I did not expect it, and I don’t think most people expected it to go as bad as this.” But he is not panicking. He has been using the decline to buy small amounts of gold and silver. His reasoning is simple: he has never owned so much of any single asset that a decline would put him in a panic. “The whole point about investing is you should never own so much of anything that when it goes down, you feel in a panic.”

What this means in plain English. If you own some gold or silver and the price dropped, you are not alone. The entire market sold off. But the people who stayed calm — like Felix and Clive — were the ones who had sized their positions correctly in the first place. That is a lesson worth more than any price prediction.

Key Takeaway: A crash only becomes a personal disaster if you own too much of one thing. The right amount of gold is the amount you can hold through a bad quarter without losing sleep.

2. MEET THE SPEAKERS: FELIX PREHN &

CLIVE THOMPSON

Felix Prehn. Felix is a former investment banker who spent years inside the institutional machine before stepping away to teach everyday investors how it actually works. He founded The Prehn Institute — a platform built around the idea that the strategies used on Wall Street should not be locked behind a six-figure minimum account. Felix reviews thousands of retail portfolios and sees the same mistakes repeated: over-concentration in tech, paralysis in cash, and a reluctance to invest that costs people more than any market crash ever could. His core conviction: “Sitting on the sidelines is the most expensive and risky thing you can do.”

Clive Thompson. Clive is a retired private wealth manager who spent more than 50 years in the finance industry, much of it based in Switzerland. He managed money for high-net-worth individuals

- ✓ people with hundreds of thousands or millions in the bank. His job was to help them invest wisely, diversify properly, and avoid the mistakes that destroy wealth. Clive received his first gold coin

- ✓ a British sovereign — from his grandfather at age fourteen. His grandfather told him two things: never sell it, and don’t tell anyone about it. When he received it, the coin was worth about three pounds. Today, it would be worth roughly a thousand pounds.

Why this pairing works. Felix brings the perspective of an investment banker who sees macro forces, market structure, and the case for being invested. Clive brings five decades of wealth management experience, a deep understanding of gold as money, and the calm that comes from having navigated every major crisis since the 1970s. Where they agree, pay attention. Where they disagree (and they do), you get both sides.

Clive’s other work. Clive is also the author of the Little Trot series of children’s books, which teach financial vocabulary to young readers through adventure stories. Book one, Little Trot Learns to Save Money, is available free on his website. His nine-year-old son, Clive says, now knows more about finance than Clive did at eighteen.

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3. How Bullion Banks Manufactured the

CRASH

What is a bullion bank? A bullion bank is a large bank that deals in gold and silver. Think of the biggest banks in the world — they have desks dedicated to buying and selling precious metals. They are not evil. They are in the business of making money, just like everyone else. But they have a significant advantage over ordinary investors.

The advantage. Bullion banks can see where other traders have placed their stop-loss orders. A stop-loss is an automatic instruction: “If the price drops to X, sell my position.” Imagine a staircase of these orders stacked below the current price. If the price falls just enough to trigger the first one, the resulting sale pushes the price lower, which triggers the next stop-loss, which pushes it lower still. It becomes a self-feeding waterfall.

How it played out. Clive explained: “If you’re a bullion bank and you can see that if you start to trigger the stop losses, the price will be driven down as each stop loss triggers the next one... You can then wait till you get to a level where there’s not enough stop losses to keep the thing going. You can then step in and start being a buyer.”

In other words. The banks helped push the price down, then bought at the bottom. This is not illegal — it is how these markets work. But it is worth understanding so you do not become the person whose stop-loss gets triggered for the banks’ benefit.

Beginner Tip: A stop-loss is supposed to protect you, but in a thin market like silver, it can work against you. The price drops, your stop-loss fires, you sell at the worst possible moment, and the price bounces back without you. Clive’s approach: if you own physical metal and you are not using borrowed money, you do not need a stop-loss. You just hold.

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4. The Late-buyer Trap: Why Retail Investors Bailed Out

What happened. After the initial crash, the price briefly bounced. But the size of the original fall had already spooked a group of investors who had bought gold and silver late in the rally — roughly from October through January — at prices well above $50 an ounce for silver.

The psychology. These investors watched their positions go from profitable to losing. Many of them panicked and sold, often to chase the next “hot thing” — which, at the moment, is AI stocks. As Clive put it: “A lot of people got very frustrated and couldn’t bear the thought of losing any more money. So they started bailing out.”

The result. “The bottom line is everybody who’s got some silver who bought any time after about October is in losing territory.” Those who have held for many years are disappointed but not in danger.

Beginner Tip: Buying near the top of a rally and then panic-selling near the bottom is the most expensive mistake in investing. It is called “buying high, selling low” — the exact opposite of what you want to do. The antidote is patience and proper position sizing.

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5. Kevin Warsh and the “Hawkish” Fed

FEAR

What triggered the sell-off. The appointment of Kevin Warsh as Federal Reserve Chair spooked the gold market. Warsh is perceived as “hawkish” — meaning he favours higher interest rates and strict inflation control. He previously resigned from the Fed in 2011 in opposition to the money-printing program known as quantitative easing.

His speech. Last week, Warsh gave a speech in which he said the Federal Reserve “will not be interfered with by government” and that the 2% inflation target must be reached. This reinforced the market’s fear that interest rates would stay high for longer.

Why this matters for gold. Higher interest rates are generally seen as bad for gold. The logic: if you can earn 5% in a savings account, why hold gold, which pays nothing? But as Clive and Felix discuss later in this conversation, that logic has serious holes in it — because the “real” return on cash (after inflation) is often negative, even when interest rates look high on paper.

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6. Higher Interest Rates vs. Gold: Is It Really That Simple?

The textbook view. In finance textbooks, higher interest rates make gold less attractive because gold does not pay interest or dividends. When rates go up, the “opportunity cost” of holding gold increases — you are giving up income you could earn elsewhere.

The real-world wrinkle. But the textbook assumes that inflation is low and that the interest you earn is a genuine profit. If inflation is running at, say, 5% and your savings account pays 4%, you are actually losing 1% of your purchasing power every year. Gold, meanwhile, tends to hold its value in real terms over the long run.

Clive’s view. He does not think people are focusing on the word “inflation” anymore when deciding where to invest. Instead, they are thinking about what comes next: a world of ever-increasing government debt, potential crises of confidence, and the risk that one day, governments will have to take “drastic and urgent action” that will not be kind to holders of cash or bonds.

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7. The Gold Revaluation Trick: Felix and Clive Disagree

Felix's scepticism. Felix raised the idea that the U.S. government might revalue its gold reserves. The government holds around 261 million ounces of gold, but it is still valued on the books at roughly $42 an ounce — a price set decades ago. If you revalued it to today's market price, you would get a massive balance-sheet gain. "My view might differ slightly from yours," Felix said. "I don't think they're going to do it. I think the market is too smart. What actually has changed? Nothing."

Clive's response. "Of course it is an accounting trick and it is a paper exercise. But there is a positive consequence for any government which does it."

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8. How the Revaluation Would Actually

WORK

Step 1. The U.S. government sells its gold to the Federal Reserve through a “sale and repurchase agreement.” This is not without precedent — a similar transaction occurred in 1934.

Step 2. The Federal Reserve pays for the gold at the new, higher price. It pays with newly created electronic cash.

Step 3. The government immediately buys the gold back. But instead of paying with cash, it issues “gold notes” to the Fed. Gold notes are special: they carry no interest and are not counted as part of the national debt. The Fed already holds gold notes from the 1934 transaction, so this is not a new concept.

Step 4. The government now has a pile of newly created cash. It uses this cash to fund current spending and to repay maturing debt — without having to borrow from the bond market.

The effect. The national debt goes down. The supply of new Treasury bonds shrinks because the government does not need to issue as many. Less supply, with the same demand, means bond prices rise and yields fall. Lower yields make it cheaper for the government to borrow in the future.

Clive’s key insight. “They are basically swapping interest-bearing debt, which has to be repaid, for non-interest-bearing debt, which is perpetual and never has to be paid.”

Felix remains sceptical. “I still wonder whether the market will not just see through it. Ultimately, we know you’re going to still be running up trillions of extra debt all the time.”

Why This Matters for Beginners: If the government does revalue its gold, it would effectively be putting a “floor” under the gold price — a minimum price below which the government will buy. As Clive says: “If you put a floor under any price, it immediately acquires option value because there’s only one way it can go beyond that.”

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9. Government Debt: The Elephant in Every Room

The core problem. Governments around the world — not just the United States — are spending more than they earn. The difference is made up by borrowing. Year after year, the total amount of debt grows. The United States alone has north of $39 trillion in national debt.

Why it matters. Clive explained it simply: “There comes a point, and there always comes a point, where you get to a level of debt to GDP where suddenly, because of an internal situation or an external situation, there’s a crisis of confidence.”

Is there a magic number? No. There is no debt-to-GDP ratio that automatically triggers a crisis. Japan has been running extremely high debt ratios for decades without a collapse. But, as Clive noted, “things might be starting to go wrong with Japan as we speak. It does look a bit precarious.”

The confidence spectrum. Think of government debt as sitting on a spectrum. On one end: “I have full faith and trust in my government.” On the other end: “I’m not sure about this. I want to get out fast.” We are somewhere in between. When confidence shifts, it can shift quickly.

What happens when confidence breaks. “If there is a shift in the confidence levels, it could result in rapidly falling demand for Treasuries and therefore higher yields, making it more and more difficult for the government to finance itself. In which case you get a debt spiral.”

Beginner Tip: A “debt spiral” is when a government has to borrow at ever-higher interest rates to pay back its old debts, which means it has to borrow even more, which pushes rates even higher. It is a vicious circle with no easy exit.

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10. When Confidence Breaks: The Liz Truss Moment

The UK example. In 2022, Liz Truss became Prime Minister of the United Kingdom. She lasted about 45 days. Her government proposed a package of unfunded tax cuts — spending more without saying where the money would come from. The bond market immediately punished the UK. Gilt prices (UK government bonds) collapsed, yields spiked, and pension funds were pushed to the edge of insolvency.

Hidden derivatives. What made it worse was that many major holders of UK gilts had derivative instruments — complex financial bets — that were designed to enhance their returns in normal times. When the market moved violently, these derivatives forced pension funds to sell gilts at ever-lower prices, accelerating the crash. “It’s a bit like the stop losses being hit,” Clive said.

The rescue. The Bank of England stepped in and bought every gilt it could find, with a government guarantee to cover the losses. The crisis was “nipped in the bud.” But it proved a crucial point.

The lesson. “The bond market basically overruled the UK government. The bond market just voted with its feet and said, ‘No, you can’t add that much debt. You can’t spend that much money.’ So the government changed.” This is the power that the bond market has over any government — and it could happen elsewhere.

Key Insight: “People have a misunderstanding that interest rates are set by the Fed,” Clive explained. “The ultimate interest rate is actually set by the market, by the bond market.” Felix agreed — and pointed to the stablecoin legislation as further evidence that governments are scrambling to find new buyers for their debt.

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11. Hidden Derivatives and the 2008

LESSON

What are derivatives? A derivative is a financial contract whose value is based on something else. For example, a futures contract on gold is a derivative: its value goes up or down based on the price of gold itself. Derivatives can be useful, but they can also be extremely dangerous when they pile up in ways nobody expects.

What happened in 2008. The 2008 financial crisis was not simply about a few people failing to pay their mortgages. It was about layers of derivatives built on top of those mortgages. Banks created "mortgage-backed securities" (bundles of mortgages). Then they created derivatives on those securities. Then more derivatives on those derivatives. "So you had one at the end with real securities, and then each one was a derivative of the other. When the first one failed, the impact was far, far bigger than just a few people not being able to pay their mortgages."

The problem today. "Throughout the world, there are derivatives and forward contracts and all kinds of instruments which are not known about, which are off balance sheet, and we don't know what's going to come next." Clive is not predicting a crisis. He is making a more subtle point: you do not know what you do not know. Risks are hidden until they are not.

Why banks take too much risk. Felix added a structural observation: "Bankers are typically there for a relatively short period of time. They get paid a bonus at the end of every year. Once they're no longer there, they're not personally on the hook. So the incentive is just take more risk than you should and hope it's going to be fine for the next five to ten years, and then you retire."

Shared Conviction: "You don't know what you don't know," Clive said. "And when it comes, you need to be prepared." Felix added the structural observation: bankers are incentivised to take too much risk because they collect bonuses today and retire before the consequences arrive. Both see gold as insurance against risks that are, by definition, invisible until they strike.

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12. Commercial Real Estate: The Next Shoe to Drop?

The setup. Commercial real estate — office buildings, shopping centres, warehouses — is typically bought with borrowed money. Seven or eight years ago, a buyer might have borrowed at about 3.25% interest (because the benchmark rate was near zero) while earning rental income of 5–6% on the property. It was a profitable deal.

The problem now. Those fixed-rate loans are starting to mature. The new interest rate is not 3.25% — it is more like 7.5% or 8%. Even if rents have risen 30%, they are not enough to cover the new borrowing cost. The maths no longer works.

The cascade. When these loans mature, banks will demand more collateral or force sales. But the next buyer will not pay the old price because they cannot make the maths work at today's rates either. Forced selling pushes prices down, which reduces the value of the bank's collateral, which forces more selling. "We don't know the extent of these types of loans throughout the banking system everywhere in the world," Clive said.

Table 1 — Commercial Real Estate: Then vs. Now (Simplified Example)

Factor	7–8 Years Ago	Today
Benchmark interest rate	~0.25%	~3.75%
Borrowing cost (benchmark + bank spread)	~3.25%	~7.5%
Rental yield on purchase price	5–6%	~6.5% (after rent increases)
Profit after interest?	Yes (~2% spread)	No (negative ~1% spread)

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13. Physical Gold vs. "Paper" Gold: Why The Spread Matters

What Clive observed. During the crash, Clive noticed something important about the spread between physical and paper gold. The paper price (futures, ETFs) collapsed. But at physical dealers, the picture was very different: premiums above spot widened, buy- back prices fell, and the gap between what you could sell for and what you could buy for ballooned.

What is the "spread"? The spread is the difference between the price at which a dealer will buy your gold and the price at which they will sell it to you. In normal times, this gap is small — perhaps 3–5%. During a crisis, it can explode to 10, 15, or even 20%. Clive recalled taking his first sovereign to Sharps Pixley in London as a young man: "They said, well, we'll give you ten quid for it, or we'll sell you another one for twenty or twenty-five. I didn't like the spread, which sounded absolutely mammoth."

Why the spread is a signal. A widening spread during a crash tells you something critical: the people who actually own physical metal are not selling. The selling pressure is coming from leveraged speculators in the futures market — traders who never intended to hold real gold. When paper prices crash but physical dealers tighten their supply, it means the "smart money" (long-term holders) is sitting tight while the "fast money" (short-term traders) is panicking.

Beginner Tip: "Paper gold" means owning gold through a financial instrument — an ETF, a futures contract, or a certificate. You never touch the metal. "Physical gold" means actual coins or bars in your possession (or in a vault you control). In a crisis, paper gold can trade at a discount to the real thing. That is the spread telling you something important.

14. THE BEAR CASE FOR GOLD AND SILVER

Felix asked Clive directly: is there a reasonable bear case? Clive did not dodge the question.

We are in a bear market. "A bear market is not a strict definition, but most people view it as a twenty percent decline from the high point. And when you're in a bear market, there's no rule which says it stops at twenty-one percent or twenty-five percent."

Forced central bank selling. The war in the Middle East caused higher oil prices. Countries that do not produce enough oil — like Turkey — found themselves short of dollars. They sold Treasuries first, then gold, to keep their economies running. Other countries may have done the same without announcing it.

A stronger dollar. Felix identified what he sees as the biggest bear case: "If somehow inflation magically disappeared, or at least the market believed it did, and somehow they managed to strengthen the dollar." A genuinely strong dollar makes gold less attractive because gold is priced in dollars.

But Clive doubts it. "I doubt it because I don't really see how the US could really deal with it from a debt point of view." In other words, the very policies that would be needed to strengthen the dollar — cutting spending, reducing debt — are politically almost impossible.

Table 2 — Bear Case vs. Bull Case for Gold (From the Conversation)

Bear Case	Bull Case
Stronger U.S. dollar	Unsustainable government debt globally
Inflation disappears; rates stay high	"Real" inflation (money supply + debt) still rising
Central banks forced to sell gold (e.g., Turkey)	Central banks buying gold at double historic rates
Bear markets can extend beyond −20%	Gold has recovered from every prior crash over 50+ years
Retail panic selling; money flowing to AI stocks	Physical metal holders are not selling; paper market drove the crash

15. WHY "REAL" INFLATION IS MUCH HIGHER THAN YOU THINK

The traditional measure. Governments measure inflation using indexes like the Consumer Price Index (CPI), which tracks the cost of everyday goods — food, fuel, rent. By this measure,

inflation in recent years has been elevated but not catastrophic.

Clive's view. "The real inflation is not the M1, M2, M3 [official money supply figures]. It's the money supply plus the amount of debt which exists." Government debt is effectively a promise to print money in the future. It is liquid — it can be turned into cash at any time. So the true amount of "money" in the system is much larger than official figures suggest.

Felix's measure. "To me, the real measure of inflation is basically how much the S&P goes up a year. It was at seventeen percent last year, about twenty-five percent the two years before that. So over four years, you basically have almost one hundred percent inflation."

What this means. If the stock market has roughly doubled in four years, that tells you how much extra money is sloshing around the system and finding its way into financial assets. The price of bread may have risen 20%, but the price of "a piece of the economy" (i.e., stocks) has risen 100%. That gap is the real measure of how fast your cash is losing value.

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16. The Biggest Risk: Sitting in Cash and Doing Nothing

Felix's conviction. "I would argue that oddly, the only way out of it is to participate in this casino — the stock market or commodities markets — because there's a likelihood that it will go up more than the actual inflation."

Where the money goes. Both Clive and Felix agree on a fundamental point: when governments create money (through spending, borrowing, and printing), that money does not disappear. It flows through the economy and eventually ends up in the hands of wealthy individuals and large businesses. What do they do with it? They buy assets — stocks, property, gold, luxury goods. This is why financial assets have been rising faster than everyday inflation for decades.

The consequence for ordinary people. If you sit on the sidelines in cash, your money is being quietly devalued every single day. "I think the sitting on the sidelines is the most expensive and risky thing you can do," Felix said.

But many people are stuck. Clive has sympathy for people who do not invest. "When they go to see financial advisors, the financial advisors are on a mission to sell them a product, and they feel nervous about the sales pitch. By the same token, they could go to an independent financial advisor who's fee-based only. But the problem with that, most people don't like to pay fees. So a lot of people effectively find themselves stuck, saying, 'I'd rather do nothing.'"

The Uncomfortable Truth: Doing nothing feels safe, but it is the most expensive choice you can make. Inflation — even mild inflation — compounds against you just as powerfully as good investments compound in your favour. Over 20 years at 3% inflation, your cash loses almost half its purchasing power.

17. DIVERSIFICATION: THE GOLDEN RULE

The principle. Clive returned to this theme multiple times: do not put too much into any single asset. "I like to be very diversified. I don't want to end up in a situation where I've got so much in one particular asset where I say, 'I've now got no choice, I have to bail out of it.' That would be a bad situation."

What to hold. Clive believes in holding a mix of asset classes: equities (stocks), gold, silver, property, and even some cash and bonds. For bonds: "They should be very short-dated and high credit quality." For cash: "It needs to be in a place where you can trust the counterparty and trust that you can get it back in a hurry."

The common mistake. Felix pointed out a pattern he sees in thousands of retail portfolios: "It's typically tech, more tech, and a bit more aggressive tech." Even buying the S&P 500 index is heavily weighted toward technology companies. True diversification means going beyond just stocks — and beyond just one sector.

Risk-limited products. For people who are truly afraid of losing money, Clive suggested calling your bank and asking about products with limited or zero downside risk. "Quite often they have products that offer the first ten percent of the stock market upside but protect you at a hundred percent, provided you keep your money there for a year." These are not exciting, but they are a bridge for people who are frozen with fear.

Table 3 — Clive's Diversification Framework (From the Conversation)

Asset Class	Role in Portfolio	Key Risk to Watch
Equities (stocks)	Growth; benefit from corporate profit expansion	Overconcentration in tech / one sector
Gold & silver (physical)	Store of value; insurance against currency debasement	Price volatility in the short term
Property (real estate)	Tangible asset; rental income	Interest rate sensitivity; illiquidity
Short-dated, high-quality bonds	Capital preservation; liquidity	

Inflation eroding real returns	Debasement through money creation
Cash Emergency reserves; optionality	

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18. The Roman Coin-clipping Parallel

Felix asked Clive a pointed question: “Is this sort of the Roman kind of ‘let’s clip the denarius’? A lot of empires started with a gold coin and then put a little bit of bronze into it, or started with a silver coin and put a little bit of something else into it.”

Clive’s answer. “In a way, it acknowledges what has been happening over the last hundred-plus years, which is the never-ending increase in government debt which ultimately gets monetised by turning it back into money.”

What is “coin-clipping”? In ancient Rome, rulers would shave tiny amounts of gold or silver from coins and use the shavings to mint new ones. Later, they simply reduced the precious metal content of each coin and replaced it with cheaper metals. The coins looked the same but were worth less. Citizens did not notice immediately, but over time, prices rose and confidence in the currency eroded.

The modern version. Today’s governments do not clip coins. They create digital money — trillions of dollars, euros, and yen — that dilute the value of the currency already in circulation. The effect is identical: each unit of money buys less over time. The gold revaluation, the stablecoin-Treasury loop, quantitative easing, and deficit spending are all modern forms of the same ancient trick.

Why this matters for gold. Gold cannot be “clipped.” An ounce of gold today contains the same amount of metal as an ounce of gold in Roman times. That is why people have turned to gold during every currency debasement in history. The current episode is larger in scale but no different in kind.

Beginner Tip: “Currency debasement” is a fancy term for a simple idea: your government is making your money worth less by creating more of it. Gold is popular precisely because no government can create more of it. There is a fixed amount on Earth, and mining more is slow and expensive.

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19. Stablecoins: The New Buyer of U.s. Government Debt

What is a stablecoin? A stablecoin is a type of cryptocurrency designed to hold a steady value — typically pegged to the U.S. dollar. The largest stablecoin issuer, Tether, promises that every digital coin is backed by real assets, primarily U.S. Treasury bonds.

Why this matters. Felix pointed out a remarkable fact: "Tether owns something like a hundred and seventy billion dollars in US government debt. It's more than most countries."

The bigger picture. As foreign central banks have reduced their purchases of U.S. Treasuries — partly because of the Russia foreign-reserve confiscation, which spooked many countries — stablecoin issuers have stepped in to fill the gap. The U.S. government is, in effect, creating domestic demand for its own debt through a new channel: crypto.

Why gold investors should care. This is another form of "creative financing" that allows the government to keep borrowing without interest rates spiking. It postpones the day of reckoning — but it does not eliminate it. The more creative the financing, the more fragile the system becomes.

20. WHO GETS HURT WHEN THE MUSIC

STOPS?

Clive's view on who suffers. If a government is forced to take "drastic and urgent action" on its debt — whether through currency devaluation, capital controls, or other emergency measures — Clive believes the impact will not be evenly distributed.

The average person will be fine. "If you're Joe Public, the ninety percent of the population who are average, you'll be fine." Governments will protect the majority because they need their votes and their participation in the economy.

The top ten percent need to be careful. "If you're the top ten percent with hundreds of thousands in the bank, you need to be careful not to be overexposed to money or your government." Those people will survive because they tend to own real assets — houses, equities, gold — but the monetary (cash and bond) portion of their wealth could take a serious hit. "It'll be just like a sudden tax."

Foreign holders get the worst deal. "If you happen to be somewhere in Asia, an Asian central bank or an Asian institution holding a lot of dollar assets, there's no particular reason why the government of the United States would feel any particular obligation to you." History bears this out: when a government needs to act, foreign creditors are the last priority.

This is already happening. Felix pointed out that many Asian countries have been "significantly reducing how much US debt they own." They can see the writing on the wall and are diversifying away from dollar assets — often into gold.

Felix and Clive Agree: "None of those contingency plans are going to be good for the holders of cash or bonds," Clive said. Felix concurred, adding that Asian countries are already "significantly reducing how much US debt they own" — a signal that the smart money is diversifying out of purely monetary assets and into real assets before the music stops.

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21. Why Financial Education Is the Path To Freedom

Clive's experience. Throughout his career managing money for wealthy clients, Clive was consistently surprised by how little even very smart, very successful people understood about basic finance. "People are very, very intelligent. They have a lot of money sometimes because they've run a business. But they're quite often very uneasy when it comes to the financial world. They don't really understand how a bond works. They don't understand how an equity works."

What schools teach. Clive makes a sharp observation: "When you go to school, you're studying twelve or thirteen subjects, but only three of them are useful for everybody: English, reading, and writing. But the fourth subject, which is not generally taught, is money. That would be essential for everybody."

Felix's view. "Financial education is the actual path to freedom. The salary people earn is the beginning of a business, and the business is called investing. I appreciate most people don't understand that."

The compounding lesson. Felix wished that schools would "replace maths with just five years of compounding until it finally sunk in. I think people would live very different lives." Compounding — the process by which small, consistent gains build on each other over time — is the single most powerful force in investing.

Beginner Tip: If you invest $10,000 and earn 8% per year, you will have roughly $21,600 after ten years and $46,600 after twenty years — without adding a single extra dollar. That is compounding. Start early, stay consistent, and let time do the heavy lifting.

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22. What Felix and Clive Would Tell an 18-Year-old Today

Felix: Understand compounding. Felix believes this is the single most important concept in investing: “I wish that schools would replace maths with just five years of compounding until it finally sunk in. I think people would live very different lives.” If you invest $10,000 at 8% per year, you will have $46,600 after twenty years without adding a single extra dollar. Start early. Let time do the work.

Felix: Do a weekly family finance roundup. Felix described his own family’s practice: “We do a sort of a weekly finance roundup where we just share where we’re at, what’s going on, what investments are doing. I think everybody understands it maybe at a slightly different level, but it gets everybody on one path.”

Felix: Your salary is seed capital. “Financial education is the actual path to freedom. The salary people earn is the beginning of a business, and the business is called investing.” Most people think of their salary as money to spend. Felix sees it as the starting capital for a lifelong investment practice.

Clive: Start with a book. Clive’s first suggestion for someone starting from scratch: buy a simple book called Beginner’s Guide to Investment. You do not need to become an expert. You need to understand the basics — what a stock is, what a bond is, what interest means, what risk means.

Clive: Teach your children. Clive has made it a personal mission to teach his nine-year-old son about money. His Little Trot books introduce financial vocabulary through adventure stories, not textbooks. “He knows far more about finance now at nine years old than I knew when I was eighteen.”

Both: Talk about money. Most adults are uncomfortable discussing money. “They’re quite happy to discuss the football or the baseball or last night’s Netflix series. But when it comes to discussing money, it’s not an area which normally comes up at the dinner table.” Yet we spend eight to twelve hours a day working — for money. Making it taboo to discuss is, as both speakers agree, “absurd.”

Both: Beware hidden costs. Clive remembered his father being thrilled about a hire-purchase scheme to buy a TV — monthly instalments that felt affordable but carried heavy hidden costs. Felix’s response was blunt: “Or maybe not buy the bloody thing and invest the money instead.”

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23. Key Takeaways at a Glance

Table 4 — The 15 Most Important Points from This Conversation

#	Takeaway
	Gold and silver had their worst quarter in 13+ years. It was painful but not unprecedented.
	The crash was driven by stop-loss cascades and bullion bank positioning — not by a change in gold's fundamental value.
	Kevin Warsh's "hawkish" appointment was the trigger, but the underlying debt problem is the real story.
	Clive has held gold for 50+ years and is buying more during the decline, not selling.
	Never own so much of one asset that a crash forces you to panic- sell. Position sizing is everything.
	The gold revaluation is an accounting trick — but one with real consequences for debt levels and bond markets. Felix remains sceptical; Clive sees it as likely.
	Government debt is the elephant in the room. It can only grow until confidence breaks — and confidence can break suddenly.
	Hidden derivatives and off-balance-sheet risks mean the next crisis could come from somewhere nobody is watching. The 2008 crisis proved this.
	Commercial real estate loans maturing at higher rates could trigger a wave of forced selling that ripples through the banking system.
	The bond market is more powerful than any government. It overruled the UK in the Liz Truss crisis. It can overrule the U.S. too.
	Currency debasement is the modern version of Roman coin-clipping. Gold is the one asset that cannot be debased.
	Stablecoins like Tether now hold more U.S. debt than most countries. This is creative financing, not a solution.
	Sitting in cash feels safe but is the most expensive long-term strategy because inflation compounds against you every day.
	Diversification across asset classes — stocks, gold, property, short-dated bonds, cash — is Clive's golden rule.
	Financial education is the true path to freedom. Start early, teach your children, and talk about money openly.

Table 5 — Glossary of Financial Terms 24. DEFINITIONS: EVERY TERM YOU NEED TO Term What It Means (in Plain English) KNOW Precious metals Gold, silver, platinum, and palladium — metals that are rare, durable, and have been used as money for thousands of years. One of the biggest barriers for beginner investors is the vocabulary. Here is a plain-English glossary of every financial term Bullion bank A large bank that specialises in buying and selling used in this report, in the order they appear. physical gold and silver. They also trade gold futures and options. Stop-loss order An automatic instruction you give your broker: “If the price drops to X, sell my position.” Designed to limit losses but can trigger cascading sell-offs in a fast-moving market. Sovereign (coin) A gold coin minted by the Royal Mint in the UK, containing about 7.3 grams of gold. One of the most widely held gold coins in the world. Hawkish / dovish Hawkish means favouring higher interest rates and tight monetary policy to fight inflation. Dovish means favouring lower rates and more money creation to stimulate growth. Federal Reserve The central bank of the United States. It sets (“the Fed”) short-term interest rates and controls the money supply. Quantitative When a central bank creates new money and uses easing (QE) it to buy government bonds or other assets, pushing down interest rates and flooding the system with cash. Opportunity cost What you give up by choosing one thing over another. If you hold gold instead of a savings account that pays 5%, the opportunity cost is 5% per year. Gold revaluation Updating the official book value of a government’s gold reserves from the old, fixed price (e.g., $42.22 per ounce) to the current market price. Sale and A transaction where one party sells an asset to repurchase another and simultaneously agrees to buy it back agreement at a later date. Used by governments and banks to (“repo”) manage cash flows. Gold notes Special certificates issued by the U.S. government to the Federal Reserve in exchange for gold. They carry no interest and are not counted as part of the national debt. Debt-to-GDP Total government debt divided by the size of the ratio economy (GDP). A rough measure of how manageable a country’s debt is. Higher is worse, but there is no magic “crisis number.” Debt spiral A vicious cycle where a government borrows at higher rates to pay old debts, increasing total debt, which pushes rates even higher. Gilts UK government bonds. The UK equivalent of U.S. Treasuries. Yield The return you earn on a bond, expressed as a percentage. When bond prices fall, yields rise, and vice versa. Derivative A financial contract whose value depends on the price of something else (a stock, a bond, a

Derivative	A financial contract whose value depends on the price of something else (a stock, a bond, a

Term	What It Means (in Plain English)
	commodity, etc.). Can be used for hedging or speculation.
Mortgage-backed	
security (MBS)	
	A bundle of home loans packaged together and
	sold as a single investment. The buyer receives
	payments as homeowners pay their mortgages.
Off balance sheet	Financial obligations that do not appear on a company's or bank's official balance sheet. This
	can hide the true level of risk.
LIBOR	London Interbank Offered Rate — the old benchmark interest rate at which banks lent
	money to each other. Now largely replaced by
	other benchmarks, but referenced in many older
	contracts.
Collateral	An asset pledged as security for a loan. If you cannot repay the loan, the lender can seize the
	collateral.
Bear market	A decline of 20% or more from a recent high. It describes the overall direction of prices, not a
	single bad day.
Stablecoin	A cryptocurrency designed to maintain a fixed value — usually pegged to $1 USD — by holding
	reserves of real-world assets like U.S. Treasury
	bonds.

Table 5 (continued) — Glossary of Financial Terms

Term What It Means (in Plain English)

Treasuries bills, T-bonds)

Bonds issued by the U.S. government. Considered among the safest investments in the world because they are backed by the full faith of the U.S. government.

Different measures of the money supply. M1 is the narrowest (cash and checking accounts). M2 and M3 include broader forms of money like savings accounts and money market funds.

Compounding Earning returns on your returns. If you invest $100 and earn 10%, you have $110. Next year, you earn 10% on $110, giving you $121 — not $120. Over time, this snowball effect becomes enormous.

Hire purchase A payment plan where you pay for something in monthly instalments. You do not own the item until the final payment is made. Often carries high hidden interest charges.

Independent financial advisor (IFA)

An advisor who charges a fee for their advice and does not earn commissions from selling products. They have no financial incentive to recommend one product over another.

Purchasing power

How much your money can actually buy. If prices rise 10% and your cash stays the same, your purchasing power has fallen 10%.

Position sizing Deciding how much of your total portfolio to put into any single investment. Proper position sizing is what prevents a crash from becoming a personal disaster.

Currency debasement

When a government reduces the real value of its currency — historically by mixing cheaper metals into coins, today by printing more money or accumulating debt. The effect is the

same: each unit of currency buys less over time.

Capital controls Government rules that restrict how much money citizens can move out of the country. Often imposed during financial crises to prevent a stampede for the exit.

Financial repression

A set of government policies that keep interest rates below the rate of inflation, effectively forcing savers to subsidise government borrowing. Your savings account pays 3% but inflation is 5%? That 2% gap is financial repression at work.

Forced seller Someone who must sell an asset not because they want to, but because they are required to — by a margin call, a maturing loan, or a derivatives obligation. Forced sellers accept whatever price the market offers, which drives prices down further.

Real return Your investment return after subtracting inflation. If your bond pays 4% but inflation is 5%, your real return is negative 1%. You are losing purchasing power despite nominally “earning” money.

Option value The extra worth something acquires simply because it could go higher. If a floor is put under gold’s price, the gold can only go up from there — Term What It Means (in Plain English) that upside potential has value, even before the price moves.

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REFERENCES

Sources & disclosures

SOURCES

1. All facts, opinions, and data points in this report are sourced directly from the recorded conversation between Felix Prehn and Clive Thompson. No outside research was added. Specific references cited by the speakers during the conversation include:
2. Silver all-time high near $125/oz (referenced by Clive as occurring in January 2026). Kevin Warsh's appointment as Federal Reserve Chair and his subsequent speech on Fed independence and the 2% inflation target. The U.S. government's gold reserves: approximately 261 million ounces, officially valued at ~$42/oz on government books. The 1934 gold transaction between the U.S. Treasury and the Federal Reserve (historical precedent for a sale-and- repurchase arrangement). Japan's extended high-debt-to-GDP experience and current "precarious" situation (Clive's assessment).
3. The 2022 UK gilt crisis and the fall of the Liz Truss government (approximately 45 days in office). The 2008 global financial crisis and the layering of derivatives on mortgage-backed securities. LIBOR as the historical benchmark rate; commercial real estate borrowing costs then (~3.25%) vs. now (~7.5%). Turkey as a forced seller of gold due to elevated oil prices and dollar shortages. Tether holding approximately $170 billion in U.S. government debt. The confiscation of Russia's foreign reserves as a catalyst for reduced foreign central bank demand for Treasuries. Felix's observation that the S&P 500 rose ~17% in the prior year and ~25% in each of the two years before that. Clive's first gold sovereign: received at age 14, worth ~£3 at the time, now worth ~£1,000. Clive's Little Trot children's book series, available free at clivethompson.com or in print on Amazon.

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