PHYSICAL GOLD VS ETFs

DO YOU REALLY OWN GOLD OR PAPER?

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There are many reasons savvy investors want exposure to precious metals these days. In periods of high inflation, gold is unprintable and tends to retain its purchasing power over time. When markets seem to be in bubble territory and potentially headed for a reversal, gold and silver have never been worth zero. Gold and silver have also functioned as money for thousands of years of recorded human history. And with an **~80% price increase versus ~50% DOW increase in the last 5 years**, (as of this writing) what's not to like?

But what is the best way to invest in gold? Should you go the classic route and buy physical metals and store them at home, or is there an advantage to going with gold ETFs (Exchange Traded Funds)? Both have their pros and cons, but in a nutshell: there's nothing like the real thing. There is no substitute for having your gold in your possession, and here's why.

THE TEMPTATION OF GOLD ETFs

Gold ETFs are popular, no doubt. They're liquid, transparent, and have low entry points. These funds trade like ordinary stocks and offer exposure to gold without needing to store and secure the physical metal. The most popular, GLD, holds gold bars in a vault somewhere in London and lets you buy and sell shares intraday.

But here's the kicker: owning shares in a gold ETF doesn't mean you own gold. Nope, you just own another paper asset that is somehow, sort of, theoretically backed by gold. Kind of. If you think you can just waltz up to the vault and demand your share of the shiny stuff, think again. Only "authorized participants" get that privilege.

Sure, a stake in an ETF is better than no exposure to gold at all, if physical ownership is not possible for some reason. But there really is nothing like the real thing, and an ETF is not the real thing. You still have counterparty risks with an ETF. You have to trust in the issuing institution's honesty, security and financial solvency. For many investors, this defeats the purpose of owning gold.

Neither do ETFs perfectly track the price of gold. There can be discrepancies due to management fees, market fluctuations and other factors.

THE TANGIBILITY OF PHYSICAL GOLD

Now, let's talk about the real thing: physical gold. Whether it's jewelry, bars, or coins, there is just nothing like the sparkle and heft of gold in your hand. Gold coins, especially, are a favorite because their value closely tracks the spot price of gold. Rare collector coins like the Saint-Gaudens double eagle or Liberty Head nickel add a bit of historical flair and scarcity value, and the upside potential of numismatics can
be huge.

Physical gold is seen as a good hedge against inflation and economic instability, but critically, it is also a tangible asset you control. Lock it in a safe, stash it away, and in times of economic uncertainty, it's potentially more useful than a piece of paper or a digital blip in your brokerage account.

Another benefit to holding physical gold is privacy. Gold and silver coins and bars do not require registration with any financial institution, and they can be stored discreetly. Gold coins are also highly portable and tend to be passed down from generation to generation. Transferring ownership is as easy as putting it in your grandson's hand. Not so with an ETF.

THE REAL THING

So, do you want to really own gold, or just play around with digital representations of it? Physical gold is a hands-on, tangible asset that's been a store of wealth for millennia. Gold ETFs offer the convenience of a paper asset, but with no physical backing you have any real claim to. Sure, some might own both for diversification, but if you're serious about wealth preservation, nothing beats the real thing.

In the end, physical gold offers a sense of security and ownership that no ETF can match.

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> **Only the real thing is the real thing. A gold ETF won't help you during hard times any more than Smith & Wesson stock certificates would help you during a home invasion.**
>
> Rachel Mills, Research Analyst

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