



Why invest in gold?

Gold is often termed to be a 'safe-haven' investment, it forms a solid part of any investment portfolio and as such it is generally recommended to allocate around 10-15% to gold bullion. Gold bullion however may not be perceived as a literal investment but a form of 'saving for a rainy day' or financial insurance.

Gold remains a finite currency and as such every central bank in the world holds a percentage of gold reserves. Unlike paper money more gold cannot be produced, supply never meets demand, to date the total amount of mined gold is 158 tonnes. Gold is one of the best ways to preserve wealth and pass it from one generation to the next. The gold market is also very fluid, as well as buying gold from us, it is just as easy to sell back your gold to us

Given that stock markets have endured some of their worst falls in recent years and the increasing global debt crisis, it is not surprising that gold has been booming and is predicted to rise as high as \$2000 an ounce over the coming years.

With banks offering lower interested rates, fixed deposits such as ISA's and savings accounts make little sense; it can even be cheaper to borrow money to invest in gold. Whenever interest rates fall, gold rises.

Benefits of investing in gold:

- Stable Investment
- Easily liquidated
- No income tax
- Hedge against inflation
- Easily stored
- Reduces the effects of fluctuations on other assets

Why are gold prices so high?

Many people are tempted to buy gold when they hear that the price has risen because they sense the investment value. However, it is often better to buy when the price has fallen slightly. Although do not get caught out trying to buy when the price is at the absolute bottom because this is very difficult to predict.

In times of economic uncertainty, people want a way to protect their assets and no other investment does this as well as gold. For thousands of years it has been used as a store value product and alternative currency. With paper money losing its value, National Debt increasing and increasing inflation, it isn't surprising that people are turning to gold to protect their assets. People don't want to be left holding worthless paper.

Gold is also used as a hedge against inflation. Its actual purchasing power has always remained strong compared with currencies. Traders turn to gold when there is weakness in the Dollar and as such gold prices have continued upwards. It appears the Dollar is losing its power as a global

currency and many countries have given up on Dollar reserves and are buying gold instead; which has also driven up gold prices. Mining of precious metals is also declining due to the increase in costs such as legal formalities and geographical problems; a decrease in supply by 40% is helping gold prices stay strong.

India is the world's largest consumer of gold and their wedding season from December to May adds to the demand for gold. It is used extensively in ornaments and jewellery gifts during weddings. Any festive occasion in India sees a spurt in the demand for gold. People even re-mortgage their properties to buy more.

China has also increased its gold reserves and established gold exchanges.

Gold bullion explained:

Gold Bars



Small gold bars can be bought in a variety of sizes and weights up to 1kg. Like bullion coins, they contain a minimum 99.5% gold.

Gold bars are the cheapest and most affordable way to invest in physical gold. You can buy 2.5 grams of gold from us for just over £100; if you purchased this amount every month you would have invested in 1 oz of gold in just over a year. As a specialist gold dealer we will also buy back your gold bars from you at the best possible price.

All of our gold bars are .9999 purity or 99.99%. Large investors sometimes purchase London Good Delivery Bars (400 oz), however there is a large tolerance in their permissible weight range (from 350-400 ounces) and a large tolerance in their purity (the minimum being .995 pure). Therefore sometimes these 400 ounce bars are 'not what they say on the tin' and it can be wiser to invest in a collection of smaller bars which are more easily liquidated.

There is perfect correlation between the price of gold bars and the market price of gold (but remember the currency risk/exchange rates).

When you own physical gold yourself there is no "counterparty risk" – your investment does not rely on someone else keeping their promises or remaining in business.

Gold Coins

There is nothing like investing in gold coins, it would be difficult to find another investment that is collectable, valuable and so easy to store. Historically, gold coins hold their value; although gold prices fluctuate, people will always appreciate the strength of gold. Paper money is worth whatever someone will give you for it but an ounce of gold is always an ounce of gold.

- **Gold Sovereigns**

Gold Sovereigns are a smaller, more attractive coin and probably more popular than Krugerrands, therefore sometimes it can be worth paying a slightly higher premium for them. They have a higher re-sale value than gold bars and they are also exempt from Capital Gains Tax (CGT).



- **Krugerrands**

Krugerrands are the best known one ounce bullion coin. They can generally be brought in large quantities and at lower prices which makes them very cost effective for small investors. They contain exactly one ounce of gold and their production quality is consistently high.



Premiums Explained:

Precious metal products trade at a premium or discount to the market price of the precious metal concerned. When trying to compare different forms of gold, compare the percentage over the gold price for each option. This is called the percentage premium and can vary for different bars/coins and between dealers. The actual spot price of gold which bullion prices follow fluctuates constantly; therefore you need to look at the price premium as a percentage above the spot price.

On a weight-for-weight basis, premiums on bars are generally lower than for coins, and this makes bars the more attractive proposition for investors. As a rule, bigger bars have lower premiums (reflecting manufacturing and refining costs) than smaller bars, although larger bars provide less flexibility in liquidating part of an investment. You cannot sell part of a gold bar, it is all or nothing; this is why London Good Delivery Bars (400oz) are generally only traded by governments, central banks and major bullion banks.

Bullion coins are legal tender in the country of issue and as such can provide an alternative currency. The market value of bullion coins is determined by the value of their fine gold content, plus a premium that varies between dealers.

Selling back your gold to us:

We can buy back your gold when you wish to sell, however the buyback price would depend on the spot price at the time. The price would also depend on the demand of gold at the time, like most commodities the greater the demand, the more we would pay. There is no commission/handling fee just a percentage discount instead of a premium.

However, it is worth noting that, we provide a better price for customers who are selling gold back to us, as opposed to gold brought from elsewhere.