

Investing in Gold

The Federal Trade Commission (FTC), the nation's consumer protection agency, says if you are interested in buying gold, do some digging before investing. Some gold promoters don't deliver what they promise, and may push people into an investment that isn't right for them.

Facts about Buying Gold

Regardless of the form of gold you may invest in, consider these universal truths:

- The price of gold fluctuates over time. There is no guarantee that gold will increase – or even maintain – its value.
- The prices coin dealers, banks, brokerage firms, and precious metals dealers charge for gold products, like bullion and coins, are almost always higher than the value of the gold the products contain. So it's wise to compare prices before making a purchase.
- Some sellers say that the government may confiscate gold. Others say that "reportable" transactions lead to confiscation. Yet other sellers claim that modern bullion coins produced by the U.S. Mint are subject to confiscation while historic or collectible coins aren't. These claims sometimes lead people to buy historic coins at prices that exceed their value. No current federal law or Treasury Department regulation supports any of these claims.

Investigate Before You Invest

Whether you are buying gold stocks and funds, bullion and bullion coins, or collectible coins, the FTC says do your homework first:

- If you are buying bullion coins or collectible coins, ask for the coin's melt value – the basic intrinsic bullion value of a coin if it were melted and sold. The melt value for virtually all bullion coins and collectible coins is widely available.
- Consult with a reputable dealer or financial advisor you trust who has specialized knowledge.
- Get an independent appraisal of the specific gold product you're considering. The seller's appraisal might be inflated.
- Consider additional costs. You may need to buy insurance, a safe deposit box, or rent offsite storage to safeguard bullion. These costs will cut into the investment potential of bullion.
- Some sellers deliver bullion or bars to a secured facility rather than to a consumer. When you buy metals without taking delivery, take extra precautions to ensure that the metal exists, is of the quality described, and is properly insured.

- Walk away from sales pitches that minimize risk or sales representatives who claim that risk disclosures are mere formalities. Reputable sales reps are upfront about the risk of particular investments. Always get a receipt for your transaction.
- Refuse to "act now." Any sales pitch that urges you to buy immediately is a signal to walk away and hold on to your money.
- Check out the seller by entering the company's name in a search engine online. Read about other people's experiences with the company. Try to communicate offline if possible to clarify any details. In addition, contact your state Attorney General and local consumer protection agency. This kind of research is prudent, although it isn't fool-proof: it may be too soon for someone to realize they've been defrauded or to have lodged a complaint with the authorities.

A Word about Endorsements

Promoters often use celebrities and high-profile personalities to tout their products. When someone says, "Invest in or buy gold with company ABC," think about what they're getting out of the deal. The fact is, many endorsers are paid by the company behind the product.