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Ireland's money expert



Q&A

Worth selling family jewels?

Q I HAVE some gold jewellery, which is mostly inherited. However, I'm quite short of money right now, so is it worth selling my jewellery to a place that buys gold?

A FIRSTLY, don't sell it to a cash-for-gold shop if you want to buy it back later. Unlike pawn shops, they often send the gold off immediately to remove the pure gold portion. I have mixed feelings

about these places. On one hand they provide cash to people who need it. On the other, they pay only about €8 a gram.

That works out at €671 an ounce — almost a 34 per cent reduction on the spot price of €1,010.

So, if you have a one-ounce gold coin, go instead to a reputable dealer who will give you the spot price minus a small commission.

Getting your hands on precious metals

GOLD and silver can be bought in different ways.

You can physically buy it, meaning you get your hands on it, or you can buy it via certificates, which guarantees you own a certain amount. There are a few companies that *advisors.ie* suggest our clients consider.

BullionVault.com sell and store gold and silver. There's no minimum investment, and you can buy by the gram.

Opening an account with them is free, and commission is from 0.1 to 0.8 per cent, which strips out about 90pc of commission costs.

Storage costs are 0.12pc per month with a minimum fee of £2.75 (€3.30)

which includes insurance. Storage is done by Via Matt, who are Switzerland's biggest bullion storage business.

An Irish-based company to consider is *goldCore.com*, which sells in bulk but also has a Gold Saver Account which means that from as little as €150 a month you can save regularly in gold.

It's a bit like taking an SSIA approach to putting a little aside every month in precious metals. They don't offer this account in silver yet but plan to soon.

If you want to consider metals such as platinum and palladium, then *goldMoney.com* is without rival.

Again, you can buy by the gram and storage charges are from 0.15pc.



Coining it... gold is a great investment

THERE are five main precious metals — gold, silver, platinum, palladium and rhodium.

The last is the most expensive. When President Barack Obama wanted to give his wife Michelle a gift after he was elected to the White House, he gave her a rhodium ring.

The others are all better known — and you may well own some in the form of jewellery or coins.

But precious metals have a mixed past. For most of the past three decades they were out of fashion for investment purposes, giving way to stocks and bonds.

Only 165,000 tonnes of gold have ever been mined. Put all of it together and it would form a cube measuring less than 21 metres across — not too giant by anybody's standards.

However, gold doesn't pay dividends or interest — and that is something that turns many investors away.

Using gold as something to lower overall risk — also known as a hedge — was the topic of a recent Bank of International Settlements presentation.

Constantin Gurdgiev and Brian Lucey, both Trinity College lecturers, explained at the presentation: "Gold acts as a safe haven against equities and the US dollar."

The value of gold has always

It's cast-iron investment!

remained — it's paper money or "fiat currency" that actually changes more.

The legendary investor George Soros, known as The Man Who Broke The Bank Of England in 1992, has said gold has the makings of a bubble — and we all know the dangers of that.

However, at the same time Soros is buying up gold — €47.5million worth in the last quarter alone.

Gold and silver sell on a "spot price", which is the actual cost per 'troy ounce', which is 31.103 grams.

The more common ounce we would use to weigh foods is 28.35 grams.

PREMIUM

Then there's a premium over that which can vary depending on whether you buy bullion bars or coins. Often the premium plus postage can add as much as seven per cent to the spot price in a transaction.

You may also have even seen gold exchanges opening in many cities, so it's clear that after three decades of being the ugly sister in the investment world, metals are back in vogue.

Throughout history there has been a gold to silver ratio of 15:1. This means gold is 15 times the price of silver, which is the ratio it comes out of the

ground in as well. But gold is now more like 45 times the price of silver at \$1,360 (€1,008) to \$30 (€22).

This could indicate either silver is under-valued or gold is in a bubble. So what should you do?

Consider both. Any portfolio should have about a five to 10pc allocation in precious metals, and in an ideal world they will be the worst performing part — because that means you're doing well on the other 90pc of whatever you hold.

Unlike gold, of which 70pc ever mined is said to still be in existence, silver is used in many industries and therefore needs constant new supply.

COMEX (the New York silver exchange) has only 102 million ounces trading on it.

Silver is likely to provide a better investment return but with more volatility, according to Mark O'Byrne, of *goldCore.com*, but it isn't as good a hedge as gold.

There's no VAT or excise on gold in bar or coin form. With silver it's different — coins are duty-free but silver bars are not. So be careful before you take the plunge and buy silver bars.

And as always, get some good solid advice beforehand if you're the slightest bit uncertain.

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SIMPLY CLEVER



"Hand on heart, tell me you have seen a more complete car than this? Because I haven't."

Jeremy Clarkson, Top Gear. Jan 2011.



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