

"Is Now a Good Time to Buy Gold?"

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Gold is traditionally a hedge against inflation. Since we appear to be experiencing a bout of deflation, the price of gold has been decreasing. It is decreasing, however, in terms of U.S. dollars. If, for example, you were buying gold in rubles or pesos, the price of gold would be skyrocketing. So the function of gold in your portfolio is as a hedge against inflation and against the U.S. dollar.

Since gold rises in value if the dollar drops, it is the one investment you hope to lose on. If you're losing money on your gold investment, everything else in your portfolio will be doing just fine. But if your investment in gold is doing well, your other investments will be suffering.

Gold can also be a safe haven in the event of financial collapse. That's why many people who are concerned about Y2K are investing in gold. We do not recommend speculative plays in gold. But keeping 2-3% of your investment portfolio in gold can bring you peace of mind and will protect you in case of extreme financial disaster.

If you invest in gold, the best way to do it is in one-ounce gold coins, specifically American Eagles, Canadian Maple Leafs, and Kruggerands. Gold coins can be bought from most numismatic (coin collector) stores and dealers, as well as a network of wholesalers, brokerage companies, precious metal firms, and participating banks. Be careful that they do not sell you Chinese Pandas, proof sets or other numismatic treasures; they make a much better mark-up on those. These have a very wide price-spread and are not great investments.

You should not have to pay more than a 5% premium over the bullion price for one-ounce Canadian Maple Leafs, Krugerands or American Eagles. Note that American Eagles are not '999' fine' (i.e. not pure gold), so they are shunned by true gold aficionados. Even though they contain a full ounce of gold, they are 92.5% gold with 7.5% nickel alloy. Thus they are slightly larger than other gold coins and actually weigh more than an ounce. They are the only kind of gold that can be held in IRA's, but because that requires having a custodian, it is very complicated, expensive and just not worth it. The advantage of gold coins over gold bullion bars is that the latter have to be assayed every time they are sold to be sure they are pure gold, whereas coins are standardized. Gold coins are sold based on the current market price of gold plus a small premium to cover minting, distribution and marketing costs. A portion of this premium is recoverable upon resale.

Do you own gold or silver that you bought years ago in the heyday of precious metals? You may want to talk to a Licensed Cambridge Advisor to see if you can benefit from selling them (in this depressed market) before the end of the year so you can write off the loss. Note that you can buy them back the very next day, since they are not securities and thus not subject to the 30-day 'wash sale' rule.

Be careful that you are not charged sales tax on gold coins purchased. If your state requires sales tax on gold coins, it is better to buy them out of state and shipped via registered mail.

With gold prices near an 18-year low, now may be a good time to invest in gold.

For an American Eagle Bullion Coin dealer near you, call the Mint's toll free dealer referral line at 1-888-USA-EAGLE, ext. 73 or visit the Mint's website at <http://www.usmint.gov>.

For consumer information on Gold and Silver Investments from The Better Business Bureau

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outlining "Steps investors can take to protect themselves," visit
<http://www.bosbbb.org/lit/0034.htm>

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