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Invest in Gold? Like

By [Susan Carr-Templeton](#)

Since my recent [blog](#) on why we should be avoiding domestic bonds (with interest rates going up in the near future, the value of your bonds will go down), I have been trying to find some alternative investments for my client portfolios that will offer the kind of downside protection in case we get a significant stock market decline.



In the past, I have been negative about gold, but when I look at the performance of gold (using the GLD exchange-traded fund) for the last five years, it has tracked the S&P 500 index nicely. During the 2008-2009 market declines, gold served as a wonderful hedge (an investment to offset losses) and performed handsomely. So, I thought, what can be better than this? Upon further research, I still remain skeptical.

Here are the pluses of gold:

Gold may continue to increase in value, especially with concerns about sovereign debt in Greece and Portugal. Sovereign debt is money that national governments owe to those who have invested in their country, and stock market participants fear that Greece and Portugal don't have the means to repay their debt.

Emerging markets China and India continue to buy gold and investors who want to diversify their holdings are buying too. Their thinking is that if the global economy has serious problems, then gold may be a form of currency.

Here are my concerns about gold:

Gold has been on a huge run and should the global economy settle down, gold could fall tremendously in value as investors move to less risky opportunities. (Gold prices have tended to be volatile over the long term.)

In order for you to really profit from gold, the economy in this country and throughout the world would really have to fall apart and stay that way. But who is to say gold will be the reserve currency?

In January 1980, gold hit a price of \$850 per ounce. Today gold is roughly \$1,050 an ounce. Your gold investment in 1980 through today did not even keep up with inflation. Who's to say that won't happen again?

Billionaire Warren Buffett once said about gold: "Gold gets dug out of the ground in Africa, or someplace. Then we melt it down, dig another hole, bury it again and pay people to stand around guarding it. It has no utility. Anyone watching from Mars would be scratching their head."

My conclusion about gold:

Gold is speculative; there is no underlying use for it. If the world comes to an end; I would rather own other metals such as copper and commodities such as oil and grains that have functional value. In addition, I am optimistic about the future—I believe in the ongoing returns of good companies that generate real earnings, give people jobs, provide value and generate a dividend. Investing in those companies is the better place to be.

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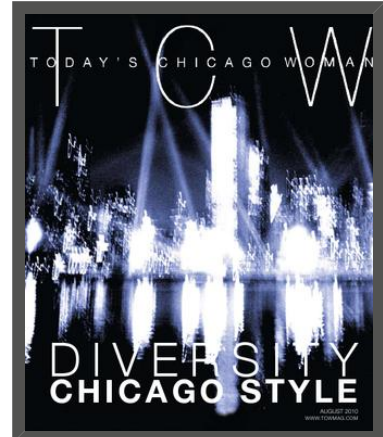
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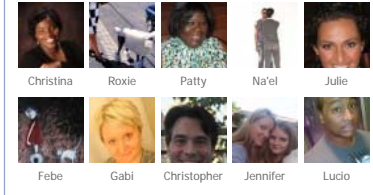
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