NEWS RELEASE

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All That Glitters: Investing in Gold
Make Sure Gold is the Right Investment for You Before Investing

Boise, Idaho...Uncertainty in the financial markets has brought increased attention to investments in gold, said Gavin Gee, director of the Idaho Department of Finance. Gee warns, “Because the price of gold often goes up when stocks are down or volatile, gold can be a very tempting investment. But before investors jump onto the gold bandwagon, they should educate themselves about the various ways investors can own gold and learn the risks of each.”

Investors can invest in actual gold, gold-related market investments (i.e. mutual funds and exchange-traded funds), futures and gold mining companies. Each has advantages and disadvantages worth knowing:

- Although several mutual funds have gold in their names, you will not find any with more than 10 percent of assets invested in the metal itself. That is because mutual funds by law must earn 90 percent of their income from securities, and gold is a commodity, not a security.
- Purchasing stock in a gold mining company is more volatile than purchasing physical gold because of the risks associated in discovering and mining the metal. Also be aware of “shell” mining companies, in which a company represents that it is in the gold mining industry when actually it exists solely to raise investor funds for other (sometimes fraudulent) purposes.
- When buying an exchange-traded product (ETF), an investor purchases a share in a trust, and the share represents ownership in physical bars of gold. Watch for hidden costs that dilute the holder’s interest in gold. Investors in a gold ETF may also be subject to higher rates of taxation than other types of mutual funds, so they should review the prospectus and consult with a tax accountant on this issue.
- “Gold-indexed CDs” differ from traditional CDs because they are tied to the price of gold. While investors may share in the rising value of gold, if the commodity decreases in value, the investor usually gets only the principal back. Also, the interest rate may vary significantly from that of a regular fixed-rate CD and have its own set of rules for when the investor can sell the CD prior to the maturity date.
- Individual Retirement Accounts (IRAs) make it possible for investors to buy gold with funds they already have. Gold must be insured and physically shipped before going into storage. Metal must be physically stored through an approved depository, meaning investors cannot keep coins in a closet.
- Gold investing also generates its share of scams. A common scheme is a company that sells gold to or purchases gold for an investor, stores the investor’s gold in the company’s “secure” vault, and later promises to sell the gold for the investor as it gains in value. In some instances, the gold never exists.

For more information about commodity investing, visit the Department’s website: http://finance.idaho.gov.

April is Financial Literacy Month. Department of Finance Press Releases and other information can be found on the Internet at http://finance.idaho.gov and may be obtained by contacting the department at (208) 332-8000 or Idaho toll-free at 1-888-346-3378.

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