

18 How to Invest in GOLD

1 Interesting fact about gold:

- South Africa produces 72% of the world gold production whereas India produces just around 0.3%.
- India, the world's largest single market for gold, consumes 880 tonnes annually of which 90 % is in the form of jewellery; contributes 20-25% of world's total gold production.
- Ayurvedic medicine in India recommends gold powder and pills for many ailments.
- Gold is indestructible. It does not tarnish and is also not corroded by acid except Amalraj
- Gold has aesthetic appeal. Its beauty recommends it for ornament making above all metals.
- Gold is so malleable that one ounce can be beaten into a sheet covering nearly a 100 sq.ft.
- Gold is so ductile that one ounce of it can be drawn into fifty miles of thin gold wire.
- Gold is an excellent conductor of electricity; a microscopic circuit of liquid gold 'printed' on a ceramic strip saves miles of wiring in a computer.
- Gold is so highly valued & dense that a smuggler can carry gold of Rs. 50 Lakh in his shirt.
- The demand for gold hovers at about 50% more than the available supply every year.
- The conventional methods like touchstone and the contemporary karat meter can indicate the purity at the surface level only

2 Why should I invest in Gold?

- Gold still represents the ultimate form of payment in the world
- Gold is the standard by which the value of anything is assessed; it is universally accepted.
- It is considered a Global Asset Class
- It's a good hedge against Inflation
- It has Low Volatility as compared to Equities & Store of value
- *Gold shines when everything else falls apart at late be.* An Excellent diversification for your Portfolio
- Gold is one of the few financial assets that is not linked to a liability. It can provide 'insurance' on the value of traditional asset during periods of financial, economic and social turmoil. Gold has been a safe refuge when the value of other assets were greatly reduced Therefore adding gold to a portfolio may help improve risk adjusted returns or reduce volatility for the expected return.

3 Options of investing in Gold :

Gold is acquired and stored in the form of Jewellery, Bars, Coins, Gold Deposits, and Gold Accumulation Plan, Warehouse Receipts exchange traded Gold Mutual Fund. not in gold bond scheme

4 How to select better option for investment in Gold ?

- a. *In Ornament:* One should purchase *hallmark Jewellery*, as necessary to fulfil the social, religious customs & beauty needs. Ornaments of gold are the only wearable, metal which have any resale cost. For investment purpose, in place of jewellery, gold mutual fund are advisable because resale of jewellery, non-hallmark or hallmarked, causes a loss of 15-20% or 10-15%, respectively, on account of making charges & impurity of joints.
- b. *In exchange traded Gold mutual fund:* This may be a better option for investment in Gold as issued by UTI it has the following advantages:
 - *Cost effective:* Investor can invest at the price replicating the International Price. No making charges, storage cost & Insurance cost the involved.
 - *Secured and transparent:* Each unit of Gold will be of 99.5% purity and held by Mutual Funds with full insurance and no lending of this Gold is allowed.
 - *Liquidity:* Investor can easily sell the Unit at National Stock Exchange (NSE).
 - *Ease of operation:* No physical delivery of Gold is required and Investor can buy and Sell as small as 1 unit i.e. 1 gm of Gold from NSE
 - *Tax efficient:* No Wealth Tax. Long term capital gain if units are sold after 36 months of purchase.
- c. *Gold band Scheme-*Term-8yr, Interest rate- 2.75% annual, six monthly payable, redeemable after 5 year, No. capital gain Tax.

