

THIRTY TWO REASONS TO OWN GOLD v1

1) Gold Is The Best Store of Value – If you only need one reason to own gold, then this is it right here. Gold has thousands of years of history to back up its track record as an ideal store of value. Gold has kept its purchasing power through a plethora of events, developments, trends, technological changes that have passed us by over the years while other forms of assets, investments, or forms of money have all crumbled at one point in time. Houses have decayed, companies have gone bust many times over, trends have changed the ‘must-own’ item du-jour, and everything else is scientifically prone to wear out at one point or another. Gold is the ultimate store of value, and for those people thinking of preserving their wealth over time and possibly pass it on to future generations, there is no safer bet.

2) Gold Is An Inflation Hedge – The most important reason why you might feel a need to buy gold is probably related to inflation. Prices all around the world have been rising, and we’re not just mentioning current times either. You can ask you grandparents how much an item of your choosing cost ‘back in the day’ and if their memory is still with them, it will be at a fraction of today’s prices. It’s not just weak economies or currencies around the world that have struggled, but even the ‘almighty’ Dollar has lost 97% of its value in the past century. Gold responds well to inflation or fears of inflation, as investors are keen to own it in such times when their paper money is hemorrhaging value and no attractive investments are apparent. Hyperinflation is the nastiest kind of inflation and has been known to wreak havoc in nations overnight, with such nightmare situations very much in the realm of possibility if we are to remind ourselves what happened to the economies of Zimbabwe, Argentina and Venezuela just in the past several years. Owners of gold in these countries escaped the financial bloodbath unscathed, those who didn’t got taken to the cleaners.

3) Gold Is Money – This point was discussed extensively in our post “[Is Gold Money?](#)” but looking back at every civilization since 550BC (when the first gold coins were minted and put into circulation) there is irrefutable evidence that gold has been the longest lasting form of money in history. The past 40 years has been seen a shift towards paper money, but that experiment is fast collapsing and there are real signs that gold will regain its purpose as money or at least a backer of money in the near future.

4) Gold Protects Against A US Dollar Crash – The U.S Dollar has managed to masquerade as a cheap printable substitute for gold for a while but that illusion is fast running out of credibility. The United States has been able to spend beyond their means for the past 25 years because of the world’s trust in the Dollar. The US has run up a massive debt, and it is now at a point beyond fixing. The US will either have to default on their debt (never going to happen), cut back spending immensely and embrace recession for a number of years (not politically attractive), or they will print their way out of the problem as they have been doing with the infinite rounds of QE (quantitative easing), which is a fancy term for creating US Dollars out of nothing. A time will come when all the countries producing the real goods of the world and shipping them to them US for these value eroding Dollars will have had enough. The Chinese and other large economies are not stupid, and are slowly making a transition out of Dollars (it takes time to unwind decades of financial/economic infrastructures) and filling their reserves with gold instead.

5) Central Banks Are Buying Gold Again – Ever since gold went out flavor in the financial world in the early 70s (or we should say, the USA decided it can’t meet its gold standard obligations), central banks have slowly been unloading their gold reserves because they were sold on the dream that paper fiat money managed by bankers could function better than a precious metal offered in limited quantities by nature. It turns out that humans are incompetent, corrupt, and greedy and paper money has fast shown its true colors. It took a huge financial crisis in 2008 (which was never even

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resolved properly) to make the central bankers realize that perhaps gold isn't irrelevant like they once thought. The past 2 years has seen a trend where central banks have once again started to buy gold instead of slowly narrowing their position as years before.

6) China And Russia Are Leading The Demand And Supply – While western nations might still not be entirely convinced on gold, eastern superpowers like China and Russia have been buying gold in droves. Neither country had much in the form of gold reserves in years past when compared to the other economic heavyweights, but they're making every effort under the sun now to increase their reserves both through self production and imports (imports must be done slowly and off the market in order to keep the prices affordable for accumulation). China is currently the biggest gold producer but [Russia plans](#) to overtake them in the years ahead. Don't expect these countries to share their gold with outside countries when it REALLY starts being in demand, so better get some now while you can.

7) India Are Gold Addicts – Owning gold in India is part of the culture and ingrained into everyday life. With a population set to become the largest on earth and an economy with a lot of upside potential, gold demand is practically guaranteed on this side of the planet. Even with import duties of nearly 5% and a weakening Rupee, Indian gold demand has been strong showing the resilience of the precious metal in this large market.

8) Paper Gold Is A Ponzi Scheme Waiting To Burst – It's hard to describe the paper gold situation to those who are not familiar with the underworld of the financial markets, because it involves a ponzi scheme so large yet so simple that it becomes hard to accept in our so called 'modern' world. Ever since numerous dubious financial instruments have cropped up perpetrating to be an alternative to investing in physical gold, such as gold ETFs, gold futures trading, and gold contracts in unallocated accounts, this has opened the door to a type of fraud that few realize they are subjected to. Simply put, there is way more paper gold being sold than there is actual gold to back it up, just looking at the trading numbers coming out of the London Bullion Market Association confirms this fact, and so a large share of investors who think they have done the right thing and invested in gold to protect themselves in case of financial turmoil, are in fact in a precarious situation where they most likely don't even own the gold they think they do.

This can happen because these unallocated gold accounts (which dominates the gold holdings of individuals) aren't a promise to hold the gold for you by the bank but instead serve simply as an IOU. This is fine as long as the banks have enough gold to manage 'a run on the bank' and provide everyone with gold if everyone was to require delivery of their gold, but just like the fractional reserve currency system, the banks can't possibly pay all of their gold 'owners' at the same time because there are way more of these gold IOUs than there are physical gold bars in existence. The realization of this massive deception alone is enough to send gold prices skyrocketing, but it will be a realization that will come only when a crisis triggers individuals to want to hold their gold in their possession, essentially multiplying the shot up in gold price.

9) US Gold Reserves Are Suspicious – It's not just individuals' personal gold savings that might be in jeopardy but those of central banks as well. Much of the central bank gold is located in the United States at Fort Knox in Kentucky and the Federal Reserve Bank in New York. There is a lot of shady developments that have been occurring lately that has peaked interest as to how much gold is actually inside these mysterious and tightly controlled vaults. There is growing concern that these vaults don't actually hold the amount of gold that is claimed in official reports, as a rumors circulate that this gold has been leased to various parties and that the 'gold' held by the United States is in the form of IOUs. The Fed

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recently changed how they reported their gold reserves and combined their physical gold holdings and the amount of gold owed to them into a single line in their accounting books. This is highly suspicious and further inquiries into the gold and demands of inspection have been turned down even with requests coming from the highest levels of political office. Germany has gone as far as demand their gold to be returned to them, and after backroom talks they conceded to getting half of their gold back from the US over a period of 7 years – why such a long time is necessary, one can only guess.

10) New Gold Finds Are Harder To Come By – We highlighted in our [gold supply](#) study that new gold finds and quality mining deposits are harder to come by despite the increased exploration spending. Peak gold is fast approaching as the the grade of gold available in mines has been fast diminishing. Unless some radical new technology is introduced, gold supply has noticeable bottlenecks that will impact it going forward and only higher prices can allow these more obscure and costly gold mining projects to be financially feasible.

11) Gold Mining Is Becoming More Expensive – Not only is gold becoming harder to find, but mining as a whole is becoming more expensive. Energy costs are rising but prices have not kept pace with the inflation thus far. This is all resulting in supply contractions at a time when demand is on the verge of popping off.

12) Gold Will Benefit From Currency Wars – It's not just the US Dollar that is actively being debased, but other major currencies as well such as the Japanese Yen and the Euro. In fact, the term 'currency wars' has become ingrained in the everyday media lexicon because that's exactly where we find ourselves today: with worldwide central banks in a race to debase their currency and make it lose value in order to make their exports cheaper and prop up their own economies. In such a setting, owning gold makes tremendous sense as its status as a precious metal prevents any official entity from destroying its value.

13) Gold Allows Diversification – Even the staunchest of gold critics will yield an ear to the theory of portfolio diversification and for that reason alone every cautious investor should own at least 5% of their assets in gold. If the economy is doing great and the financial system is chugging away like a well oiled machine, then most of your investments will be gaining and the small allocation in gold that is under-performing will easily be offset. However if there is some sort of financial crash, then just a small percentage of gold can make up for a lot of the losses you might incur in other areas such as stock markets and real estate. That's what is referred to as a win-win situation.

14) Gold is A Safe Haven From Geopolitical Risks – Wars, terrorism, natural disasters, crises, scandals – these are 'unlikely' developments that impact our world and aren't so unlikely when we look at it from a historic perspective. Despite the end to major wars, a control on the 'war on terror', globalization, and world trade there are unforeseeable risks playing out under our very eyes every single day. The Palestine/Israel situation, Syria's civil war, the Japan/China Senkaku Islands conflict, ongoing Arab Spring, Euro/US debt crisis – if anyone of these risks escalate towards a real threat then gold will be a safe haven to protect investors. Even if these or other unforeseeable risks don't occur, the peace of mind that the possession of gold provides in a world full of uncertainties is a rare and attractive characteristic

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15) Gold Protects Against Deflation – One of the possible scenarios of the recession we find ourselves involves the possibility of deflation setting in as high debt and high saving figures could potentially result in a deflationary cycle not seen since the Great Depression. Even in such a situation when all assets lose their value, gold has shown great resilience and will do a better job than most other asset types in holding its value. Back in the 1930s, which is the best case we have to analyze the possible effects of deflation on precious metals, silver did lose value but not nearly as much as the Dow Jones Industrial Average did, and bounced back higher once the deflation was coming to an end (gold prices were fixed back then so they were not affected).

16) Gold Is In Your Possession – While money in your bank account or a government bond are essentially just digital numbers stored somewhere, gold is a real world tangible thing you can hold in your own hands. This gives you the owner the power in your hands, and as long as you do your job to keep it safe, there is nothing anyone can do about it. Even the most prestigious of companies have gone bust (Lehman Brothers), have cooked the books (Enron), have committed outright fraud (MF Global). In the MF Global case, the company used customer's money (which in no way was associated with the company's own trading) in their risky bets and when their bets didn't pan out, they also used their customers deposits to pay their debts to JP Morgan. Now the company has filed for bankruptcy and those investors who thought their money was safe is gone (about \$1.5 billion is reportedly missing) and no one has gone to jail or had to pay for this grand injustice.

17) The Gold Price Is Being Manipulated and Suppressed – The folks over at [GATA](#) have over the years accumulated a series of evidence concerning collusion among financial institutions to suppress the price of gold. There is not only evidence supporting the premise that the US government has manipulated prices with large banks serving as agents in the ordeal, but there is real motive as well. If gold were to rise and find its true value, that would undermine the status and trust in the Dollar and that would be the biggest threat for a country which has now become totally reliant on having the reserve currency of the world. This game can't go on for long, so buying gold now at cheap prices is an opportunity that won't be around forever.

18) Gold Is In A Bull Market – Whether an asset, commodity, or security has been up or down in the past isn't exactly predicative of what will happen in the future, but perception still matters in markets. Gold has been on a tremendous run since the beginning of the millennium averaging double digit gains over the past decade and has left practically every investment class in its wake. Gold's track record is important at a time when some are trying to suggest that '[civilized people don't buy gold](#)' or that it's a barbarous relic as Keynes famous said at one point.

19) Gold Is Not In A Bubble – A prolonged bull market in most cases ends with a bubble bursting, but gold is not like other investments. Gold is only as valuable as people deem it to be, so at a time when it's technically in a bubble in the way we would describe most other markets, it's actually just fulfilling its purpose the only way it can: by an increased value because there is so little of it around. This is in contrast to say internet bubble of 2000 when investors flocked to companies they expected would return them astronomic gains but those companies were never in a situation to fulfill that level of demand without becoming overvalued. Gold can always be priced higher and still deliver what it promises to do so gold can't be in a bubble.

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20) Gold Is Under-Owned – If you go around asking your friends, colleagues, or family about gold, how many will actually know anything about the precious metal, yet alone own any beside the odd piece of jewellery? Especially in western nations, gold is severely under-owned despite all the reasons to buy gold we have listed here. That simply shows that there is still a tremendous upside that we have not seen and gold owners ought to wait until the next gold rush and round of mass hysteria to kick in before even thinking about unloading their gold holdings.

21) Gold Is Under-Priced – A reason to not buy gold that is often cited in financial media outlets is that gold has risen too much over the past several years and is now over priced. Such a statement is not accurate because the price of gold has not even kept up with the new amount of currency that has been created over this period. Gold was severely under-priced to begin with at \$300 an ounce when it began its upward climb a decade ago. Since then, new monetary injections around the world, unprecedented levels of debt, financial instability, worldwide crises, recession, and now currency wars have all created new reasons to own gold yet the gold price has remained stagnant especially since it rose to \$1900 in 2011.

22) Gold Lasts Forever – When you decide to own or invest in something, regardless of whether its a new gadget or a car or perhaps even a new pair of shoes – you hope that what you’re buying lasts a considerable amount of time (especially if you spent a good chunk of your disposable income on it). Most other things that people own because it’s meant to be valuable, such as paintings, watches, houses, antiques, cigars, wine, or collectibles of some sort all at one point will erode and at the very least will require maintenance to keep in prime condition. Gold is a metal that doesn’t erode or oxidize and will never disappear regardless of the amount of time that passes or the extreme conditions it is subjected to. Owning such an eternal asset, especially in the context of all its other advantages, is a property that’s unheard of in our finite world.

23) There Is A Lack of Gold In The World – The term ‘precious metal’ is not there just for show, it’s really scarce and there is very little of it which naturally makes it precious. All the gold above ground that is in human possession in some form amounts to ~170,000 tons, with ~2,500 new gold production per year. If you took all of this pure gold and assembled it, you could fit it all inside 2 Olympic sized swimming pools. That includes all the jewelry around the world, all the gold bars in central bank vaults, and all those giant monuments coated in gold. All the gold in the world is worth under 9 trillion dollars, which is a minuscule amount compared to the amount of ‘money’ circulating around in the world and if even a fraction more of that starts going into gold, the price could go parabolic in a short amount of time.

24) Gold Has No Counterparty Risk – Counterparty risk is not something you hear thrown around when considering purchases and investments but it’s certainly a factor that requires consideration. Each transaction involves at least two sides, and the risk that the party you’re dealing with fails to meet their end of the deal is what is known as counterparty risk. Whether it’s a financial institution like a bank, or a company you have your invested your money in, or an apartment you have bought on a new construction project, or perhaps a government you’re expecting entitlements from – you’re relying on faith that the money you have handed over to these counterparties really gets you what you agreed on in the first place. Things don’t always go as planned and in such cases, you can lose your money. When you acquire gold, as soon as you get your hands on the physical gold, there is no more expectation from the opposing party, the exchange is done and you are on your own (that’s a good thing). This means that you only need to trust yourself and not be subjected to external factors outside your control.

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25) Gold Can Be Tax Free – The purchase of practically anything these days seems to incur some kind of tax. Gold coins in some countries like Great Britain are still considered legal tender and hence are not subjected to capital gains tax.

26) Gold Is A Transportable Insurance Policy – If you've ever had to carry large amounts of money anywhere, you will know how difficult and cumbersome it can be. Wallets only allow a certain amount, and beyond stuffing pockets, one must start walking around with briefcases or other bags which makes one highly schizophrenic that something will happen and they will lose the money or get robbed. Gold has no such problems as just one kilogram of gold can often represent the saving of an entire family. Imagine being a citizen of a troubled nation, having to escape the country as the country's problems have also destroyed the value of the local currency. In such a case, as has happened in various regions in Eastern Asia, Africa, South America – being able to walk away from everything with a bar of gold in your pocket can literally be a life saver. Such a dire situation will perhaps never affect us in our lifetimes, but you never know, and that's why people invest in insurance in the first place. Gold is an insurance policy that you can carry with you anywhere and cash in immediately as opposed to going through a rigorous process to stake your claim as is normally associated with insurance companies.

27) Gold Has Just The Right Amount of Industrial Uses – For those stuck on the point that gold has no practical applications, gold has in fact many uses in the business world which we highlighted in detail in our [uses of gold](#) post. Gold would be used more if it wasn't so scarce and expensive because it has some truly unique and special characteristics not found in any other element on earth. The industrial demand mainly comes from high tech industries and primarily the electronics field, but it isn't a huge quantity that this demand consumes and that's a good thing because for a form of money to be widely accepted and used, it must not be distracted and bogged down by other 'lesser important' purposes. In gold's case, the industrial demand accounts for 10% of yearly demand which is a high enough number that it provides a healthy dose of reliable demand while not distracting from gold's higher purpose.

28) Gold Recycling Has Plateaued – Gold recycling is important to make sure gold doesn't slowly diminish from the face of the earth. The industrial uses mentioned above can slowly take gold out of circulation if not controlled properly. Recycling gold is popular at a time when large price jumps occur, because that's when individuals decide it would be a good idea to take that broken piece of jewelry lying around to the pawn shop or perhaps to cash for gold shops. The latest reports released by the World Gold Council indicate that recycled gold has hit a plateau meaning that people no longer are interested to turn in their gold scrap at current prices. This is usually a sign that gold prices are undervalued and a good sign for gold owners.

29) Gold and Gresham's Law – Gresham's Law is an economic principle that suggests that 'bad money drives good money out of circulation' and which explains our current social structure quite succinctly. It also serves as a another reminder of why it makes sense to own gold because it rationalizes why we use paper currency in the first place – because why spend your good money which will always have value (gold) when you can spend bad money (paper currencies) instead which you are forced to use and accept according to national laws. Gresham's Law tells us we should be gold owners, not gold spenders.

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30) Gold Jewelry Is Universally Admired – Gold jewelry has stood the test of time and continues to be a fashion accessory that is highly regarded. Unlike other trends or fads we see cropping up and being replaced in short order, gold has not only proven to be timeless but it's also border-less and truly an asset fit for a globalized world. Such a universal and timeless appeal guarantees its owners a level of comfort and safety hard to find elsewhere.

31) Gold Is The Perfect Status Symbol – Besides its visually appealing nature gold also has a powerful impact as a status symbol. In China and India where most of the new wealth is being generated, individuals have few easier alternatives to show off their rising social standing and material wealth than sporting gold. While it is arguably a shallow pursuit in the grand scheme of things, higher status seeking has long been part of human nature and is unlikely to diminish in relevance anytime soon. This is a property that only grows in magnitude as the price of gold goes up, a self-fulfilling prophecy.

32) Gold Is Great At Times Of Low Interest Rates – Let's face it, interest rates are not going up because if they did, the interest the US government would have to pay on its debt obligations alone would be more than it can handle. And so interest rates will be kept artificially low for as long as this game continues, which benefits gold in numerous ways. During times of low interest rates and high inflation, the net interest rate becomes negative so keeping your money in a bank is practically a losing cause. Therefore gold ownership becomes a much more attractive 'risk' to take because you're not making money elsewhere anyways. The other benefit is that low interest rates have reduced the hedging that gold miners would undertake, and this takes gold off the market. It has also lowered the gold carry trade that was at one point very popular whereby smart investors would borrow gold (lease it from central banks for practically free), then they would sell this gold on the market (drive prices down), they would then use this money to buy US government bonds (which at times of high interest rates were great guaranteed profits) and then would pay back their gold lease borrowings at the price they leased it or sometimes even lower, and pocket a net return in the process. This only worked when interest rates were high and the gold price didn't rise – both conditions which don't really apply today. So this is another hurdle that has been lifted and will allow real gold owners to reap the benefits from their investments.