The Best Way for Australians to Buy, Sell and Store Gold

By Shae Russell
Dear Reader,

Who'd want to own gold?

You hear this from economists all the time. They'll tell you it has no purpose. That gold costs money to store. That it doesn't pay a yield.

To make any sort of return, they say, you need to have your money invested in gold for years, decades even…

If that's not enough to put you off buying gold, they scream that gold is a relic from a bygone era…

A time when markets weren't electronic. When gold belonged to insular countries…

Nations and economies that didn't operate in anything like today's interconnected global environment.

Yet these are the exact reasons for why you should own gold.

In today's debt-riddled marketplace, no one should be without gold.

The modern economy that shuns gold is based on nothing more than faith in governments and central banks to keep the value of paper money steady.

Yet it wasn’t always this way.

Gold was the epicentre of the monetary system for over 3,000 years.

It was only 40 years ago that the world was taken off the gold standard to be replaced by fiat currency.

Historically, gold is how families retained and passed on wealth from generation to generation.

And they had every reason to…

In times of market panic, the price of gold rose. When inflation took hold, the purchasing power of gold remained. When deflation spread, the purchasing power of
gold still remained.

Our ancestors were very wise.

But we’ve disconnected ourselves from money. We have more faith in digital zeroes than physical metals.

Too often people tell me ‘I’m investing money in gold’. What they’re really saying is that they’re exchanging printed currency for physical bullion.

Of course, putting money into physical bullion should always be a multi-decade commitment to wealth protection.

Buying gold isn’t about making a quick buck. It’s taking steps to ensure long-term wealth protection…no matter what happens to the value of fiat currencies.

Now I’ll show you how to go about buying gold…

Deciding on what gold to buy

Before you start buying gold, you need to decide what type of gold you’re after.

I always suggest owning at least some physical gold.

If you have a conservative approach to diversification, I believe you should have a 10% allocation of your net wealth in gold.

If you’re more aggressive in your diversification — and truly believe in the long-term value of gold — you may want to consider a 20% allocation to gold.

Now, that’s not to say paper gold doesn’t have a place in your portfolio.

Exchange traded funds (ETFs) with 100% exposure to gold price movements can be a useful tool to trade the gold price. Now that gold can be freely traded on the market, its price experiences volatility at times, as with any other asset.

There are even occasions in which the gold price has moved US$100 per ounce in a day. An example of this was when Donald Trump was elected as US president on 8 November 2016.

In effect, the gold price reacts to geopolitical events. And it creates both wild price swings and short-term investing opportunities along the way.

Taking advantage of short-term gold price movements isn’t for every investor. Yet if this is something that interest you, gold-backed ETFs have been created for this purpose.

Again, we recommend buying physical bullion, which is best viewed as a multi-decade investment because of its usefulness as a protection of long-term wealth. However, if you are looking for ways to profit from gold price swings in the short term, gold-backed ETFs can be a useful tool.

Furthermore, there are many ETFs listed in Australia now. The following is a list of ETFs backed by 100% physical gold holdings:

- ETFS Physical Gold [ASX:GOLD]
- BetaShares Gold Bullion ETF — Currency Hedge [ASX:QAU]
- ANZ GOLD ETF [ASX:ZGOL]

All these ETFs are priced in Australian dollars, meaning they include a currency hedge. A currency hedge means that the value of gold in US dollars has been automatically
converted to Aussie dollars for an ETF. That’s one of the benefits of buying gold ETFs listed in Australia as opposed to overseas exchanges.

The reason for this is simple:

Gold is priced in US dollars. Australian investors have the double-whammy of being exposed to gold price movements AND US-dollar price fluctuations.

While this is part of the risk associated with buying and selling gold, it can add an unnecessary complication for investors.

By choosing ETFs with a US dollar hedge, the AUD/USD exchange rate has already been calculated for you. In other words, what you see is what you get. Meaning you don’t have to fiddle around with your own calculations to figure out what the gold ETF is worth in Aussie dollars.

### How to get your hands on physical gold

Getting gold in your hands can be the daunting part.

Buying physical gold is taking that step into the unknown. For you, it might be new. To your ancestors, however, gold was crucial to preserving wealth.

So, where should you start?

You may be surprised to learn that there’s a thriving gold market on eBay! I have never personally bought bullion from eBay. And if you’re a first time gold buyer, steer clear of eBay and stick with recognised bullion dealers.

There are many dealers spread across Australia, including:

- ABC Bullion — Sydney
- Gold Stackers Australia — Melbourne
- Australian Bullion Company — Melbourne
- Gold de Royal — Brisbane
- Ainslie Bullion — Brisbane
- As Good As Gold — Adelaide
- Perth Mint — Perth

Please note we are not affiliated with any of these dealers. These are just the largest bullion dealers in Australia.

The best way to get started is to visit your local bullion dealer, either in person or through their website. You don’t have to buy from a bullion dealer in your state. Most of them will ship to any address, as long as you can sign for the delivery in person.

So you can buy from a bullion dealer in Brisbane even if you live in Melbourne. Bullion dealers offer gold from various mints around the world, so shop around to see what you can find.

Be warned, though: All bullion dealers must adhere to the same anti-money laundering as banks. Which means that if you are buying online for pick-up in person OR courier delivery, your identity will need to be confirmed by a bullion dealer. Generally, a passport or driver’s licence is sufficient.

In addition, the AUSTRAC Anti-Money Laundering and Counter-Terrorism Financing Act 2006 applies to transactions over $10,000 (including equivalent foreign currency.
amounts). Which means that you should be prepared.

If you walk in with wads of cash over $10,000, the bullion dealer will have to report the transaction to AUSTRAC. If you don’t want the government to know about the transaction, keep the cash transaction below this amount.

**How to store your gold**

Before you buy any physical gold, you need to think about how you will store it.

This is very important.

You may be tempted to keep it at home. In fact, there’s a large range of web pages that come up with ideas on how to hide gold.

I understand the desire to keep your precious metals close. But storing it at home is highly risky.

For starters, you can’t insure gold kept at home. Basically, if your bullion is lost or stolen, you’ll never be able to recoup it. Remember, gold is *money*… You need to treat your gold exactly as you would cash. Once it’s gone, it’s gone for good.

If you do decide to keep your bullion at home, install a top quality safe.

I’m not talking about the sort of safe you can find at Bunnings.

There are countless YouTube videos available to show you how to crack open one of these with only a little bit of force. I know this well. With the help of a YouTube video, I was able to crack open my own personal off-the-rack safe once or twice before.

If you do choose to keep your bullion at home, never, under any circumstances, tell anyone where you keep it.

Another popular — and probably more secure option — is to organise secure storage for your gold.

Banks do offer safety deposit boxes for hire. But then your gold would be stored with a bank. And you may decide that you don’t want to have it anywhere near the financial system. After all, in my view, the point of converting fiat dollars into gold is to get a portion of wealth out of the financial system.

Many Australians are often surprised to find out that the contents of their seemingly private bank safety deposit boxes aren’t that safe at all.

Yet Aussie banks can exercise their right to the contents of your safety deposit box at any time!

For this reason, consider private storage companies.

Firms like Guardian Vaults, Kennards Self Storage, Custodian Vaults and Fortis Vaults all offer personal safety deposit boxes for a small fee. Even better, they are privately owned. So you won’t be storing your gold with a bank or government authority.

The other, and often cheaper, option is to have a bullion dealer store your gold for you.

Many bullion dealers offer to store gold on your behalf.

This means that when you buy your gold, you don’t take physical delivery of it. The bullion dealer holds it for you. If you plan on buying large quantities of gold, this may be the best option for you.
Now, when you ask a dealer to store it for you, there are two types of storage available: allocated and unallocated.

Allocated storage is simple. Each gold bar (no matter what the size) is given a unique serial number for bullion dealers to track. If you choose allocated storage, the bars you buy go into a pooled storage unit.

In allocated storage, the serial numbers of each bar will be noted down on a ledger, and they will be taken off the market and ‘allocated’ to you on the dealer’s ledger.

In other words, while all your bullion bars will be stored in one collective vault, no one will be able to buy the bars you have because they have been allocated to you — and only you.

The alternative is unallocated storage.

Unallocated storage is also pooled. However, you don’t have serial numbers of bullion bars written down next to your name. Instead, you have a set number of bars (or ounces) allocated to you on the ledger, with no claim on any particular bar in the vault.

Put another way, say you buy five one-ounce gold bars, giving you a total of five ounces of gold. If you select unallocated storage, you will have a claim to five ounces of bullion in storage. But you don’t ‘own’ any particular bars in storage.

Unallocated storage costs are often slightly cheaper on a yearly basis. However, whichever method you choose, make sure it’s right for you.

**Should you buy coins or bars?**

And now the fun part — deciding what type of bullion to buy.

Believe it or not, there a few different types to consider...from cast bars to minted bars to coins.

Coins are visually appealing and highly collectable. Many cultures like to give gold as gifts at certain times of the year, and often use gold coins. The reason? Gold and silver coins are attractive to the eye. They make fabulous gifts with their intricate and generally commemorative detail.

Coins are what people choose to pass on down the family line over generations as well.

Yet their intricacy and detail comes at a cost.

Basically, the fancier the coin, the higher the price you pay. The advantage of this, though, is that they come in much smaller amounts. Some coins are 1/10th of an ounce, giving investors a small way to start accumulating gold.

Minted bars are another way to buy gold, and are quite popular.

They tend to be simple; the appeal of them is the neat mould of either gold or silver. Much like coins, minted bars can be bought in amounts smaller than an ounce. You can buy a minted gold bar for as little as one gram of gold (the minimum minted-sized silver bars and coins are generally one troy ounce).

If you are buying gold for yourself to hold over the long term, minted bars may be the right fit for you. You can buy minted bars from half an ounce up to a kilo. They make for neat, stackable storage. And because of the low casting costs (no fancy detailing), they
are relatively cheap to invest in.

Finally, you have the option of buying cast bars.

If you are after the cheapest way to access precious metals, this is the bar for you. With cast bars, there's no intricate minting detail. Just a lump of precious metal with the mint's stamp on it.

That's it. Simple, efficient, and the lowest cost way to access precious metals.

If you are buying gold in large quantities, cast and minted bars are often the way to go. Coins make great gifts. However, because of the premium that comes with buying a detailed coin, it can take longer for the purchase cost to reach the spot value of gold per ounce.

Ultimately, the reasons for owning gold always come down to personal choice.

For some, it’s about having an asset to pass down to their children. Simply putting aside some cash into a bank account to earn interest isn’t ideal as a long-term investment. Compared to gold, which has historically maintained its value, cash has come and gone time and again throughout history.

For others, owning physical gold is about ensuring they have a small portion of their wealth outside the financial system. Something free from government intervention and central banks destroying their savings through low interest rates.

In any case, owning gold isn’t about turning a quick buck. It's a decision to invest in something other than a paper asset exposed to government and central bank manipulation.

So I wish you all the best in your gold buying journey. You’ve made the right choice in choosing to safeguard your wealth for generations to come.

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**Welcome to The Daily Reckoning Australia**

The story of gold and its role in the global monetary system is something strategist Jim Rickards and I track and report on in The Daily Reckoning Australia, along with a range of other topics, like the fecklessness of politicians and global elites.

Each day we look at current events to anticipate the risks and opportunities to help you profit and protect yourself.

There is a whole universe of ideas, from history to economics to geopolitics…and we explore them all to make sure we’re on the right track.

Keep an eye out for upcoming articles, commentary and insights from Jim and myself on gold and other stories in the weeks and months ahead.

We’re glad to have you on board.

**Kind regards,**

Shae Russell,
Editor, The Daily Reckoning Australia
Calculating Your Future Returns: The value of any investment and the income derived from it can go down as well as up. Never invest more than you can afford to lose and keep in mind the ultimate risk is that you can lose whatever you’ve invested. While useful for detecting patterns, the past is not a guide to future performance. Some figures contained in this report are forecasts and may not be a reliable indicator of future results. Any potential gains in this letter do not include taxes, brokerage commissions, or associated fees. Please seek independent financial advice regarding your particular situation. Investments in foreign companies involve risk and may not be suitable for all investors. Specifically, changes in the rates of exchange between currencies may cause a divergence between your nominal gain and your currency-converted gain, making it possible to lose money once your total return is adjusted for currency.

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Agora Financial Australia Attn: The Daily Reckoning PO Box 713 South Melbourne VIC 3205 | Tel: 1300 029 501