

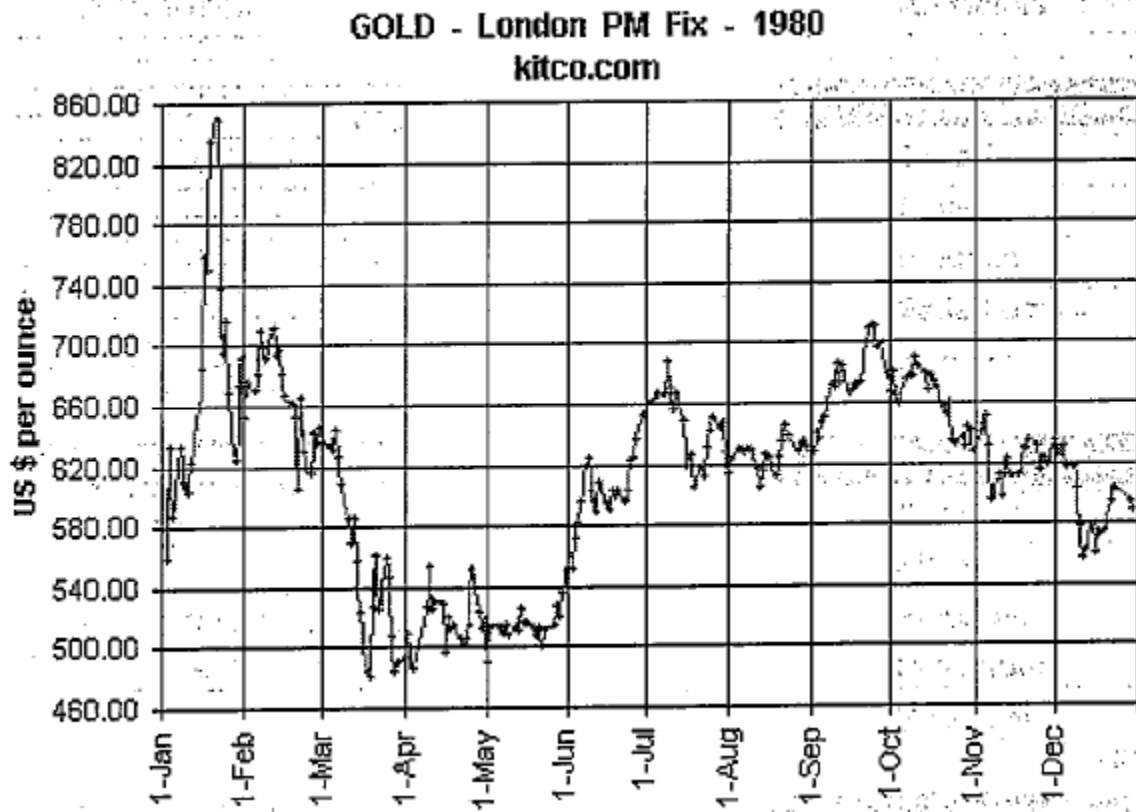
Don't Get Caught Up in the Gold Rush

There are a lot of false money facts floating around out there. Some are passed on as solid advice in conversation, others pop up on online forums; people hear them so often, that it can be easy to believe such statements are true. The strength of gold as an investment opportunity is one example of such common misinformation.

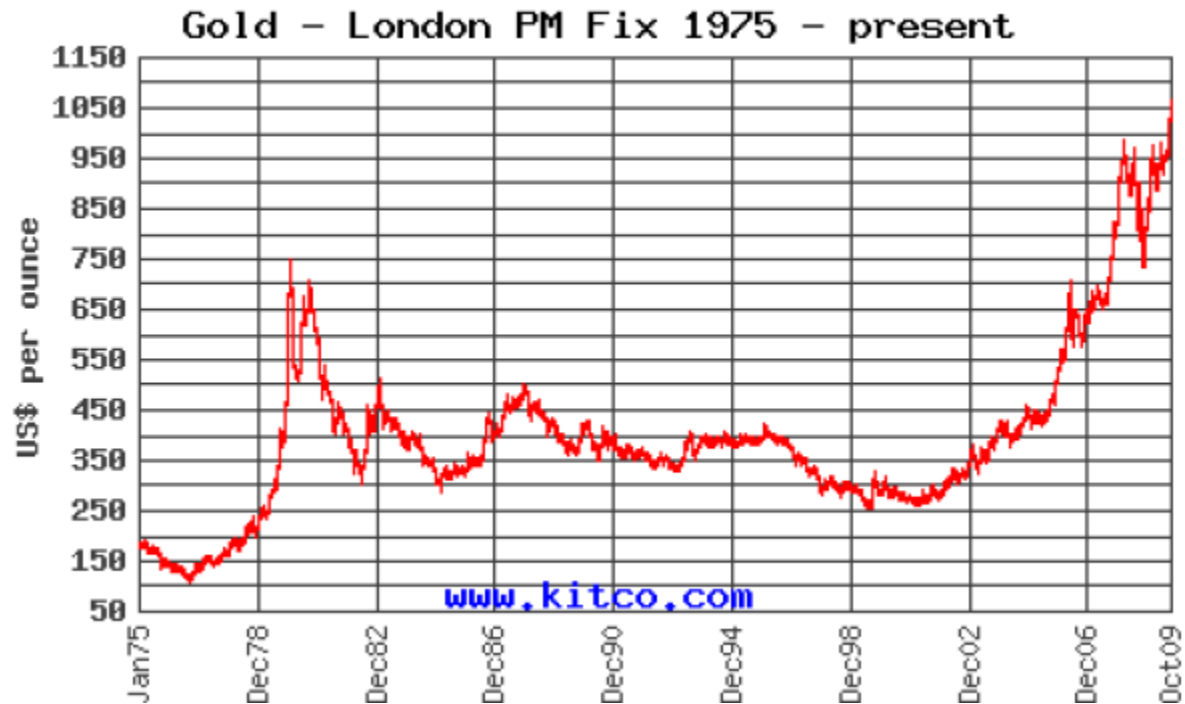


At a time when other stocks have failed us it is very tempting to cling to something that seems to be a certainty. But it is important to remember that a so-called guarantee, when it comes to investing, isn't necessarily a good thing. Investing requires sound advice and a willingness to take some risks in the hopes that you might earn returns at rates higher than inflation. It seems everyone these days is telling us to invest in gold, but it doesn't offer the stability so many claim that it does. Rather than trusting the common advice to invest in gold because it purportedly serves as a strong hedge against inflation and remains steady during times of economic uncertainty, look at its history before opening your wallet.

Let's take a look at the numbers to address this myth. We'll go a few decades back to follow this trend and see if gold lives up to its hype.



The average price of gold in 1980 was \$675.31. Now, assuming the hedge theory is correct, the inflation adjusted price should be \$2127.99 per ounce. But the average price is \$938.80 per ounce. Even when the price of gold reaches a high point, as on October 19, 2009 when gold cost \$1,050 per ounce, the total price is still 50% lower than the expected average for 2009.



Despite speculations by investors and hedge funds, derivatives & ETF, actual price is well below the inflation adjusted price.



So what about its perceived value by consumers? The actual consumption of gold in the world has dropped by 10% per year over the last few years. Its value lies in its attractiveness, and we cannot be sure that gold will always be attractive to consumers. The trends indicate that it isn't as attractive as we might have thought. So can we really tell people that investing in gold is a sure thing?

Ultimately, the idea that gold is a great hedge is pure nonsense. One must take some risks when investing, but if you're looking for something a little more conservative a qualified financial advisor can help you create a balanced financial portfolio that has the potential to give you profits gold can't. Remember, an advisor will have a better understanding of the trends than your neighbours or online forum posters might, so stop listening to financial gossip.