

Hello Everyone,

*"I'm a little bit mean, but I make up for it by bein' real healthy."* Ernest T. Bass, *The Andy Griffith Show*

For my younger clients, Ernest T. Bass was kind of a crazy character on the *Andy Griffith Show*. For no good reason he would throw rocks at people. Barney Fife (the deputy sheriff) would then arrest him...and some pretty funny scenes ensued.

Still, there may be some wisdom in Ernest T's quote. I fear trying to be "real healthy" has made us a little meaner as a society. With that off my chest..

we're down to our last two gold segments. Today's missive will be old hat to most of you. It's just a primer on how to own gold in retirement accounts. I hope it serves as a good review.

Signed, Your-Ernest-T-Should-Not-Have-Thrown-Rocks-Then-And-We-Shouldn't-Throw-Rocks-Now Financial Advisor,

Greg

## KKOB 07.31.2020 Gold Part 11 Gold in an IRA/401k

**Brandon:** So, Greg, we got waylaid on Monday talking about how to buy physical gold. So, we never got to how to own gold in retirement accounts. So, let's do that today.

**Greg:** Deal. First, owning gold in most 401ks is tough. Most employers have an "investment menu"...those fund options from which to choose. That menu is usually determined by an investment committee ----or is recommended by funds like Fidelity or Vanguard.

Anyway, the natural inclination is to choose the funds that have done well in the past. The assumptions being, the past will be similar to the future. I get that. The committees must defend their selections to

employees. And defending 5-star funds is easier than 1-star.

But we all know cycles can change. Investments that were great, can go sour. Fives become ones. And ones become fives. And, Brandon, this is what I believe we are seeing now. About two years ago, the trends started to shift. Gold, which had been a dog, started outperforming the stock market.

**Brandon:** But since gold had under-performed for so many years before that, it wasn't included in most fund menus for 40k plans. Right?

And I'm also guessing, if employees wanted to add funds----they would go to the investment committee and request changes.

**Greg:** Right on both counts. But now it gets dicey. What does it mean to add a gold fund...or a commodities fund...or an inflation protection fund?

Well, with gold, one way is to invest in mining companies ---or mining company mutual funds. When gold prices go up, a well-run mining company can see profits soar. Notice I said well-run. Many struggling miners are in debt up to their eyeballs.

The other concern is...in the event of a real national financial crisis, the government could nationalize (meaning, take over) the mining companies. The government would say, *"The gold in the ground is the people's gold. So, for the good of the nation, we are claiming it."*

**Brandon:** Do you think they would do that? Could they really claim all the gold in the ground is theirs?

**Greg:** Government can do what it wants. And, here's what prompted that concern. A number of years ago, the US Treasury added a category to their gold supply report. The category added was "deep storage."

Deep storage? What did that mean? Well, they've never really told us. It's not vaulted gold. It's not gold at the mint. So, some pretty smart guys started thinking, "Does deep storage mean gold that hasn't been mined yet?"

Anyway, I don't know, but I am always suspicious of desperate governments.

**Brandon:** And it does seem our government is getting more desperate every day.

**Greg:** I agree.

Anyway, another way to own gold in an IRA is to invest in gold Exchange Traded Funds...or, gold ETFs. The fees are generally lower than mutual funds...and you are buying gold the metal, not the mining companies.

But be careful. Many gold ETFs sell what I call paper gold. These ETFs own mostly gold futures contracts...not the real thing. I avoid these.

Only a few gold ETFs don't sell paper-y gold. They have real vaulted gold---- and they don't sell more shares than they have ounces.

Anyway, these investments trade like stocks. So you can buy and sell easily. And the good ones allow you to exchange your shares for real gold. I like guys like that.

Oh, and one last way to own gold in an IRA is through a trust company. The trust company can buy physical gold and allocate the gold to you. The key questions to ask are:

- What are the storage & reporting costs?
- How quickly can I access my gold?
- Do you deliver it? Or, do I drive to get it?
- How do I know you really have it?
- Or, are you selling me something that isn't there?"

And if you think that last question is too cynical, a few years back Morgan Stanley got fined big time for selling gold that wasn't in the vault. Nice trick.

**Brandon:** You have a really interesting job. Even if it is a little weird sometimes. Bob, will be back Monday. I like this series though. Have a great weekend.

**Greg:** You, too my friend.

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