INVESTING IN PHYSICAL GOLD OR OTHER PRECIOUS METALS

Gold is the precious metal most commonly treated as an investment. Gold is also known as a safe haven for investors – in times of uncertainty on the stock exchanges, they will often flee into gold.

Investing in physical gold can be done in the following ways:

1 **Purchase of a gold bar or gold coins** (Krugerrand, American Eagle, Napoleon, etc.). The buyer can ask for physical delivery of the gold, or can opt for a deposit in a custody account. This works in the same way as, for example, shares and bonds (account statements after each transaction, reporting on the custody account).

2 **Purchase of an ETC** (a tracker or an **exchange traded certificate**) that invests in gold. The ETCs buy physical gold and store it for you in vaults; this gold is used as collateral for your investment. By purchasing an ETC you are tracking, in principle, one-to-one the price movements of gold. Allow for the fact that there are costs associated with a tracker, which means your return can vary from the price of gold.

You can also invest in physical silver or other precious metals. In the same way as for gold, this can be done by buying silver directly, or by investing via an ETC.

Characteristics

- Gold offers **protection against inflation** (long-term, gold will hold its value in real terms).
- Gold is a **non-correlated asset**. The gold price does not move in the same way as the traditional asset categories (shares, bonds). This means that gold has a place in a well-diversified portfolio.
- The physical gold market is always very **liquid**.

Risks

Exchange rate risk: the gold prices on the world market are expressed in US dollars. The exchange rate movement of the US dollar compared to the euro can therefore be responsible for an investor getting back less in euros than they originally invested, even if the price of gold itself (expressed in dollars) did not fall.

Yield risk: holding gold (physically or on a custody account) does not generate any income. This opportunity cost matters most when interest rates are high.

Market risk: the price of gold is very volatile, and can fluctuate wildly as a result of central banks selling gold, the demand for gold from emerging countries, the worldwide economic situation, geopolitical problems, etc.

Costs and taxes

When you buy gold or other precious metals, it is in your best interest to take the costs and taxes that you will have to pay into account. This is because they will affect the return.

COSTS

Purchasing precious metals (gold bars, physical silver, etc.)

Bank margin: banks apply a margin whenever you buy physical gold, silver, etc.

Custody fee: most banks will charge you fees to hold your physical gold on a custody account.

Purchasing precious metals via an ETC (or tracker)

Brokers' fees: banks charge their costs for executing your orders on the secondary market.

Custody fee: most banks will charge you fees to hold your ETCs on a custody account.

TAXES

Purchasing precious metals (gold bars, physical silver, etc.)

No **stamp duty (TOB)**, no **withholding tax**, no **capital gains tax**.

VAT: When you purchase gold coins or gold bars, you do not pay any VAT. However, if you purchase gold coins that are treated as collectors' items, VAT is charged.

Note: if you buy physical silver, you pay VAT.

Purchasing precious metals via an ETC (or tracker)

Stamp duty on stock exchange transactions (TOB): if you buy or sell an ETC on a secondary market, you need to pay exchange stamp duty.

Withholding tax on dividends: withholding tax is owed on the dividends paid out by the ETC.

Do you want to find out more?

Read our *Financial instruments information sheet* on our website at www.bnpparibasfortis.be.

Responsible editor: A Moenaert - BNP Paribas Fortis SA/NV, Montagne du Parc/Warandeberg 3, 1000 Brussels, RPM/RPR Brussels, VAT BE0403.199.702 – june 2016.

032809800668