GOLD...

BY RUTH JACKSON

RON, AN 84-YEAR-OLD retired engineer, decided to rebalance his investment portfolio last year. He sold his investment properties and looked for a new home to save his £850,000.

But, instead of investing in shares, funds or bonds, Ron decided to buy gold. However, he didn't invest in gold funds or ETFs (exchange traded funds that can track commodity indices, for example) but physical gold, which he chose to bury in his garden.

Once his gold bars were delivered, he buried them in 18 locations on his land. He then drew up 18 treasure maps – one for each of his children and grandchildren – that he gave to his solicitor to be handed out after his death.

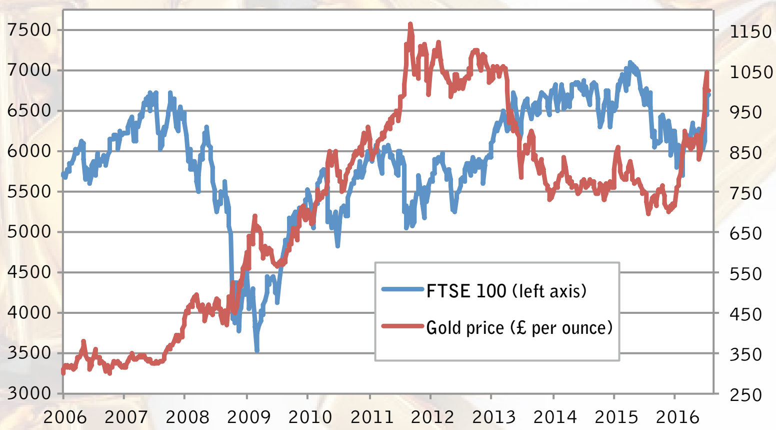
Ron's gold investment scheme is extreme, and not one I'd recommend, as his home insurance is highly unlikely to cover his buried loot. But it shows how much faith people have in gold as a safe haven investment.

Josh Saul, chief executive of the Pure Gold Company, which sold Ron his gold bars, says that Ron was motivated by concerns over the stability of the stock market. He had suffered at the hands of the market before. In 1980, the market crash wiped a considerable amount off the value of his pension. He rebuilt his losses only to be hit again in 2008 when he had investments in Northern Rock and Lehman Brothers, which both collapsed during the credit crunch.

"Fear and uncertainty are powerful motivators," says Mr Saul, and there are a lot of people who turn to gold when they are worried about the markets. "There is plenty to be concerned about, from global political uncertainty to a Chinese slowdown, but closer to home people with savings and investments are increasingly worried about the UK leaving the European Union."

With 2016 a year of uncertainty for the markets, thanks to Brexit, the US election, and fears over China, investors have pushed the price of gold up by 25% in just seven months. So why do people turn to gold as a safe haven investment?

How gold has performed compared with the FTSE 100 over the past 10 years



Source: BullionVault

AN ASSET YOU CAN TREASURE

In these uncertain times, investing in physical gold can provide a safe haven for your money. Read our guide to buying, storing and selling this precious metal

"Gold has been used as a safe haven to store wealth by all cultures in all ages across the world," says Adrian Ash, head of research at BullionVault. "Owning gold brings a sense of security no other asset can. It's rare – the global steel industry produced more tonnes each hour in 2015 than the world has ever mined gold in history. It's indestructible – the least reactive of metals after platinum, it doesn't rust or tarnish, and only a mix of nitric with hydrochloric acid will dissolve it.

"It also finds a diverse set of buyers, from central banks and investment managers to Indian wedding guests, Chinese savers and microchip manufacturers."

As a result, the gold price tends to rise when other markets fall as investors rush to safety.

There can be tax advantages to investing in physical gold too. VAT is not levied on gold bars or coins if they meet a certain criteria, such as being a legal tender at some stage, or of a certain purity or age. Sterling in the form of gold coins is also exempt from capital gains tax (CGT), although non-sterling gold coins, such as Krugerrands, are not. Of course, CGT is only applied if you make a profit of more than £11,100. So, if you've maxed out your annual Isa allowance, physical gold could be a good tax-efficient alternative investment option.

When you are choosing between gold bars and coins, be aware that the manufacturing costs associated with producing smaller gold items, such as coins, mean there tends to be a premium on them.

> "Buyers are diverse, from central banks to Indian wedding guests"

You can buy gold from a number of gold bullion dealers. The Royal Mint sells both gold bars and coins, as does BullionVault and The Pure Gold Company. Shop around to get the best possible price.

STORING YOUR GOLD

Think carefully about where you will store your gold. Don't follow Ron's example. While storing your gold at home may be tempting – you can lay your hands on it whenever you want, your home insurer is likely to insist it is stored in an approved safe that could cost you hundreds of pounds, and even then it is likely to only insure a small amount.

A better option may be to store gold with the company you buy it from. BullionVault, The Pure Gold Company and the Royal Mint will all store your gold for you in fully-insured vaults at a charge of around 0.12% a year.

Finally, don't invest all your money in gold. The key to riding out choppy markets is a diversified portfolio. Invest too much in one asset and you'll risk taking a big hit if that asset falls.

"Most investors will have some access to gold simply through holding a balanced and diversified portfolio of investment funds and don't need any additional exposure," says Patrick Connolly, a certified financial planner at Chase de Vere. "For those who want specific exposure to gold, then an allocation of around 5% or less of their total portfolio is probably sensible.

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How to sell your gold

If you own gold and you want to sell it, you have a number of options. If you want to sell gold bars or coins that are stored with a bullion dealer, you're probably only allowed to sell it back to them.

Anyone with gold at home has more options. Most bullion dealers will buy it from you, but shop around for the best price.

If you have gold jewellery that you would like to sell, the first thing to do is get it valued. You can either do this at a jewellers, or look up the hallmarks – which tell you the purity of your gold – and weigh your items to get a rough idea of the value based on the current gold price. Bear in mind that if gold jewellery is worth more than £6,000, you may have to pay capital gains tax on it.

You may be able to sell your gold items to a local jeweller, but visit a few shops to get the best price. You could sell items on eBay or to online scrap gold dealers, such as Bullionbypost.co.uk or Hattongardenmetals.com. But avoid cash-for-gold sites: research by consumer group Which? found the prices these firms offered were far from competitive.