



# Gold? It's glittering now, but may not for the long term

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By David Goldman for USA TODAY

A one kilo gold bar on display along with gold coins at Stack's Rare Coins on New York City's 57th Street.

## Q: Does gold make for a solid long-term investment?

A: Whether or not gold makes for a good investment depends on whom you ask and how long you want to hold it.

Speculators love gold due to its rapid price spikes and volatility. Traders make money when investments make big moves, up or down, so during times of fear, gold traders can do well.

It's not just speculators who appreciate gold, though. Investors the past 10 years have been pleased, too.

Since 2000, thanks to two stock market crashes, the Sept. 11 terror attacks, a U.S. credit bubble and fears about the financial health of Europe, gold has done well. So if you ask investors who have gotten into gold anytime since 2000, you'll hear about great it is.

With that said, a fatal flaw of investing is believing

that recent history is prologue to the future.

Historically, gold has been a laggard compared with most other asset classes, including common stocks, bonds, and preferred stock, says Ken Winans of investment adviser Winans International.

Even excluding dividends, the S&P 500 has gained 210% since December 1989, while the S&P 400 Midcap index is up 565% and the Russell 2000 Small Cap index is up 276%, Winans says. Again, that's excluding dividends, which account for at least half of total returns from stocks.

During the same time, gold bullion is up 170%. That's not bad. But it isn't 210% plus dividends.

And that's why many market historians urge long-term investors not to go gold crazy. Sure, a 1% position in gold might make sense if you're really worried about macro economic problems. Maybe even 5% if it makes you sleep better. But going to 20% or more, as some gold bugs recommend, will likely generate subpar future returns, Winans says.

Some investors buy gold thinking that the world's economic system is frail and only hard assets will hold their value. But if that's the case, you don't want to buy gold through an exchange-traded fund (ETF). If a doomsday scenario actually happens, do you really think your ETF provider will deliver bars of gold to your doorstep?

If you're interested in gold because you fear financial apocalypse, you want actual gold in your

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home or buried in the yard. Owning gold bars or coins has its own set of challenges. And don't forget the beef jerky.

History is pretty clear that gold, while attractive during times of economic worry, it isn't a great long-term investment. Own it if you must, but don't expect great things. Then you won't be disappointed.

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