CAPTRUST

What are the Pros and Cons of Investing in Gold Now?

A: Investing in gold may provide some benefits as a portfolio diversifier and potentially as a hedge against inflation, but there are several issues to consider when contemplating an investment in this or other precious metals. Here are a few:

- **Store of value.** Gold has traditionally been viewed as a store of value and a safe-haven asset during times of economic uncertainty and high inflation. As currencies tend to lose purchasing power due to inflation, gold may be viewed as a way to preserve wealth during these periods.
- **Limited supply.** The supply of gold is relatively limited and cannot be easily increased. This scarcity can make gold more attractive at times when the supply of money is increasing.
- **Portfolio diversification.** Adding gold to an investment portfolio can help hedge against the potential negative effects of inflation on other asset classes, such as stocks and bonds. In addition, gold has historically shown a low correlation to stocks and bonds, providing a diversification benefit.
- **Timing.** While gold is often considered an inflation hedge, its price can be volatile and does not always move in tandem with inflation in the short term. Also, timing the purchase and sale of gold can be challenging, so it’s essential to have a long-term investment horizon.
- **Trade-off.** While gold may help preserve wealth during inflationary periods, it does not generate income or dividends like other assets, such as bonds or stocks.

Investors should also be mindful of the additional costs of investing in physical gold, including storage, insurance, and transaction fees, which can erode potential gains. Exchange-traded funds (ETFs) that include gold may be a cost-effective alternative but do not offer the same features as investing in physical gold.

If you do choose to invest in gold, it should be as part of a well-diversified investment strategy and should not be considered a stand-alone solution to combat inflation. As always, consult with your financial advisor to determine what makes sense for you based on your investment goals, risk tolerance, and overall financial situation. interest that are common in other parts of the financial services industry.

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