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Breaking Myths of Investing in Physical Gold

By Luke Burgess | Thursday, May 15th, 2008

There is a herculean mountain of inaccurate information floating around about *investing in physical gold* bullion.

Among these erroneous concerns is the belief that storing physical gold is a difficult and that physical gold bullion is illiquid, making it an unwise investment.

Since it is the main objective of Gold World to provide fair-minded and balanced gold investment advice, I would like to take some time today to address both of these myths and hope to shed new light on these subjects.

Investing in Physical Gold Myth #1:

Storing Physical Gold is a Problem

I am unsure how this belief originated. My guess is that when considering investing in physical gold people initially think that they'll have to store and keep safe large bricks of gold, like those kept (supposedly) at Fort Knox and seen in Hollywood movies.

And, sure, if you had 50 or 100 of these large 12.5 kilogram gold bricks (like the ones seen below), you may want to build a small fortress to store your bullion investment.



On the other hand, the street value of 100 of these large cast gold bricks right now is about US\$40 million. And I'm assuming that if you have \$40 million to invest in physical gold, you probably won't have a problem shelling out the cash to build a safe storage stead.

Most speculators in the world will invest less than \$1 million in gold coins and bars. And storing up to this amount of physical should not pose much of a problem.

The truth is that gold is very heavy. In fact, it's over 70% heavier than lead. The specific gravity for gold is 19.32, which means that gold is over 19 times heavier than an equal volume of water. Meanwhile, the specific gravity for lead is 11.34.

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What this means is that one ounce of gold is probably much smaller than most people think. The actual size of a one ounce gold bar minted by Credit Suisse is approximated in the image below.



Finding a secure place to store up to 1,000 of these small one ounce gold bars should not be difficult. My suggestion is to simply buy a good safe and keep it in a place no one would ever think to look...like in the floor of your basement, or inside one of the walls of a closet, or even buried in your backyard.

I would recommend against keeping your bullion in a bank. Most banks are open only a few hours a day, limiting your access to a safe deposit box. Moreover, for Americans, gold kept in a bank is susceptible to confiscation from the US government, which actually happened in 1933.

Storing physical gold is not difficult, unless you're storing a ridiculous amount of it. Buy a good safe, and keep it out of sight.

Investing in Physical Gold Myth #2:

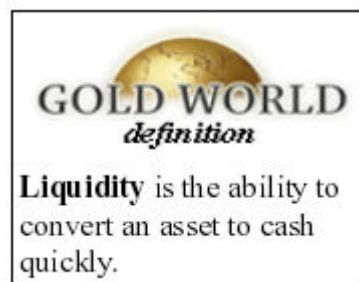
Physical gold is illiquid

Gold is not the most liquid of investments. But is much more liquid than most people think.

Gold's liquidity has increased significantly over the past few decades. During the gold bull market of the 1970s, buying and selling physical bullion was several times more limited than it is today.

The two most popular ways to buy and sell physical gold are through 1) brokers, and 2) private individuals.

There are many more gold brokers today than there were just a few years ago. Physical gold coins and bars can be purchased from and sold to many online brokers, including Kitco and AmeriGold. These brokers have made buying and



selling physical gold through them as easy and attractive as possible by offering near instant payments and a guaranteed sales prices.

Most brokers will sell gold slightly above spot prices (unless you buy a lot) and buy gold slightly below spot prices. But when buying and selling gold to private individual, prices are almost always over spot prices.

Gold sold on online auctions, such as eBay, generally sell for over spot. I saw several one ounce gold bars on eBay that sell this morning for \$900 a piece. Meanwhile, the official cash spot price is about \$882 an ounce.

While gold is certainly not the most liquid of investments, investors many more buying and selling options than they did just a few years ago.

Let me leave you with one tip that will increase the liquidity of your physical gold investments...

Buy Very Small Gold Coin and Bars

Gold coins come as small as 1/10 of an ounce, and you can get gold bars as small as 1 gram. These small gold coins and bars offer higher liquidity than their larger cousins.

A 12.5 kilogram gold bar is a lot of money for many people and comes under the category of big ticket items. Such bullion bars would really be sold to dealers who have a high cash flow. And it is much easier for private individuals to afford the smaller gold bars and coins, hence increasing their marketability.

Gold coins seem to sell the best. The Canadian Maple Leaf, American Eagle, and Sovereigns are always popular with buyers and consequently very easy to sell for cash.

Until next time,



Luke Burgess
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Editor's Note: About a year ago, Greg McCoach began telling readers about a special situation taking place in Northern China. A North American gold company landed a find so massive that investors could pick up an ounce for just \$57. At that time, the stock was trading for \$1.17 a share. Today the company

sells for \$2.48 - already turning every \$10,000 into more than \$21,197. But this thing is just getting started. Check [this out....](#)

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