

Different ways of buying gold

Physical gold (eg gold bars, coins)

PROS:

- Most straightforward way of buying gold, and suits investors who like the touch and feel of it
- Investors can use their CPF to buy physical gold (or gold certificates) from local banks



CONS:

- Storage and maintenance costs (eg in vaults or safe deposit boxes)
- Transaction costs to buy and sell gold from dealers
- Need to pay the full sum for the gold upfront
- Premiums now are higher due to the increased demand for gold and the shutdown of refineries and disruption in flights

Gold ETFs

PROS:

- ETF fees are usually cheaper than paying for the storage of physical metals
- Buying and selling can be done on a stock broking platform with modest costs
- Investors can use their CPF to buy gold ETFs



CONS:

- There are also more complex ETFs that can invest in a combination of stocks, the commodities themselves and futures contracts. Some also use leverage. These more risky ETFs are better suited to experienced investors.
- There can be storage costs for the physical gold that back the ETFs.

Spot gold

PROS:

- Most direct way to track gold prices aside from owning the physical gold.
- Uses margins, freeing up investor's capital
- Some brokers offer trading of spot gold with zero commission, which allows investors to swiftly react on market developments, without worrying about a minimum position size to cover the trading or commission fees



CONS:

- Incurs overnight financing fees known as swaps

Gold futures

PROS:

- Uses margin and frees up investors' capital



CONS:

- Has contract expiry dates, so investors need to roll futures positions over as they expire, otherwise they can expect delivery of physical gold
- For sophisticated investors only

Mining stocks

PROS:

- These stocks can gain even more than the increase in gold prices when they do well, and might also pay dividends



CONS:

- Usually small cap and financials are not always good
- Other corporate factors to consider such as cash flows, mining capabilities, sites available
- They can fall by more than gold prices too when the company is not doing well
- They don't necessarily move in concert with bullion prices, because they succeed or fail based on individual operating performances and how they deploy their capital and generate profits

Contracts for difference

PROS:

- Have no expiration date, so traders can decide on the right time to close their positions based on prevailing market rates and desired profit margins
- The amount of commission charged when trading CFDs is usually small, and at times there is no commission charged (but this also depends on the broker)



CONS:

- Very risky, as it involves trading shorter term gold price volatility through spread betting, which when coupled with the use of leverage, can multiply losses (and returns) compared to the amount of capital invested

Internet Investment Gold

PROS:

- Investors can acquire it simply and swiftly through smartphones, and take possession of the physical gold at their convenience
- The gold is safely stored on their behalf
- Minimum investment amounts can be very low, thus making it affordable
- Accessible even to investors who do not have a bank or stockbroking account



CONS:

- Still nascent and evolving
- Trustworthiness of product provider matters, as many are not regulated as investment services, especially in new markets
- Transaction fees are typically a percentage of investment amount, meaning there is no economies of scale for buying a larger volume