

GOLD - shining bright in challenging markets



“THE BIG DIFFERENCE BETWEEN PAPER GOLD AND PHYSICAL GOLD IS THE ASSET BEHIND THEM. WITH PAPER GOLD, YOU DON’T HAVE GOLD BEHIND.”

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What’s the reasons that HNW clients should buy physical gold?

When we are talking about paper gold, usually it refers to certificates or ETFs. The main problem with these financial products, because they are financial products, is that you don’t have enough gold backed by this product, meaning that for the client will not be able to withdraw their gold in case they need to. So, this is a big thing.

On the contrary, when you have physical gold, and I’m talking about allocated physical gold, because it should be allocated to your name, as it’s a really important way to protect yourself, to be sure that your gold is there and it will protect your asset. When you have an ETF or paper gold, it’s just a financial product. When you invest in physical gold, you will go about protecting your asset, which is really different. And also, it provides a hedge against inflation.

What’s the difference between physical gold and paper gold?

The big difference between paper gold and physical gold is the asset behind them. With paper gold, you don’t have gold behind. This is really important, because in case you need your gold, in case of a crisis, you will be protected by physical gold. This is not the case with paper gold. Just to give you an example, usually behind paper gold you have one bar sold to 99 clients. This means that you will not be the one with the bars if you need it.

The second difference between physical gold and paper gold is the hedge against currency inflation. After buying it, you can sell it on the market and you will be able to sell it everywhere, because we say that the gold is fungible, meaning that everywhere you go in the world, you will be able to sell it, and you will be able to protect yourself against all the currencies, which is really important.

Why would you store gold at a bank or external to a bank?

Actually, we will never advise any clients to buy and store their gold in banks. Why? First of all, banks do not have the gold that they are selling to their clients. This means if all clients are coming tomorrow to take their gold, they will not be able to take it.

Secondly, banks do not know the origin of their gold, and not so long ago we had received big,

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shaky news saying that some banks has fake bars in their vault. So, this is why it's very important for us to know what the origin of the gold is.

The third point is when you have a financial crisis and the bank is closing, you will not be able to access your gold. This is why it's better to store your gold out of the banking system, or out of the financial system. Saying that, you have to store your gold in the best place, and the best place for safety is in a certified LBMA vault. You have LBMA vaults right now in different places; in Singapore, you have them. We are one of them. You have them in Hong Kong, and you have it also in Switzerland.

How can you be confident you're paying the best price for your gold?

The first thing that you have to do when you are going to buy gold, and to know when you will not paying the best price, is to ask your seller what the price of buying and what the price of selling are. And like that, you will know what the seller is doing actually. But just to give you an idea, whatever the amount, you should not pay more than 0.5% margin above the spot price, above the international price; this is a benchmark right now. ■

