



DAILY RECKONING
Australia

How to Buy, Sell, and Store Gold in Australia

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By Brian Chu, Editor

Deciding on what gold to buy

Before you start buying gold, you need to decide what type of gold you're after. I always suggest owning at least some physical gold.

If you have a conservative approach to diversification, I believe you should have a 10% allocation of your net wealth in gold.

If you're more aggressive in your diversification — and truly believe in the long-term value of gold — you may want to consider a 20% allocation to gold.

Now, that's not to say paper gold doesn't have a place in your portfolio.

Exchange traded funds (ETFs) with 100% exposure to gold price movements can be a useful tool to trade the gold price. Now that gold can be freely traded on the market, its price experiences volatility at times, as with any other asset.

There are even occasions in which the gold price has moved US\$100 per ounce in a day. An example of this was when Donald

Brian Chu is one of Australia's foremost independent authorities on gold and gold stocks, with a unique strategy for valuing big producers and highly speculative explorers. He established a fund that only invests in ASX-listed gold mining companies, possibly the only such fund in Australia, putting his strategy and research skills to the test under public scrutiny.



Brian is also editor of:

- **[The Australian Gold Report](#)** — a monthly advisory delivering insights and recommendations into the global precious metals mining sector, with a longer-term focus.
- **[Gold Stock Pro](#)** — a highly speculative trading advisory that helps readers trade in some of the most exciting gold, silver, and other explorers.

Trump was elected as US president on 8 November 2016.

In effect, the gold price reacts to geopolitical events. And it creates both wild price swings and short-term investing opportunities along the way.

Taking advantage of short-term gold price movements isn't for every investor. Yet if this is something that interests you, gold-backed ETFs have been created for this purpose.

Again, we recommend buying physical bullion, which is best viewed as a multi-decade investment because of its usefulness as a protection of long-term wealth. However, if you are looking for ways to profit from gold price swings in the short term, gold-backed ETFs can be a useful tool.

Furthermore, there are many ETFs listed in Australia now. The following is a list of ETFs backed by 100% physical gold holdings:

- **ETFS Physical Gold [ASX:GOLD]**
- **BetaShares Gold Bullion ETF — Currency Hedge [ASX:QAU]**
- **ANZ GOLD ETF [ASX:ZGOL]**

All these ETFs are priced in Australian dollars, meaning they include a currency hedge. A currency hedge means that the value of gold in US dollars has been automatically converted to Aussie dollars for an ETF. That's one of the benefits of buying gold ETFs listed in Australia as opposed to overseas exchanges.

The reason for this is simple:

Gold is priced in US dollars. Australian investors have the double whammy of being exposed to gold price movements AND US dollar price fluctuations.

While this is part of the risk associated with buying and selling

gold, it can add an unnecessary complication for investors.

By choosing ETFs with a US dollar hedge, the AUD/USD exchange rate has already been calculated for you. In other words, what you see is what you get. Meaning you don't have to fiddle around with your own calculations to figure out what the gold ETF is worth in Aussie dollars.

How to get your hands on physical gold

Getting gold in your hands can be the daunting part.

Buying physical gold is taking that step into the unknown. For you, it might be new. To your ancestors, however, gold was crucial to preserving wealth.

So, where should you start?

You may be surprised to learn that there's a thriving gold market on eBay! I have never personally bought bullion from eBay. And if you're a first time gold buyer, steer clear of eBay and stick with recognised bullion dealers.

There are many dealers spread across Australia, including:

- ABC Bullion — Sydney
- KJC Bullion — Sydney
- Gold Stackers Australia — Melbourne
- Australian Bullion Company — Melbourne
- Gold de Royal — Brisbane

- Ainslie Bullion — Brisbane
- As Good As Gold — Adelaide
- Perth Mint — Perth

Please note we are not affiliated with any of these dealers. These are just the largest bullion dealers in Australia.

The best way to get started is to visit your local bullion dealer, either in person or through their website. You don't have to buy from a bullion dealer in your state. Most of them will ship to any address, as long as you can sign for the delivery in person.

So, you can buy from a bullion dealer in Brisbane even if you live in Melbourne. Bullion dealers offer gold from various mints around the world, so shop around to see what you can find.

Be warned, though: All bullion dealers must adhere to the same anti-money laundering as banks. Which means that if you are buying online for pick up in person OR courier delivery, your identity will need to be confirmed by a bullion dealer. Generally, a passport or driver's licence is sufficient.

In addition, the AUSTRAC Anti-Money Laundering and Counter-Terrorism Financing Act 2006 applies to transactions over \$10,000 (including equivalent foreign currency amounts). Which means that you should be prepared.

If you walk in with wads of cash over \$10,000, the bullion dealer will have to report the transaction to AUSTRAC. If you don't want the government to know about the transaction, keep the cash transaction below this amount.

How to store your gold

Before you buy any physical gold, you need to think about how you will store it. This is very important.

You may be tempted to keep it at home. In fact, there's a large range of web pages that come up with ideas on how to hide gold.

I understand the desire to keep your precious metals close. But storing it at home is highly risky.

For starters, you can't insure gold kept at home. Basically, if your bullion is lost or stolen, you'll never be able to recoup it. Remember, gold is money... you need to treat your gold exactly as you would cash. Once it's gone, it's gone for good.

If you do decide to keep your bullion at home, install a top quality safe. I'm not talking about the sort of safe you can find at Bunnings.

There are countless YouTube videos available to show you how to crack open one of these with only a little bit of force. I know this well. With the help of a YouTube video, I was able to crack open my own personal off-the-rack safe once or twice before.

If you do choose to keep your bullion at home, never, under any circumstances, tell anyone where you keep it.

Another popular — and probably more secure option — is to organise secure storage for your gold.

Banks do offer safety deposit boxes for hire. But then your gold would be stored with a bank. And you may decide that you don't want to have it anywhere near the financial system. After all, in my view, the point of converting fiat dollars into gold is to get a

portion of wealth out of the financial system.

Many Australians are often surprised to find out that the contents of their seemingly private bank safety deposit boxes aren't that safe at all.

Yet Aussie banks can exercise their right to the contents of your safety deposit box at any time!

For this reason, consider private storage companies.

Firms like Guardian Vaults, Kennards Self Storage, Custodian Vaults, and Fortis Vaults all offer personal safety deposit boxes for a small fee. Even better, they are privately owned. So, you won't be storing your gold with a bank or government authority.

The other and often cheaper option is to have a bullion dealer store your gold for you. Many bullion dealers offer to store gold on your behalf.

This means that when you buy your gold, you don't take physical delivery of it. The bullion dealer holds it for you. If you plan on buying large quantities of gold, this may be the best option for you.

Now, when you ask a dealer to store it for you, there are two types of storage available: allocated and unallocated.

Allocated storage is simple. Each gold bar (no matter what the size) is given a unique serial number for bullion dealers to track. If you choose allocated storage, the bars you buy go into a pooled storage unit.

In allocated storage, the serial numbers of each bar will be noted down on a ledger, and they will be taken off the market and 'allocated' to you on the dealer's ledger.

In other words, while all your bullion bars will be stored in one

collective vault, no one will be able to buy the bars you have because they have been allocated to you — and only you.

The alternative is unallocated storage.

Unallocated storage is also pooled. However, you don't have serial numbers of bullion bars written down next to your name. Instead, you have a set number of bars (or ounces) allocated to you on the ledger, with no claim on any particular bar in the vault.

Put another way, say you buy five one-ounce gold bars, giving you a total of five ounces of gold. If you select unallocated storage, you will have a claim to five ounces of bullion in storage. But you don't 'own' any particular bars in storage.

Unallocated storage costs are often slightly cheaper on a yearly basis. However, whichever method you choose, make sure it's right for you.

Should you buy coins or bars?

And now the fun part — deciding what type of bullion to buy.

Believe it or not, there are a few different types to consider...from cast bars to minted bars to coins.

Coins are visually appealing and highly collectable. Many cultures like to give gold as gifts at certain times of the year, and often use gold coins. The reason? Gold and silver coins are attractive to the eye. They make fabulous gifts with their intricate and generally commemorative detail.

Coins are what people choose to pass on down the family line over generations as well.

Yet their intricacy and detail come at a cost.

Basically, the fancier the coin, the higher the price you pay. The advantage of this, though, is that they come in much smaller amounts. Some coins are 1/10th of an ounce, giving investors a small way to start accumulating gold.

Minted bars are another way to buy gold and are quite popular.

They tend to be simple; the appeal of them is the neat mould of either gold or silver. Much like coins, minted bars can be bought in amounts smaller than an ounce. You can buy a minted gold bar for as little as one gram of gold (the minimum minted-sized silver bars and coins are generally one troy ounce).

If you are buying gold for yourself to hold over the long term, minted bars may be the right fit for you. You can buy minted bars from half an ounce up to a kilo. They make for neat, stackable storage. And because of the low casting costs (no fancy detailing), they are relatively cheap to invest in.

Next, you have the option of buying cast bars.

If you're after the cheapest way to access precious metals, this is the bar for you. With cast bars, there's no intricate minting detail. Just a lump of precious metal with the mint's stamp on it.

That's it. Simple, efficient, and the lowest-cost way to access precious metals.

If you are buying gold in large quantities, cast and minted bars are often the way to go. Coins make great gifts. However, because of the premium that comes with buying a detailed coin, it can take longer for the purchase cost to reach the spot value of gold per ounce.

Finally, you may want to buy a gold nugget. I recently heard from a friend who purchased a nugget for his son's 21st birthday. He paid a premium for the nugget, more than that of a gold coin. He told me that he relished gold in its natural form. Every gold nugget has a unique appearance and no two are the same. You may even turn this unique nugget into a family heirloom and weave a story around it to pass onto future generations!

Ultimately, the reasons for owning gold always come down to personal choice.

For some, it's about having an asset to pass down to their children. Simply putting aside some cash into a bank account to earn interest isn't ideal as a long-term investment. Compared to gold, which has historically maintained its value, cash has come and gone time and again throughout history.

For others, owning physical gold is about ensuring they have a small portion of their wealth outside the financial system. Something free from government intervention and central banks destroying their savings through low interest rates.

In any case, owning gold isn't about turning a quick buck. It's a decision to invest in something other than a paper asset exposed to government and central bank manipulation.

So, I wish you all the best in your gold buying journey. You've made the right choice in choosing to safeguard your wealth for generations to come.

Welcome to *The Daily Reckoning Australia*

The story of gold and its role in the global monetary system is something strategist Jim Rickards and I track and report on in *The Daily Reckoning Australia*, along with a range of other topics, like the fecklessness of politicians and global elites.

Each day we look at current events to anticipate the risks and opportunities to help you profit and protect yourself.

There is a whole universe of ideas, from history to economics to geopolitics...and we explore them all to make sure we're on the right track.

Keep an eye out for upcoming articles, commentary, and insights from Jim and myself on gold and other stories in the weeks and months ahead.

We're glad to have you on board.

Kind regards,



Brian Chu,
Editor, *The Daily Reckoning Australia*



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Fat Tail Investment Research Attn: *The Daily Reckoning Australia* 387 City Rd, South Melbourne, VIC 3205 | Tel: 1300 667 481