The Atlantic GOLD & SILVER CENTRE

JANUARY 2015 NEWSLETTER

Should I buy Silver or Gold ???

Written by David Ford.

The question “Should I buy Silver or Gold ?” is actually a very common question amongst precious metals buyers, so I thought I'd take some time to answer this in depth.

Before we can answer the question, we need to look at the differences between buying the 2 metals. Some of these facts may help you make a decision quite quickly, some may make you pause and re-evaluate your whole portfolio !

1) Fractional Gold Premiums

Fractional Gold is how we refer to any gold products which are less than 1 troy oz. This can be 1/4 or 1/10th Gold Maples, or the popular 1g, 5g, 10g bars which are presented in 'credit card' formats. The premiums on Fractional Gold are significantly higher than on whole ounces. By way of illustration, 10 x 1/10th oz Gold Maples would currently cost you CA$1925, whereas buying 1 single Gold Maple would only be CA$1678.

We would recommend that you do not buy Gold if you are planning to invest an overall total of less than 1 ounce of gold per year. Silver is a natural choice for smaller denominations of precious metals. Some people point to the fact that fast rises in Gold could make 1oz sizes too expensive, which would make fractional gold more readily accepted and hence useful. There is some merit to the argument, but we would recommend fractional gold be used as part of an overall gold portfolio which mostly consisted of 1oz and above sized bars, making it easier to divide in the future if necessary.

2) Silver vs. Gold Premiums

For 1oz gold and above, the premiums are cheaper than silver - even when silver is purchased in 100oz bars. For larger investors then, the savings of buying and selling a gold portfolio will be significant when compared to a similarly valued silver portfolio.

WHAT ABOUT PLATINUM, PALLADIUM & RHODIUM..?

In Canada, we can immediately rule out both Palladium and Rhodium for physical investment, since they are subject to Sales Tax. This means an instant loss of 13-15% depending on where you live in the Maritimes.

Platinum stands between precious metals, and industrial commodities – meaning it stands to gain whether the economy is bad, or good – or both in different parts of the world. Typically trading at a 30% premium to Gold, Platinum today is historically extremely undervalued. This reflects the drop in its demand for industry, as automotive and electronics industries decline with the global growth slowdown.

3) Price Volatility

Price volatility can be seen as a good thing, or a bad thing - depending on your perspective. Silver prices are significantly more volatile than gold prices. This means that there is the potential for much larger gains in silver than in gold, and most who buy only gold would be foolish to ignore this fact. This is due to the small size of the silver market, compared to the gold market. Small changes in supply and demand can create large swings in price. Those with a conservative approach argue that if you ever need to sell some of your portfolio (which may happen in a crisis - personal or societal) then a downswing in the markets may cause you to take a larger loss in a silver portfolio, than a gold portfolio. However, many of those buying only gold are just looking for secure wealth preservation, not seeking gains, as they may have other forms of income.

4) Liquidity

Here silver wins hands down (in North America). There are far more people buying silver than gold. It is far more affordable for the larger middle-income sections of society. If you have good quality silver bars or coins, you will always find a buyer - meaning you will find it relatively easy to get fair market value in return. Be aware that other parts of the world are different, with gold being all that matters in some parts of Asia, and even Europe (see below)

5) Sales Tax Issues

Did you know that 99.9% pure bullion silver is subject to Sales Tax of 20% in England ? In fact there are several European nations where silver has always been taxable. As such, it is mostly rejected as an investment class in Europe. Very few dealers even sell silver, focusing exclusively on Gold.

Ask yourself this question... What would happen to the investment demand for Silver in North America if governments here decided to tax it like other retail goods ?? The answer is obvious - investment demand would collapse, the price would plummet, and everyone would be looking to off-load silver in favor of gold. I think this is an unlikely scenario at present, but is worth bearing in mind when choosing between gold and silver.

Could gold be taxed the same way ? This is highly unlikely. There are a lot of very rich and powerful people who personally own large amounts of gold. It is traditionally the investment of Kings, Princes and rulers around the world. No government would be able to go against the richest and most powerful families in their midst. Buy gold, and you're in good company.

So what should you do ?

With so much economic and social uncertainty ahead of us, it is impossible to predict what factors may affect the precious metals markets over the next 10 years.

As such, it would be prudent to hedge-your-bets, don't put all your eggs in one basket etc. etc. !! See our table below for our quick opinion of various options. However, please make your own decisions, we have many large investors who are solely in Silver, so as usual, there are as many opinions as there are people !

Annual Investment	Recommended Portfolio	Recommended Products
Up to $2000	100% Silver	Well known bars & coins in smaller denominations E.g. Silver Maples Silver Eagles Sunshine Minting bars (1oz, 5oz & 10oz) Recognized 10oz Bars (RCM, JM, Heraeus etc.)
$2000 - $10,000	**Adventurous** 20% Gold 80% Silver	Gold in Recognized 1oz Bars or Coins E.g. Gold Maples 1oz Bars (JM, RCM, Credit Suisse, Engelhard) Silver in small denominations (as above)
	Balanced 50% Gold 50% Silver	
	Conservative 70% Gold 30% Silver	
$10,000 - $100,000	Silver volume begins to become an issue at this point, so without good storage facilities, we would recommend the Balanced or Conservative portfolios as mentioned above.*	
$100,000+	Wealth preservation is usually more important that potential gains as your portfolio increase in size. A 75% gold, 25% Silver portfolio by value would provide good wealth protection as well as allowing you to profit from any significant upside in Silver. Even if there large drops in the Silver Price, the majority of your position will be in less volatile gold.*	

* Note : even for larger gold portfolios, we would still recommend 1oz gold bars & coins. These are far easier to liquidate that 5oz, 10oz or 1kg bars. If gold rises significantly, this will become even more valid.
* Caveat : If you need portability, and are perhaps crossing borders, gold is much easier to transport and keep on your person. If flying, forget trying to take any volume of wealth in Silver.

What do I Do?

I have always preferred a 70% Gold and 30% Silver split. I know that with Gold, I am in good company and will get steady appreciation as currencies lose value. I will still profit nicely should silver rise more quickly.

Conclusion.

Think about what you have, and what you want to achieve. Be aware that most people cannot handle nearly the amount of volatility they think they can. And remember that whatever precious metals you eventually go for, you will be much better prepared for uncertain economic times than 99% of the unthinking population with their money in the paper promises of GICs, RRSPs and Mutual funds !

Author David Ford is the founder, owner and President of The Atlantic Gold & Silver Centre. He is experienced in commodities & future trading, banking and insurance. He has been actively investing in gold and silver bullion since 2000.