

Don't catch "Gold Fever!"

Gold often attracts a crowd of promoters who would like to take investors' money. **Beware of so-called "exploration" companies.** Some may offer official-looking geological surveys or financial statements, when in reality there is little or no current production, just an appetite for new investor money.

Beware of these other gold scams:

Scenario #1: A seller offers to sell actual gold bullion and then retain the investor's gold in a "secure" vault, and later promises to sell the gold for the investor as it gains in value. In many instances, the gold does not exist.

Scenario #2: A company encourages investors to cash out of their poor-performing investments to purchase gold. The investor ultimately ends up with a large bag of gold-colored coins with no monetary value. Remember, if you are advised to cash out investments and roll funds into a different type of investment, make sure the person advising this is licensed by the Office of Securities.

Gold promoters often try to create a sense of urgency to get you to suspend your judgment and part with your money before you have had a chance to thoroughly check out their claims. Don't catch gold fever—call us for help.



Who Can Help?

The **Maine Office of Securities** licenses the firms and brokers who sell gold-related securities and investment advisers who recommend the purchase of gold-related securities or selling securities to purchase gold as an investment.

Always check *before* you invest.

(877) 624-8551

www.investors.maine.gov

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Gold What Every Investor Needs to Know



Is gold a good investment
in uncertain times?

Before you invest, read on!

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IS GOLD THE RIGHT INVESTMENT OPTION FOR YOU?

Gold-related investments are on the rise. Historically speaking, the value of gold-related investments fluctuates even more than the stock market. Gold often moves in reverse of stocks and bonds, so when stocks are down, gold seems like a very tempting investment. Before jumping onto the gold bandwagon, consider these facts:

- **It is a myth to say that gold is a safe investment:** An investment in gold is not foolproof. An investor needs to know his or her investment objectives. Gold may not provide long-term investment returns. Gold is a commodity, and, like other commodities, its price can fluctuate dramatically.
- **There are multiple ways to invest in gold:** If you are interested in investing in gold, you have several options: investors can put money into actual gold, gold-related market investments (i.e., mutual funds and exchange-traded funds), futures, and gold mining companies.
- **Mutual funds containing gold:** Although several mutual funds have gold in their names, you will not find any with more than 10 percent of assets invested in the metal itself. That is because mutual funds by law must earn 90 percent of their income from securities, and gold, like other metals, is not a security.
- **Stock in gold mining companies:** Purchasing stock in a gold mining company is more volatile than purchasing physical gold because of the risks associated in discovering and mining the metal. Mining companies' profits are related to the price of gold, meaning that if the price of gold rises by a certain amount, earnings should jump by a greater percentage. If, however, the price of gold goes down, investors would expect to see mining companies' profits decline in similar fashion. Also be aware of "shell" mining companies, in which a company claims that it is in the gold mining industry when actually it exists solely to raise investor funds for fraudulent purposes.
- **Buying gold online:** As with any online transaction, be sure to go through a reputable dealer. When researching bullion dealers, thoroughly check out the dealer because, unlike what dealer names sometimes imply, **there are no dealers who are authorized or affiliated with the U.S. Mint.**
- **Gold as an exchange-traded product:** An investor purchases a share in a trust, and the shares represent ownership in physical bars of gold. Each share claims ownership of a small portion of actual gold. These

trusts may have hidden costs that dilute the holder's interest in gold. Investors having an investment in a gold Exchange Traded Fund (ETF) may be subject to higher rates of taxation than other types of mutual funds. They should therefore review the prospectus and consult with a tax accountant on this issue.

- **Gold CDs:** These CDs can be as illusory as "fool's gold". Gold CDs differ from traditional CDs because they are tied to the price of gold. Many banks seduce investors with promises of a share in the rising value of gold. If, however, the commodity decreases in value, the investor gets only the principal back, and the interest rate may vary significantly from that of a regular fixed-rate CD. Be aware that each CD has its own formula to calculate interest rates and its own set of rules for when the investor can sell the CD prior to the maturity date.

The Bottom Line: Interest in gold-related investments tends to rise in uncertain economic times. As with any investment fad, increased interest also produces an increase in potential scams. Take time to check out an investment in gold thoroughly and always follow safe investing practices.