



faith . discipline . patience

Gold is often presented as a good hedge against inflation.

But history shows a mixed track record.

In the 70s, after we went off the gold standard, gold prices went up a lot while inflation was running away.

However, according to Amy Arnott with Morningstar, from 1980 to 1984 inflation was about 6.5% and gold returned a negative 10% per year.

Similarly, from 1988 to 1991, inflation was around 4.6% while gold lost 7.6% per year.

In other words, over these shorter periods gold does not show a consistent ability to maintain its value when adjusting for inflation.

Of course, there are other factors impacting gold prices, like supply & demand, geopolitics, fiscal and monetary policies, and, as always, investor behavior.

So, as with so many things it can be dangerous to treat an investment through only one lens. In this case the lens of inflation.

My personal problem with gold as an investment is its lack of income. No dividends, no interest, no rent.

Its only value is its price which really hasn't done much since its initial burst in the 70s when it ran all the way up to \$800. Since then, it has barely doubled in a little over 40 years.

Bonds have done much better due to the interest payments. As has real estate. And stocks are miles ahead.

Gold as a long-term investment? I'm not convinced. As jewelry, however, I'm game.

Good luck.

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