



Which Should You Buy, Silver Wheaton Corp. or Silver Bullion?

Description

The world is drowning in phoney paper money and hidden inflation.

You can almost feel these central bankers sweating, grunting, straining their muscles to the point of exhaustion trying to crank the global economy back into gear. Historically, this has only resulted in one thing: uncontrollable inflation.

How can you protect yourself? You need to own hard assets like precious metals. Silver is particularly prized for its many industrial uses. And once it's used, it's gone forever. The cost to recover the little bit of silver from each smartphone and computer chip is enormous.

Investors have always had a few choices when investing in the grey metal, namely bullion and mining companies. However, streaming metal companies like **Silver Wheaton Corp.** (TSX: SLW)(NYSE: SLW) are better alternatives. Here's why.

1. Business model

Silver Wheaton is like the banker of the mining industry. The company fronts resource firms with the cash they need to construct new projects. In exchange, Silver Wheaton is given the right to buy a percentage of the mine's production at a steep discount to market prices.

The advantages of this business model are obvious. Most mining firms run on paper-thin profit margins, which can be wiped out if any problems crop up. Silver Wheaton, in contrast, pays an average of US\$4.15 per silver equivalent ounce. At current metal prices, the company generates profit margins between 80% and 90%.

2. Growth

Let's be honest: Hoarding metal in a vault isn't a brilliant investment strategy. Sure, you can fondle your silver bars, and they will hold their value better than fiat dollars. But over the long haul, a hunk of metal will do little to actually increase your real wealth.

By contrast, Silver Wheaton is a productive business. It grows and compounds over time. If you had purchased one Silver Wheaton share back in 2004, it was backed up by about 1.5 ounces of silver reserves. Today, that same share now represents over 6.5 ounces of silver reserves.

3. Cost

Storing and insuring bullion is expensive. Institutional investors pay about 0.45% of their bullion value in storage fees every year. Exchange-traded funds, such as the **iShares Silver Trust** ([NYSEMKT: SLV](#)) and the **Sprott Physical Silver Trust** (TSX: PHS.U)([NYSEMKT: PSLV](#)), charge between 0.50% and 0.56% annually of assets under management as administrative fees.

Last year, Silver Wheaton paid \$35.8 million in general and administrative costs. If you think about that in terms of a management fee, you are paying less than 0.38% of the company's total value in expenses. Those savings can really add up over years.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSEMKT:PSLV (Sprott Physical Silver Trust)
2. NYSEMKT:SLV (iShares Silver Trust)
3. TSX:WPM (Wheaton Precious Metals Corp.)

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