



The Surprising Reason Every Investor Should Own Silver

Description

I have to admit, I've never been much of a precious metals fan.

There are a couple of reasons for this. First, I've never bought into the whole worst-case scenario theory. We're lucky to have a relatively stable currency, which isn't prone to things like hyperinflation. I can't envision a scenario where inflation becomes out of control, at least at this point. Perhaps that changes in the future, but right now I see little reason to hedge against the devaluation of the Canadian dollar.

The other reason why I'm bearish on precious metals is because unless I buy a producer that pays me a dividend, there's no way to derive an income stream from gold coins or bars of silver. All I can do is patiently wait for somebody to come along and offer me more than what I paid for it. Sorry, but that's not for me.

Sure, both gold and silver have uses, but especially for gold, they pale in comparison to folks using the metal as a store of value. That's not something I'm into, especially considering the opportunity cost of holding a metal that could go down at any time.

But silver is a far more interesting metal, especially when you consider its role in one of the next mega-growth sectors over the next few decades, solar power.

In 2013, all renewable sources of power accounted for more than 22% of energy produced. In the United States, that number still lags a little behind, but comes in at a still respectable 14%, mostly on the strength of solar energy, which just about doubled during the year.

Solar still has a long way to go. According to the Institute for Energy Research, solar panels in the United States only produce 0.3% of total power, and that's even after years of aggressive investment, tax incentives, and improving technology. It's a start, but it's not much of one.

It's obvious solar power will start playing a greater role in our future energy needs. It's already economical for most people in warm climates to install panels on their roof (especially with tax breaks designed to encourage just that), and industry experts believe the technology will be efficient enough

to work in less ideal climates in just a few years.

What does this have to do with silver? A lot, actually, since the metal is one of the main parts of solar panel production.

When it comes to solar panels, silver has two things going for it. It's one of the most reflective metals, and it's an excellent conductor of electricity. Silver helps reflect the sun, which produces electrons once it hits the silicon inside of the cell. Silver is then used again, to conduct the electricity out of the cell. Without silver there are no solar panels.

Right now, the solar industry is using approximately 10% of the world's annual silver supply. Solar panel production is also predicted to increase approximately 10% per year over the next handful of years, meaning, in turn, a nice increase in demand for the silver that goes inside.

For Canadian investors wanting to take advantage of this trend, my top choice is **Silver Wheaton Corp.** (TSX: SLW)(NYSE: SLW), Canada's top silver company by market cap. The nice thing about owning it is there's no production risk, since the company is just a streaming company. Silver Wheaton signs a contract with a producer guaranteeing to buy a certain amount of silver from a mine for a discounted price each year.

This model greatly reduces the largest pitfalls facing investors in the precious metals space, operational risk. Silver Wheaton lets the producer take all the risk of buying machinery, hiring workers, and obtaining insurance, while it gets a steady supply of discounted product. Sounds like a good deal to me.

Solar is poised to take off. Investing in silver might be a good alternative way to play it.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:WPM (Wheaton Precious Metals Corp.)

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