



Here's the Best Way to Invest in Gold

Description

If there's anything good that has come from the uncertainty the market has been experiencing lately, it's the fact that gold and gold companies have been getting a bit of a lift. The metal itself has risen steadily over the past few months, and the companies that operate in the space are starting to feel some positive effects.

With its reputation as a safe haven in times of turmoil, gold can be a good place to hide. The difficulty lies in knowing how you want to invest in gold. The producers, streamers, and physical gold all have their benefits and drawbacks. Investors would be well served to learn about the different methods of investment and choose the one that works best for them, their risk tolerance, and their portfolio.

Invest in physical gold

Holding physical gold is the purest manner of investing in gold. The benefits are obvious. You actually hold in your hand or in your name a piece of gold that you can use as currency should the world go crazy. The disadvantages are the fact that you have to store the gold somehow. It is either under your mattress or in a vault. If it is in a vault, you have to pay someone a fee to store it for you. If it is in your mattress it can be vulnerable to theft.

Invest in the gold miners

This method probably has the best chance of a massive capital gain in the face of major global turmoil. When the world begins to lose face in its financial systems, the gold miners can experience massive capital appreciation. These are a leveraged way to play gold. If you look at the returns of the miners during the 2008-09 financial crisis you can clearly see that, if timed correctly, people can make a ton of money on these producers.

The problem is the timing. While it is true that you can make a ton of money, you can also lose a large amount as well. Back in 2012, I can remember thinking that **Goldcorp Inc.** (TSX:G)(NYSE:GG) was a great deal at \$50. It certainly doesn't look that way anymore after years of depreciation, cut dividends, and general malaise in the sector.

That's why it's a good idea to pick a solid miner if you are going to go that route. A company like **Agnico Eagle Mines Ltd.** ([TSX:AEM](#))([NYSE:AEM](#)) is [a good choice](#) if you're looking to take a swing at

a home run on chaos. The company has one major advantage over many gold miners: it's very Canadian focused, limiting its exposure to volatile governments.

It also has a small dividend at 1%, something you will not receive from holding the yellow metal itself. While the dividend can be variable depending on gold prices, it does provide some income while you wait and has been increasing for the past couple of years.

Invest in a gold streamer

My favourite way to invest in gold is through a [precious metal streamer](#) such as **Wheaton Precious Metals Corp.** ([TSX:WPM](#))([NYSE:WPM](#)). Streamers have the advantage of being much less exposed to operational risk than a pure miner. As WPM makes its money from multiple royalty sources across several companies, it has a more diversified income stream. The streams are also negotiated ahead of time, making its income relatively stable.

WPM pays a dividend of 1.79% currently. Its dividend isn't steady and growing. Instead, the company chooses to declare dividends based on the income it receives from its royalty streams. As precious metals have been rising in value recently, its dividend has been rising again as well.

The golden parachute

Gold companies often provide a hedge against uncertainty. As has been witnessed recently, these companies can provide some safety when other stocks are going down. If you want to include gold in your portfolio, buying a streamer is probably the most conservative way to do so. You probably won't get the big upside of a producer, but you will be able to sleep better at night as you collect the dividends.

CATEGORY

1. Dividend Stocks
2. Investing
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