



Warren Buffett Hates Gold, But Should You Still Buy It?

Description

Warren Buffett has often shot down gold as an investment when the topic has come up in the past. Over prolonged periods, the “magical metal was no match for the American mettle.” according to Buffett, who is no fan of the “unproductive asset” that is gold.

Gold has become a hot topic again, with tensions building the Middle East. While many folks see gold as an excellent insurance policy against a catastrophic scenario or a means to hedge against uncertainty, one main reason why Buffett (and many other investors) see gold as a poor investment over time is because of the [high opportunity costs](#) involved with owning gold, either through physical bullion or the stocks of gold producers like **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD).

The gold miner has been on a tear since last May, with shares surging 50%. Still, with a measly 1.1% dividend yield, you won't have much to show for investment should geopolitical tensions fade away after you've bought the “safe haven” stock after the fact.

Given that former Fed chair Ben Bernanke sees the modern Fed as having many monetary policy tools to deter a recession in its tracks, investors could run the risk of overpaying for “downside insurance,” especially if negative interest rates are taken into consideration at some point down the road, as Donald Trump has suggested.

Given the high opportunity costs, an overweighting on gold is akin to going all-in on a bear thesis. The results will be sub-par over prolonged periods if no crises happen, and could cause one to miss out on [big gains](#), even with defensive utility stocks that sport yields that are far richer than a name like Barrick or the 0% you'll get from hoarding physical bullion under your mattress.

Some folks like Jim Cramer believe that gold securities (or bullion) should compose only a small portion of your portfolio; others, such as Buffett hate gold and would rather use funds to invest in productive assets that can enrich you over time.

I'm in the latter camp and see gold as an investment that holds absurdly high opportunity costs, making it unsuitable for young investors who have decades to make big money via stocks.

While gold may make sense as a hedge for certain portfolios, I'd say that the asset itself is highly overrated, and should not be on the top of the list for beginners who are looking to build wealth over the long term.

Buffett sees gold as an unproductive asset — and he's right.

Investors have the propensity to act on emotion, and gold is an asset that investors flock to when panic becomes the primary emotion on Wall Street.

It's never a good idea to act on raw emotion, and given how easy it is to hoard gold after uncertainties have already mounted, gold is an investment that's abused by most beginners.

Gold is perceived as a safe investment. When you take opportunity costs into the equation over a long-term horizon, though, it's anything but. That's why Buffett is no fan of the asset and why you shouldn't be either.

CATEGORY

1. Investing
2. Metals and Mining Stocks
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks
3. Stocks for Beginners

Date

2025/07/22

Date Created

2020/01/10

Author

joefrenette

default watermark