

Investors warned of volatility of the gold market

You know things have gotten a bit out of kilter in the world of investing when gold is considered a safe place to put your money. But if you listen to television infomercials and pundits on CNBC, that's exactly the current wisdom.

To be sure, gold has been a real winner over the decade. Ten years ago the metal was trading at \$270 an ounce and has moved higher ever since. At the start of this year gold was priced at \$1,121 and two weeks ago peaked at \$1,373. It has settled in recently to hold around \$1,330. This, of course, comes at a time when stock prices have been extremely volatile. Investors have referred to the past 10 years on Wall Street as "The Lost Decade." The major stock indexes are trading very close now to where they were in 2000. So, I congratulate investors who were savvy enough to jump on the gold wagon and ride the market higher.

There are many reasons to be buying gold -- although I must say I am not now nor ever have been a gold bug. Gold has always been considered a hedge against inflation, economic uncertainty, world crisis, natural disasters and just about every other type of possible calamity. But, above all that, gold is a great speculative tool. It has the big price swings that are a commodity trader's delight. ...

As so often happens when any investment product skyrockets in prices, many people are late to the game and either get in at the high or, even worse, get steered into products with high fees and reduced likelihood of success. The mania for gold has reached such a level that the **North American Securities Administrators Association** has issued an alert warning investors to be cautious when it comes to commodities.

"An investor needs to know his or her investment objectives. Gold may not provide long-term investment returns. Gold is a commodity, and, like other commodities, its price can fluctuate dramatically," said David Massey, NASAA president. He also warns of gold scams such as an offer to buy gold bullion and have it stored in a "secure" vault with a promise to sell it as prices continue to move higher. In some case the gold is never purchased and the move is stolen.

Even more dangerous are the people who are frustrated by low interest rates on their savings or stock portfolios that are generating little in the way of profits. Unethical advisors can often convince them to switch to gold. "Remember, if you are advised to cash out investments and roll funds into a different type of investment, make sure the person advising this is licensed by your state securities regulator," said Massey.

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