



## Registered Investment Advisor Firm

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### Is Gold a Good Investment?

Gold as a store of value and an investment vehicle is a little different than other assets. It's beautiful and immutable, meaning every ounce ever extracted from the earth is still around today – and will never tarnish, as silver does, so it has a nonmonetary value that things like banknotes will never have. Famed investor Warren Buffet is not a fan of gold as an investment.

In 2008, the S&P 500 dropped 37%, but the SPDR Gold Shares rose by almost 5%. Unlike ordinary commodities, where values are generally influenced by other business cycles, gold tends to follow its own path and is influenced by demand for gold in countries such as India and China and the monetary juggling done by the world's central banks.

US stocks and bonds have almost no correlation with the price of gold, where non-US stocks score slightly more than US stocks in their relationship with gold. US commercial real estate and global commodities are also low correlation.

When the S&P 500 fell 37% in 2008, SPDR Gold Shares may have risen only 5%, but even a small profit can be a huge relief. In terms of an investment portfolio, gold may serve as a moderator, reducing overall volatility, also known as risk. The idea behind owning gold is not that it will provide superior long-term returns but that it will reduce the possibilities that stocks and bonds will suck wealth away during bear markets.

This is not to say that you can't get lucky with gold. Between 1970 and 1980, a period of hyperinflation in the US, the price of gold shot up more than 1500%, from \$39 to \$595. Still, the get-rich-quick dreams promoted by gold advertisers are broadly an illusion. It is important to remember that barring economic catastrophe, over the career of the average, individual investor, gold is little more than an anchor that can steady a portfolio against big market waves – and should calamity strike, gold has the ability to transform itself into a golden parachute. Gold should be an important part of a diversified investment portfolio because its price increases in response to events that cause the value of paper

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investments, such as stocks and bonds, to decline. Up to 5% of your portfolio is not a mistake, you just won't get rich.

To recap, Gold is:

- Good for holding its value over time
- Good against weakness of US Dollar
- A hedge against inflation and deflation
- A hedge against gold supply constraints
- A hedge against increasing gold demand
- Good as portfolio diversification

If you need help or more information on this or any other financial matters, contact Bob Davis at (707) 648-2024.

**At Retirement, should your house value be included in the withdrawal amount?** No. You should consider only liquid assets when you determine your withdrawal strategy. If you have a \$1 million portfolio and \$500,000 in available equity in your home, the 4% formula would set the first-year payout at \$40,000 (4% of \$1 million portfolio). Remember, you will need your home to live in. If you sell your home and move into a smaller one, you can put the profit into your investments and take 4% from the larger nest egg.

**Can my wife and I contribute to a ROTH IRA if we are both retired and receiving pensions?** Not if that's your only income. You or your spouse must have compensation from a job or self-employment to contribute to a ROTH. If you have a part-time job to supplement your pension, you can use income from that job as the basis for a ROTH contribution. Eligible individuals can

contribute up to \$5,500 for 2018 – plus a \$1,000 catch-up contribution for those 50 and older – of their compensation to an IRA.

Every October the IRS releases their updated retirement limits for the following year.

### *FED Watch*

The November meeting will be after this newsletter goes to press, but there is only a 7% chance that they move to increase rates. The Fed will also continue the process of reversing quantitative easing by allowing assets to mature off their balance sheets, rather than re-investing them. They expect to be at \$50 Billion quarterly by October 2018.

Next meeting:  
November 7<sup>th</sup> and 8<sup>th</sup>.

### *Castle Rock Wealth Management*

Castle Rock Wealth Management is a Hybrid Advisory firm servicing the needs of clients across the United States.

Castle Rock Wealth Management custodies some client assets at Charles Schwab & Co. Bob's office is located at 714 Marin Street, Suite #C, Vallejo, CA 94590. The telephone number is (707) 648-2024.

If you have questions or would like further information on this month's topics or any other financial or investment related subjects, please contact me by phone or through my email address at:

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