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Gold: A Safe Haven in Volatile Times

Gold. Pirates and buccaneers buried it in treasure chests; men died for it on the Klondike trail; and King Midas lost his daughter because of his lust for it. People have always been obsessed with gold. While I don't suggest you pull on your hiking boots and head out to stake a claim, I do believe this is a good time to add gold to your portfolio.

Markets have periods of volatility – such as we are now experiencing – and in my opinion, gold is both an excellent hedge against volatile markets and a safe haven for the protection of your capital. Historically, Gold tends to excel in times of turmoil while other asset classes perform best in stable environments.

There have been numerous indicators pointing toward a rise in the price of gold, with many experts calling for record-breaking gold prices. Some are projecting it could reach $850 US per ounce by year-end.

The problems being experienced by our southern neighbor seemingly point toward an increase in gold prices. Problems with the sub prime mortgage mess keep rolling out, while the value of the US dollar declines and inflationary concerns rise.

Gold has also entered the radar of smart investors because of the current state of the international economy and the ongoing liquidity problems experienced throughout the world. The seemingly constant creation of money and credit in other countries raises alarms that should not be ignored.

And, there is supply and demand. Global demand has been rising while production has been dwindling. Even central bank gold reserves have shrunk. Therefore, the principles of supply and demand will also dictate the direction of gold's value. In all of this my only question is: How can you take advantage of it?

Much to the chagrin of your loved one, you do not have to fork over a ton of cash for gold jewelry. Instead, you can invest both directly and indirectly in the commodity via a variety of investment vehicles, ranging from extremely sophisticated hedge funds through to mutual funds. Investors can invest directly by purchasing the stocks of gold producers and thereby indirectly in the exploration companies too.

However, one of the simplest and least expensive ways for investors to access gold is through exchange-traded funds (ETFs). They are not mutual funds. ETFs are a commodity that trades just like any company on a stock exchange. There are a number of ETFs offering exposure to gold, with share values relative to the price of an ounce of gold. Additionally the variety of investments within many ETFs offers the advantage of lower risk through diversification.

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