

GOING FOR GOLD

By **Maïke Currie**

Gold makes a great addition to most portfolios – especially a Sipp

One of the many things that self-invested personal pension (Sipp) investors have the freedom to invest in is gold. Let's take a look at some of the main reasons for owning the yellow metal, as well as the specific advantages of holding it within a Sipp.

WHY HOLD GOLD?

Gold is the oldest form of money. While paper currencies have come and gone, gold has always been there. When inflation took off in the developed world in the 1970s, gold increased handsomely in value. And as the US dollar – the world's reserve currency – has declined over recent years, gold has risen to all-time highs.

"Gold is seen as a 'safe haven' because its price tends to rise when equities are falling," says Peter Heckingbottom, investment director at independent financial adviser (IFA) Pearson Jones. "This means that by holding gold in a Sipp you should experience lower overall volatility because, when your shares fall in value, your gold holdings should increase in value."

SIPPS' 24-CARAT ADVANTAGE

As with other assets, there are big tax benefits to holding gold in your Sipp. Because of the tax rebate on pension contributions, you are effectively buying gold at discounted rates of between 20 and 40 per cent. Thereafter, you also do not have to pay tax on any growth that your holdings enjoy.

"By holding gold in a Sipp you will also protect it from capital gains tax," adds Richard Mattison, business development director of Sipp provider The IPS Partnership.

HOLDING PHYSICAL GOLD

Opportunities for Sipp investors to buy gold in physical form have been fairly limited over time.

"Gold bullion can be purchased directly by the pension fund. In practice, this is usually done via a bullion dealer who holds the gold in a bonded warehouse and issues the pension scheme with a certificate of deposit," explains Mr Mattison.

For gold to be added to your Sipp it has to be in the form of 'good delivery bars'. These bars adhere to the strict standards set by the London Bullion Market Association (LBMA), which dictate a high level of purity and the form of the bars. The bars also have to be stored in special vaults for integrity purposes.

While 'good delivery bars' can by law be held in a Sipp, to date few Sipp providers have offered this to their clients. But this situation is improving, with companies such as Physical Gold partnering with Sipp provider Pointon York to offer investors the opportunity to include solid gold bars in their Sipp.

Commenting on the partnership, Dan Fisher, chief executive of Physical Gold, said: "We expect the take-up to be significant as there are very few Sipp providers offering physical gold in a pension portfolio. Most pension savers have experienced significant falls in their pension value for the past two years, and the necessity for balance is more apparent than ever to avoid these nasty market shocks. Gold is the missing link in most people's investment portfolios."

OTHER PATHS TO GOLD

It is also possible to gain exposure to gold via your Sipp by buying an exchange-traded commodity (ETC) such as ETFS Physical Gold, which directly tracks the spot price of gold.

Gold can also be held in a Sipp as part of a collective investment fund such as the BlackRock Gold and General Fund or Investec Global Gold Fund, which offer exposure to gold mining companies.