



BOB CARLSON'S

Retirement Watch
SPOTLIGHT SERIES

Gold: Why It's Important to Have Some In Your Portfolio Now

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The Uniqueness of Gold

- **Gold is money, medium of exchange**
- **Portable**
- **Storable**
- **Stable supply**
- **Usually stable demand**
- **Store of wealth**

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Reasons to Own Gold

- **Collectible**
- **Jewelry**
- **Industrial uses**
- **Survivalist/crisis**
- **Portfolio diversifier**

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Gold In An Investment Portfolio

- **Goal: Reduce risk, increase returns**
- **Higher risk-adjusted return**
- **Not a paper asset/debt/currency**
- **Protection from devaluation**

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The Fed Is Printing Money

- **Coordinating fiscal and monetary policy**
- **Reviving World War II policies**
- **Goals: Saving economy, higher inflation**
- **Review April 2020 Spotlight Series**

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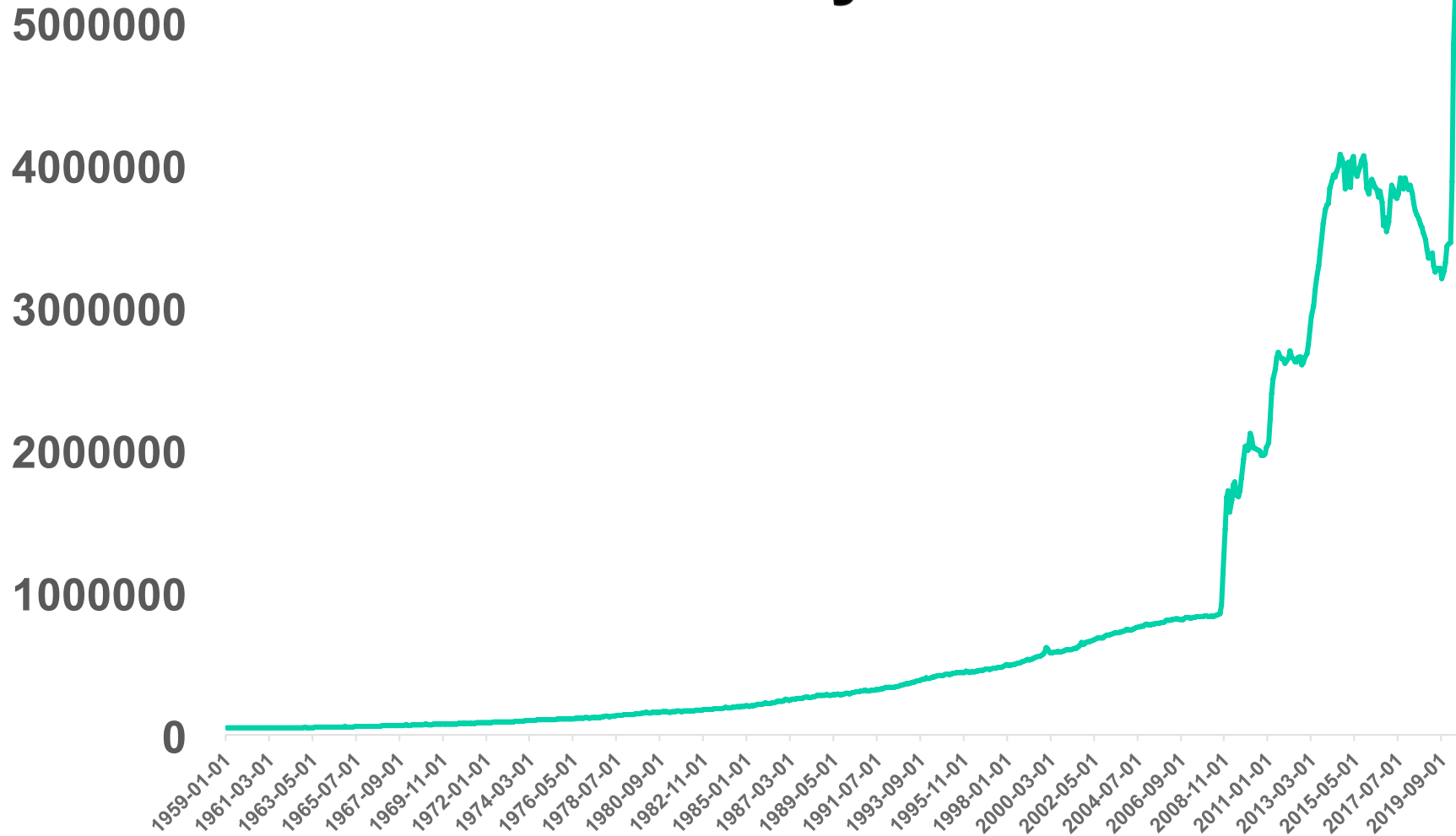
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6000000

Monetary Base



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3.50



10-Year Treasury Yield

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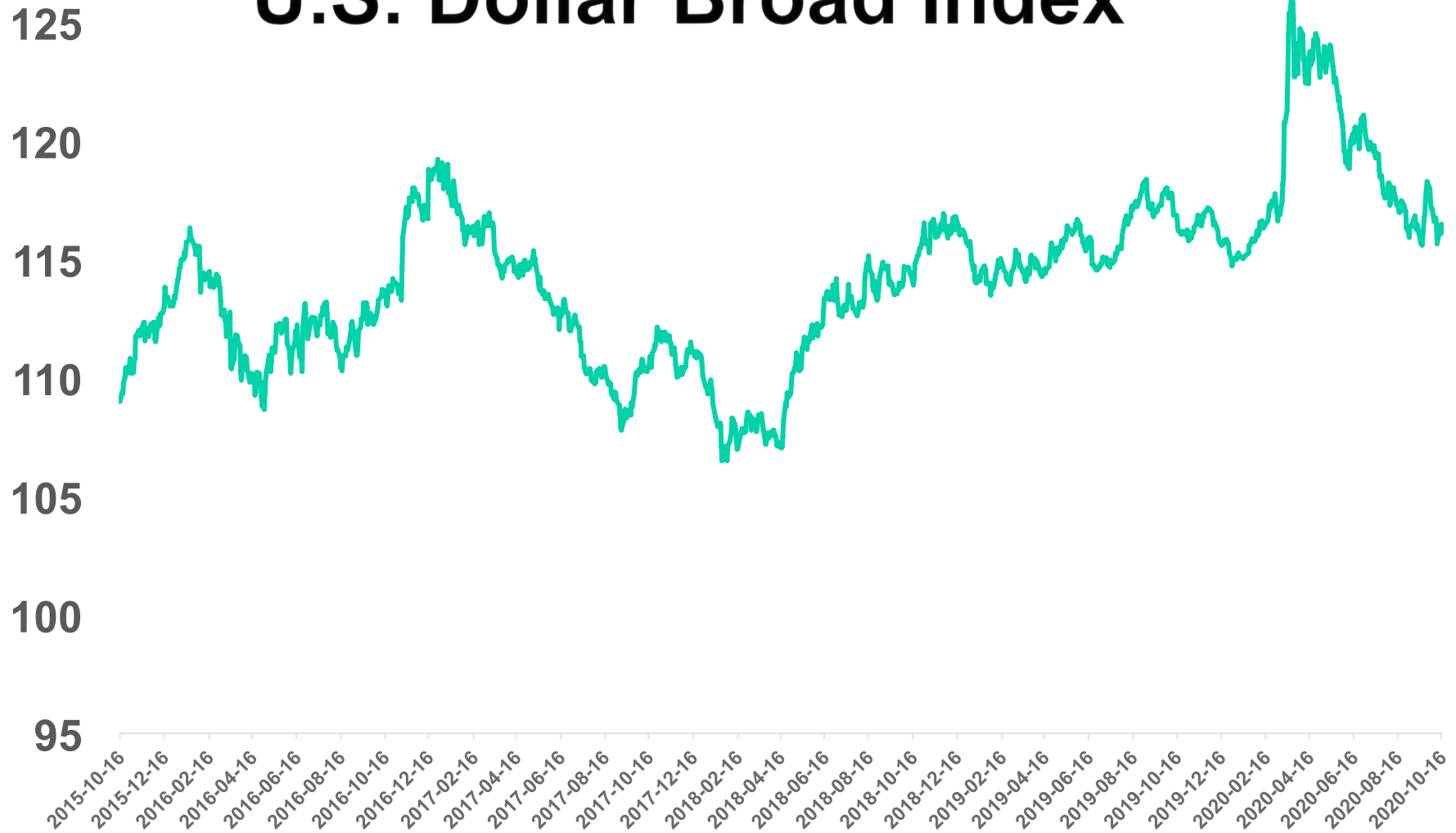
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130

U.S. Dollar Broad Index



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Printing Money Hurts Bonds

- **Debt denominated in a dollar amount**
- **Printing money devalues dollar amount**
- **Purchasing power declines**
- **Value of bonds declines**
- **Interest rates likely to rise**
- **Higher risk of default or devaluation**

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Printing Money Hurts Stocks

- **Two-stage process**
- **Printing first helps stocks**
- **Stocks hurt in a devaluation**
- **Recently stocks, gold linked**
- **Won't last if Fed keeps printing**
- **Stocks ending period of high returns**

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Disadvantages of Gold

- **No income**
- **Must store and insure**
- **Sometimes pricing inefficient**
- **Relatively small market**
- **Extended periods of poor returns**
- **Lesson: Must be tactical**

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2500

2000

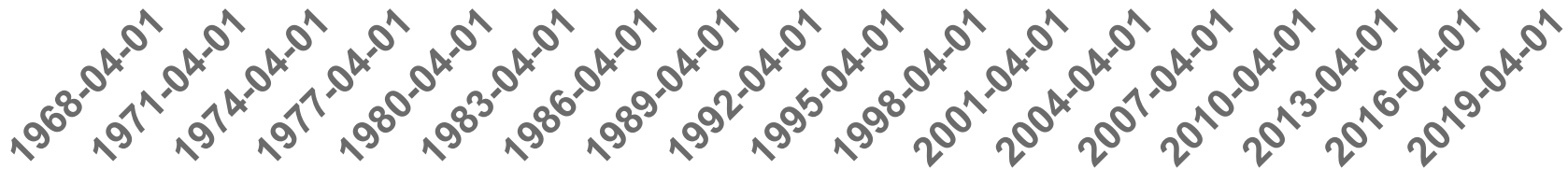
Gold

1500

1000

500

0



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Why to Own Gold Now

- **Bonds losing diversification benefits**
- **Little or no income**
- **No capital gains, likely capital losses**
- **Even cash a bad investment**
- **Lots of debt, more to accumulate**
- **Central banks want inflation**
- **Monetary/fiscal policy coordinated**

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Why to Own Gold Now

- **Stock returns likely to decline**
- **Recent high returns**
- **Low interest rates mean lower returns**
- **Trends increasing profit margins ending**
- **Gold excels when 60/40 portfolio lags**

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How to Own Gold

- **Coins, bullion**
- **Gold mining company stocks**
- **Futures or options**
- **Futures overlay on portfolio**
- **Reduce other assets buy gold**
- **ETFs best today**

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How to Own Gold

- **Reduce nominal bonds**
- **Replace with gold, TIPS**
- **15%-20% with increases likely**

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