

Arizona Republic

Estimated printed pages: 4

December 2, 2005

Section: Business

Edition: Final Chaser

Page: D1

GOLD REACHES \$500 MARK

INVESTORS' INTEREST IN METAL IS INCREASING

Dawn Gilbertson, The Arizona Republic

Bill Haynes has up-to-the-minute gold prices at his fingertips any minute of the day in his Central Avenue office, but he hasn't needed them to chart the metal's march this week.

The longtime gold and silver dealer need only look at the switchboard and Web site of his business, CMI Gold and Silver Inc. Calls and hits to the Web site doubled as the price of gold approached -- and on Thursday passed -- the psychological milestone of \$500 an ounce. It is the highest price in two decades. A year ago, gold was about \$450 an ounce.

"We're seeing an increase in interest of first-time buyers," Haynes said. "It's not yet a surge, but I expect a surge before this move is over."

Even if they don't know why, many investors "just have a feeling that they ought to own gold," Haynes said.

Gold, a time-tested investment seen as the yin to stocks' yang, will no doubt be on many investors' minds as publicity about the \$500-an-ounce milestone swells and financial and economic experts debate whether the party is over or just getting going.

There are several reasons for the price spike, analysts say, from sharply declining supplies to strong demand arising from growing concerns about the health of the U.S. economy and the government's growing trade and budget deficits.

"I believe that the economy has got such strong headwinds in the next five and 10 years that people need to be thinking outside of the conventional straight stock and bond allocation," said Randy Oldenberg, a certified financial planner and principal in Camden Financial Management in Scottsdale.

Oldenberg said he began putting a small percentage of his clients' portfolios into gold last fall. He did so through a relatively new exchange-traded fund, StreetTracks Gold Shares. Shares are bought and sold like stock and bond mutual funds and have been hugely popular.

"All of a sudden we had a much more simple way of going out and picking up an exposure in gold," Oldenberg said.

Scottsdale financial planner David Fernandez began putting about 5 percent of his clients' assets in the same fund this year.

"I just think it's a good hedge," he said. "You've got to look at other avenues -- whether it's gold or international stocks -- besides what worked so well in the late 1980s and 1990s."

You don't need a financial planner or a brokerage account to own gold. Some investors prefer the Fort Knox variety: cold, hard pieces of gold.

That's where dealers like Haynes come in. He sells gold coins issued by the U.S. government, among others. The American Eagle gold bullion coins, around since 1986 and guaranteed by the government, are among the world's most popular investment coins. They can even be included in IRA accounts if the firm accepts hard assets.

The government doesn't sell the coins directly but explains them and lists dealers on its Web site, www.usmint.gov/mint_programs.

The coins come in four denominations, although most people buy the one-ounce coins, Haynes said.

You'll pay more than the spot price because there's a markup, currently about 5 percent. Haynes said the going price for a one-ounce coin on Wednesday was about \$558. There are often volume discounts. Haynes says the average transaction at his firm is about \$10,000, but there is no minimum. Most buyers keep the coins in safe deposit boxes, he said.

"We just sell to clients who want a very conservative investment," Haynes said, adding that he directs all new customers to tutorials on gold investing on the firm's Web site, www.cmi-gold-silver.com.

Investment pros caution investors not to jump on the gold bandwagon, or any investment bandwagon, without thorough research. And never, they say, load up on a single investment.

Heather Murphy, spokeswoman for the Arizona Corporation Commission, a watchdog for investment scams, worries that novice investors will get caught up in the hype.

"Commodities investing is very risky, whether it's gold or oil and gas or pork bellies," she said. "It may be something that is a perfect fit for one person's portfolio and risk tolerance and something entirely different for someone else."

American Eagle gold bullion coins

* Authorized by Congress in 1985 and first minted in 1986.

* Each coin contains its full, stated weight of pure gold, which, by law, must be taken from newly minted sources in America. Silver and copper are added for durability.

* Unlike commemorative or numismatic coins purchased by collectors, these are designed for investors seeking a convenient and cost-effective way to add a small amount of physical gold to their portfolios

* Available in four denominations: One ounce, a half-ounce, quarter-ounce, and 10th-ounce. The price is based on market rates plus a small premium.

* Sold by precious metals dealers, coin dealers, select brokerage companies and participating banks. For a brochure on the coins and sampling of authorized dealers by region, go to www.usmint.gov/mint_programs/, click on American Eagles. Eight offices in Arizona are listed.

U.S. Mint

CAPTION: American Eagle gold bullion coins are drawing more investors' attention. CAPTION: Gold rush (See microfilm)

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