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**Gold investing: It's not a sure payoff**

### Gold tempts investors, divides advisers

By Richard Burnett, Orlando Sentinel

10:49 PM EST, March 23, 2010

At least one-third of Kimberly Sterling's clients have sought her advice in the past year about investing in gold. The Orlando financial planner has successfully discouraged all but one of them from doing so.

That one investor insisted on having some gold in his portfolio, she said, despite her warnings. Eventually, she referred him to a gold-commodities exchange-traded fund that has done well during the metal's decade-long runup in price. But her firm, Resource Consulting Group, still wouldn't buy in; it would only make the referral.

"Our bottom line is this: Gold is a bubble now, and it is too late to get in," she said recently. "It is like someone who bought real estate in 2006, at the height of that bubble. You could get hurt really badly."

Anyone who did invest in gold 10 years ago has done well: The per-ounce spot price of gold has risen more than 300 percent over that time, hitting a record \$1,226.56 in December.

Whether or not prices have peaked, gold's record run has convinced some mainstream financial advisers that, at the very least, they need to have a sound strategy for investors who demand having gold in a diversified portfolio.

Billions of dollars have flowed into gold investments in recent years — including mutual funds, exchange-traded funds, futures contracts, even gold coins and bars — as investors have ridden the ever-rising price wave. Exchange-traded funds, or ETFs, have been especially attractive because they can be actively traded during the day (unlike mutual funds) and are responsive to the changing price of gold.

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Jitters over the economy, the dollar and the federal budget deficit have fueled the trend; gold's value as a hedge against inflation — long subdued but thought by some to be lurking about — is also playing a role.

There are a few signs of uneasiness in the market: Earlier this year, for example, investors pulled \$937 million out of the largest U.S. gold-exchange-traded fund — SPDR Gold Shares — though their combined withdrawals amounted to just a small fraction of the fund's \$40 billion in total assets.

"Gold is one of those things that pops up in times when there's uncertainty and crisis," Sterling said. "But when it pops, it is too late to get in."

Financial planner Al Baker said he has been a believer in gold for a decade now, during which time its price has increased more than 300 percent. Depending on a client's risk-tolerance profile, he recommends investing as much as 10 percent of a portfolio in gold, preferably in the form of well-diversified mutual funds.

Although gold has been only flirting for months now with December's record high, Baker expects it to continue rising.

"I disagree that this is a bubble we're seeing now," said Baker, chief investment officer for Resource Group of Winter Park. "Bubbles only last a short period of time, a couple of years at most, while a trend builds upon itself and goes higher over time — 10 years in this case."

But even some advisers who acknowledge being gold "converts" are wary of investing in the metal right now.

Cary Carbonaro said she began directing clients several years ago to invest about 2 percent to 5 percent of their portfolio in a gold-exchange-traded fund that has since doubled in value.

"It was great to get in about three or four years ago, but now you have to be much more cautious," said Carbonaro, a financial planner in Stonegate Wealth Management's Clermont office. "It has had a huge runup, but it is a cyclical thing."

"And there are better options," she added. "Now we use a well-rounded, natural-resources fund that includes a lot of commodities — much better than investing in just gold."

Naysayers such as Sterling, the Orlando planner, insist that the best course is to forget about gold for now and stick with blue-chip stocks and bonds in a well-balanced portfolio.

She said that advice has paid off for her clients: Since the stock market hit bottom a year ago, the S&P 500 index has risen nearly 70 percent, compared with a 22 percent increase in the price of gold. She also noted that, since 1980, the S&P 500 has outperformed gold by a 10-to-1 ratio.

"There are obviously some periods where you could have made a killing [in gold] if you timed it just right at the beginning of the bubble and got out at the top," she said. "But you would almost have to be something like a fortune teller or psychic to do that."

But Baker, the Winter Park adviser, said there's no magic involved. Investing in gold requires the same thing other investments do: some common sense and a careful reading of economic conditions.

"We'd certainly tell people to be careful but not to run from an asset just because its price is high," he said. "Stocks and commodities go higher for a reason — the fundamentals are in place for that to happen."

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