

The world's worst investment has been ...

Gold. Yes, gold. That's the point of a recent Wall Street Journal article by Jason Zweig that likened gold to a "pet rock." It's hard to disagree.

Gold is thought to be a safe haven during hard times and an inflation hedge when consumer prices are rising. But recent activity says the opposite. Gold fell during most of the 2008 financial crisis and is down 40 percent from its 2011 high during the time of quantitative easing and easy money.

But what about its long-term



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record? According to Zweig's article, since 1975 (the time private ownership of gold was again legal in the U.S.) the metal has returned an average of 0.8 percent annually after inflation, far less than the 5 percent for bonds and 8 percent for stocks. It's even worse than the 1.1 percent for cash.

Consider also that gold, unlike stocks, bonds, and real estate, generates no income. In fact, you must pay to store it in a safe manner. Plus, gold and physically backed gold ETFs are taxed as collectibles so investors will not enjoy the lower long-term capitals gains tax rate.

The gold bugs counter that as a currency it will hold its value or rise in times of severe economic turmoil. Does that mean they'll bring gold to a grocery store to pay for food? I suspect cigarettes and alcohol may offer more value! They also point to times like the

1970s or the 2000s when gold prices soared, but all investments have good periods. Egg prices are rising now, but that doesn't mean a carton will be a good investment.

There might be some backlash to this column from those who believe the sales pitches on cable television. I might even hear from a few readers. Gold bugs are passionate about their beliefs. For them gold is more religion than investment. I'm not in that camp. Gold is great for jewelry, but as an investment the record is clear. Like everything else, it's been a trading vehicle and nimble traders

can do well. However, over the long term it's been the single worst investment, essentially tracking inflation but offering the smallest real return. Don't expect that to change.

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