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HD Can **gold** add lustre to a pension pot?
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Gold continues to exert a compelling attraction for investors - sophisticated and otherwise. The precious metal's value almost doubled between 2008 and 2011 before slipping back t from those highs.

Part of the impetus, of course, was the financial crisis. **Gold** has always been seen as a safe haven and, as equities tumbled and the over-leveraged property sector slumped, investors increasingly returned to it in times of turmoil.

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Doubts over the very viability of the euro - and of Ireland's ability to avoid default - exacerbated the trend. Estimates of the sums placed into **gold** by Irish investors have varied wildly, with some fantastical figures circulating.

Now **gold** broker GoldCore has disclosed the scale of current investment in the metal. According to the **company**, Irish investors and pension owners own **gold** coins and bars worth over \$95 **million** in secure vaults in Zurich, **Hong Kong**, Singapore and Perth

Overall, the broker has over 3,600 clients, with more than \$205 **million** in assets under management and storage. This includes \$80.1 **million** of international clients' bullion stored in the Perth Mint of Western Australia and another \$50.2 **million** in GoldCore Secure Storage which is coins and bars stored in secure vaults in Zurich, **Hong Kong** and Singapore.

The **company** says **gold** plays an important role in stabilising and reducing volatility in the overall portfolio and as financial insurance to protect against worst-case scenarios. These include the risk of inflation, currency devaluations and stock and property crashes.

And the presence of pension funds among its client base is an area the **company** sees as an opportunity.

Time bomb

A looming pensions time bomb means **millions** of people both internationally and locally run the risk of having insufficient funds for their retirement years. In Ireland it is forecast the number of pensioners will rise to 620,000 by 2020 and to 1,018,000 in 2056.

There are currently 5.3 people in Ireland working for every retired person: that figure is projected to fall to just 2.1 over the next 50 years - creating an asymmetric burden due to the amount of money paid into pensions and the number of people actually receiving them.

The Government has already recognised the unsustainable nature of the current pensions system: the current pensionable age of 66 is set to rise to 67 in 2021 and to 68 by 2028.

Most pension funds consist of a standard mix of stocks, **bonds** and possibly property funds managed by external investment management firms. Yet since 2007 Irish citizens have been able to invest in **gold** bullion in their pension funds after the Revenue Commissioners-approved investments in **gold** in Self-Administered Pension Schemes via the Perth Mint Certificate Programme.

Trinity College Dublin professor of finance Brian Lucey says **gold** is important as a long-term diversification due to **gold**'s "unique properties as simultaneously a hedge instrument and a safe haven".

"Small allocations to **gold** balance and stabilise pensions in the long term, and **gold** should be an essential part of every Irish pension fund."

Dr Lucey says there is a lack of diversification in Irish pension funds yet pensions need balance. "Irish pension funds have been slow to embrace **gold** and this imbalance has cost pension holders dearly." Pension funds need a mixture of assets - some that are safe from capital loss (at least as much as possible), some that yield a regular income, some that act as ballast against the regular cycle of other assets and some that offer significant capital appreciation. Dr Lucey says **gold** fits at least two of these criteria.

Independent economic consultant Jim Power says **gold** has a very long track record and valuable investment attributes. "In my view **gold** should clearly form part of a diversified pension investment."

Diversified portfolio

The UK's influential research institute Chatham House has said that **gold** can be used to hedge against currency devaluation and other risks as part of a diversified portfolio. "**Gold** can serve as a hedge against declining values of key fiat currencies, and can also be useful for central banks looking to diversify their foreign reserves."

Ireland's largest and longest established **gold** broker, GoldCore, says economic uncertainty has led to a renewed buying of **gold** by Irish people.

"Today's uncertain world makes the investment and pensions landscape a more challenging place for pension owners and again underlines the importance of being properly diversified and not having all your eggs in certain assets," said Mark O'Byrne, head of research at GoldCore.

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