



4 ways to Investing Gold in India

Make sure to check out my other article related to investing in commodities.

It's no secret, we Indians love gold. It's Diwali. Let's buy some. It's Dhan-Teras, let's buy some. It's my dog's birthday, let's buy some gold. The way there are a whole lot of investment options based on one's requirement, it could be confusing which one to go for. There is designed gold, a plain ring, and a bar in just physical gold. Then you have Gold-ETFs, SGB (Sovereign Gold Bonds), and Digital gold (Paytm Gold, GoldRush, and more). We are going to discuss which one is for you. Based on your needs, investment features, budget, and how to invest in them.

Physical Gold

Gold Saving Schemes

Paper Gold (Gold ETFs, SGB)

Digital Gold (Paytm, GoldRush)

Physical Gold

Guess which one is more preferred by most people. Ya, you guessed correctly, its physical gold. My mom is saving some for my wedding. And I am just 24 and I am also a dude. People miss the point when they invest in gold. Most of them don't really invest. For example, my mom bought gold for 35,000 rs per 10 gram (Sept 2019) and now (25th May 2020) the price is 48,800 rs. It only makes sense to sell it off and book a profit of 13,800 rs minus making charges per 10 grams. Very simple right? No, it's not. Parents say, "It's bad luck to sell gold."

Physical gold includes making charges if it has designs on it. The charges can increase by up to 30% depending on the number of man-hours involved. This is the gold people buy(not invest) for an occasion.

Coins and bars don't involve making charges. This is the one people buy when they want to just invest. Coins are available in 5gm and 10gm, while bars start with 20gm.

If you have a secure safe in your house or bank nearby that has a locker to keep the gold, go for this option. Though the bank charges about 1000-1200 rs per annum for the locker. Also if you don't like doing investing online, this is the better option.

Watch outs:

- Save your receipt while purchasing, as you should only sell gold back to the same jeweler or the same chain. Otherwise, a different jeweler will charge you an unnecessary price cut.
- Avoid keeping the gold in your house if it's not safe enough. Go for a bank.
- If investing, only go for coins and bars. No plain rings and any other simpler forms. That involves making charges if less.
- Check for Ashok Chakra and Mahatma Gandhi on the opposite sides on Indian Gold Coin.
- And please please, ask for a proper GST bill while buying and selling. This way the local jeweler won't be able to add some random making charges.

Gold Saving schemes

There are some jewelers who offer gold saving schemes where an investor has to pay some fixed deposit each month for some years. And in the end, users get to purchase physical gold from that money. The investor also receives some interest money the way we get from LIC policy.

For whom?

I guess this will be useful for the families who are saving some money for gold to purchase for a near-future wedding. This way you don't have to purchase gold all at once in the end and you also keep some money aside every month.

Gold ETFs (Paper Gold)

Gold ETFs are a financial instrument that has gold as an underlying asset. Means their value will be changing with the physical gold market. Well, that makes sense as they are called Gold ETF (Exchange Traded Funds).

They are kinda like stocks. You have to buy and sell them from your trading account with your broker.

They can be traded in the cash segment.

Market hours to do the trading is from 9:15 AM to 3:30 PM on working days.

You need a Demat and trading account.

They are good for long term holding.

Investing Steps

- Select the Gold ETF that you wanna invest in.
- There are like 26 gold ETFs listed on the National Stock Exchange.
- Pay up from your bank account.
- Units will be credited to your account within T+2 days

Cost Involve

- An expense ratio of 1%
- Brokerage charges. (vary with each one. Ex. Zerodha, Upstox, Angel Booking, Edelweiss)
- Tracking error. (ETF gold value is pretty close to actual value so this cost is less)

Tax

- Long term held (> 36 months) gain will be taxed 20%.
- (< 36 months) As per the application slab(?)

Who should invest?

People who can or like to handle investing over the internet. You don't need to leave home and go to the jeweler's shop and still enjoy the ride(bullies or bearish) when there is one. No need to worry about keeping gold in your 20 years old safe that opens with one bang. No need to worry about confusing "making charges" of physical gold. If the intent is purely to invest, this is one of the best options. But if you want physical gold for future occasions, maybe go for some other options like GoldRush.

SGB(Sovereign Gold Bonds)

As the name suggests, it's a type of bond provided by the government. The government opens a window of a week to buy/sell these bonds once a 2-3 month. The maturity period of these bonds is 8 years. Though you can choose to exit after 5 years. Interest on these bonds is 2.5%.

Why Invest in SGB?

It gives 2.5% interest. I know it's less but still better than 0 percent that your physical gold offers. You get the capital gain over the period and also the interest money. If you want to hold on to investment as long as 8 years, if you have that kind of patience, go for it.

Digital Gold

In this category, we are gonna discuss Paytm Gold and GoldRush only. What comes to mind when we say digital gold? This means it isn't a layered financial instrument, this actually is the gold, you just have it in digital format at your end. On both platforms, when you buy gold in a digital wallet, the actual physical gold gets stored **somewhere safe**. So don't need to worry about its security. Both platforms don't charge you for the storage. So what is the difference? How charges are involved? How can we sell-off? Let's discuss this.

Paytm	GoldRush
Start buying from 1 rs or 1 gms.	Start buying form 1000, 1100, and multiples of 100 here onwards.
No interest like SGB	No interest like SGB
Prices vary with London Bullion Market Association	Prices vary with London Bullion Market Association
Buy/sell any time	Buy/sell any time
You can sell digital gold back to Paytm	You have to redeem the digital gold into the physical form
Making charges are involved for physical conversion	Making charges are involved for physical conversion
For digitally sold back, additional charges are involved so the selling price is a little lower.	NA
Max 5 years of holding	Max 5 years of holding
The account should be active once a six month	No need to keep the account active
Cannot cancel the placed order	Cannot cancel the placed order

Tax and cost involved

For Paytm the charges involved are higher. 3% of GST is taxed. (**Doubt**)

Case Study:

So my family bought about 40gm in 2019 when the price was 35,000rs. And now 25th May 2020 the price in 48,800rs. The local jewelers were asking for about 1500rs making charges for rings. So I compared the same on Paytm. It was 1517rs(including charges at purchasing and selling). Again this was in this specific time frame only. It will be different with different amounts and times. So you be the judge.

Paytm charges Ex: 1517 rs on 10 gram (26th May 2020 . 35000/tola -> 48800/tola)

Who Should Invest?

You can invest in small amounts as well. If you definitely need physical gold in the end, go for the GoldRush. Since you won't need to worry about security. You can buy from home and get the physical gold in the end with little cost.

On Paytm, you don't need to leave your bed for buying/selling. It's fun, right?

I feel GoldRush would be better if the intension is to get physical gold in the end. You can purchase with today's prices and also get to keep it in a secure environment.

Conclusion:

In the end, it all depends on your requirement, budget, and intensions. Everyone has some investment vehicle that they can use to achieve their goals. I feel most people don't know much about different investment options and they end up going for physical gold. And being unaware about the affecting factors on price trend, they end up booking losses. A little more education and research could help you book the profit you want. Well, these are my 2 cents.