

A goldsmith shop in Little India. There are no fixed rules on how gold items are priced here, according to the Singapore Jewellers Association, so jewellers can charge what they like and set their own rules for buying back items that were bought from them. In Little India, some goldsmiths charge less than other shops in the hope of attracting tourists. ST PHOTO: LIM YAOHUI

### Investing in gold jewellery?

Retail price is not gold market price (Price for 1g)

Global 99.99 price **\$76**

Goldsmiths' retail price for 99.99 gold **\$83-91**

Global 916 price (91.6% purity) **\$69**

Retail price for 916 gold **\$80-85**

Other costs increase the price 916 gold jewellery is subject to GST and workmanship costs

What is the price difference?

**\$909** (with GST) **\$696** Gold price must go up by **over 30%** to break even.

Price of a 10g 916 gold chain Market price for its gold content

High commission for trade-in (Price for 1g)

What you pay for 916 jewellery **\$80-85**

What you get when you sell (about 20% lower) **\$65-67**

\*Price as at Sept 30 SUNDAY TIMES GRAPHICS

# Pitfalls of investing in gold jewellery

It is hard to profit from jewellery unless the gold price goes up by more than 20%



Tan Ooi Boon  
Invest Editor

Gold prices have been hammered by the stronger greenback and are down about 20 per cent from their pandemic high – but before you rush to a dealer to snap up some shiny gold jewellery, note that investing in such items is not the same as trading in the bullion market. For one thing, goldsmiths sell

items at a premium, like works of art, with prices around 20 per cent above international trading rates.

Many now charge \$91 per gram of 24K pure gold – usually sold in the form of bars or coins – when the trading price now is about \$76.

The trading price in Singapore dollars is derived from the global price, which is denominated in United States dollars for a troy ounce of pure gold (about 31.1g).

So if you buy gold pieces at such premiums, you will have to wait for the market price to rise by 20 per cent or so just to match the original amount paid to the dealers.

The situation is the same for 22K or "916" gold, which has 91.6 per cent purity and is the common grade for most gold jewellery here.

Retailers charge between \$80 and \$85, when the global price is about \$69.

Buyers of jewellery also have to pay the goods and services tax (GST) as well as a fee for the effort to design and cast the precious metal into a chain, pendant, bracelet or ring. This is why some gold ornaments or "charms", which many younger buyers see as trendy accessories, come with a fixed price tag, usually two to three times costlier than its weight in gold.

Mr Alfred Chia, chief executive of financial advisory firm SingCapital, says: "Buying jewellery is a bad way to invest in gold.

"The content may not be investment grade and is subject to workmanship fees and GST. You will need the gold price to appreciate tremendously just to recoup the original cost."

That is not all – if you take gold pieces to sell at the goldsmiths or pawnshops, you could receive less than the market value because the buyers will charge you a "commission", which can reduce the value based on the global gold price by up to 10 per cent.

A check by Invest also reveals that some goldsmiths will take only jewellery that was sold by them, while others will not pay you cash but issue vouchers that will allow you to buy other jewellery at their stores.

What this means is that you should just buy gold jewellery for what it is – an accessory or fashion item to wear or as a gift for relatives and friends. Many parents also view their gold jewellery as heirlooms to be passed on to their children.

Of course, if you happen to own an item of gold jewellery that was worn by a famous person, you may enjoy a huge windfall by selling it as a collector's item. Otherwise, the piece is only worth its weight in actual pure gold.

The Singapore Jewellers Association would only say that there are no fixed rules on how gold items are priced here – whether selling or buying back from customers – and that all jewellers can charge what they like or take back jewellery on a "mutually agreed basis".

Some goldsmiths in Little India, for example, charge \$83 – \$8 cheaper than other shops – for a gram of pure gold, and \$73, or \$7 cheaper, for 916 gold as they hope to attract tourists.

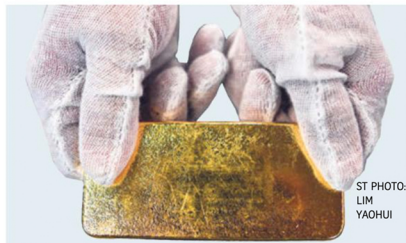
Ms Angela Lam, director of Arthesdam Jewellery, which has three outlets in Serangoon Road, says: "We deliberately price our gold and jewellery at a lower price than other goldsmiths because many of our customers are regulars and tourists. They enjoy a good bargain and we hope they will buy more from us."

#### WHERE TO SELL YOUR GOLD PIECES

A retired bank employee in her 70s who is thinking of selling some of her gold pieces to fund her daily expenses wrote to Invest to say that it was hard to find a buyer that would pay close to market value.

She said: "I actually went to many shops and all of them offered prices that were more than 20 per cent lower than their own selling prices for 916 gold pieces."

The shops offered to buy her 916 gold chain at \$65 to \$67 per gram



ST PHOTO: LIM YAOHUI

### Things to note when trading in gold

If you are stashing away some gold bars for a rainy day, avoid buying smaller ones because you will end up spending a lot on "workmanship" charges.

The difference can be startling. The price for a one-gram bar was \$107 on the UOB website on Sept 30 – about 40 per cent higher than its actual worth in gold of about \$76.

So you would need \$1,070 to buy 10 bars whereas a single 10g bar would set you back just \$840 – a whopping \$230 difference.

What about the 1kg bar? It is priced at about \$77,000, with just a slight 1 per cent premium.

You can find prices for various types of gold bars and coins on the UOB website because it is the only bank here that still offers the sale of such items at close to gold trading value.

It publishes both buying and selling prices, just like the foreign exchange counters at airports.

Ms Jacquelyn Tan, UOB's head of group personal financial services, says the bank buys gold only directly from refineries that are accredited by the London Bullion Market Association (LBMA).

The gold must also be categorised as "investment precious metals" so that they are exempt from goods and services tax.

But customers who want to sell gold bars and coins can trade in only items that they bought from UOB previously because the bank does not accept other types of gold or jewellery.

Unlike traders like the Singapore Precious Metal Exchange, which uses X-ray and ultrasound devices to authenticate the gold content, UOB does not conduct such tests.

Instead, it asks customers to show proof of purchase, such as an invoice that will be matched against its own records.

"Our bullion team will also conduct a physical inspection of the gold bars and coins to ensure that they are in good condition. For the gold klobbar, the seal must be intact," Ms Tan adds.

Many people might keep gold because they see it as both a safe-haven asset as well as a family heirloom that can be passed to their children.

But gold collection does not generate any returns.

You can reap a return only if you sell at a higher level than your buying price.

#### GOLD-RELATED FUNDS

If you want to bet on gold without owning any, consider gold exchange-traded funds (ETFs).

The funds are dependent on making the best trades based on the volatile gold prices.

Mr Alfred Chia, chief executive of financial advisory firm SingCapital, points to a couple of popular gold investments.

#### SPDR GOLD SHARES

This fund offers investors an innovative, relatively cost-efficient and secure way to access the gold market.

Originally listed on the New York Stock Exchange, it is the largest physically backed gold exchange-traded fund in the world. It also trades on the Singapore, Tokyo, Hong Kong and Mexican stock exchanges.

Investors can buy, sell and hold gold shares through standard brokerage accounts.

#### THE BLACKROCK WORLD GOLD FUND

The fund invests globally at least 70 per cent of its total assets in the shares of companies whose predominant activity is gold mining. It may also buy shares in companies that primarily mine other precious metals or minerals. The fund does not hold physical gold or metal.

Investors can also trade this on any investment platform and through securities firms.

Just like any other investments, Mr Chia says investors can seek the advice of licensed financial advisers on the most appropriate type of gold-themed instruments, based on their risk profile, time horizon, budget and objectives.

He normally does not recommend that people invest more than 10 per cent of their portfolio in gold because the metal is used mainly for hedging purposes in a portfolio, to even out your risks in case of a major global downturn like a currency crisis.

"Gold is a zero-income yielding asset which has no real-world utility, except to wear it and to show off to your friends," he adds.

"Unfortunately, it will be too heavy to wear gold bullion around and you can't wear your gold ETF investment."

Tan Ooi Boon

when the same stores were selling such gold at \$80 to \$85 per gram.

So, a customer who buys a 10g gold chain at such a shop could be asked to pay \$909 including GST, when its trade-in value is only about \$670, or 26 per cent lower than the buying price.

A check by Invest shows that the Singapore Precious Metals Exchange (SGPMX) has one of the lowest fees for transactions involving pure gold because it operates an online gold exchange that allows both big and small investors to trade with one another.

The investors own the gold they trade, unlike those who buy into gold-related funds.

The trades are based on the prevailing market price and the company charges 0.25 per cent commission for a 1kg bar – the most popular size for gold investment – and 1 per cent for trades on smaller amounts on its online platform.

If you sell 50g of gold online, your sale will be based on the current price, or about \$3,800, with a fee of about \$38 only.

What about gold jewellery? SGPMX has a "gold swap" programme for people who want to trade in their jewellery. The process is transparent, down to the minute gram of gold content.

Depending on the number of items, customers have to pay about \$300 so that their pieces can be melted into a pure gold nugget that can then be sold at the market price. Mr Victor Foo, SGPMX's founding chief executive, says its swap programme is designed to encourage owners of jewellery or bullion to convert their holdings into newly minted bars or sell them for cash.

"The swap itself is a labour-intensive exercise. We will scan every piece with a handheld X-ray scanner to give an indication of the gold content in front of the customers before they sign the invoices so that there won't be disputes later," he says.

If a customer trades in his items and the refinery report states that the stash produces, say, 100g of pure gold, he can either pay a small fee to exchange the amount for a similar 99.99 gold bar, sell his gold to SGPMX or "hold" it in his online trading account to sell it later when the price goes up.

SGPMX does not accept walk-in customers because it is located at Le Freeport, a high-security storage facility in Changi North Crescent. Customers must submit a gold swap request on its website (sgpmx.com) for an appointment to be arranged.

Around 95 per cent of its customers are from overseas and many keep their amounts of gold bars in the company's high-security vault. When they want to sell, they can do so by the bars, or by value through their own online account.

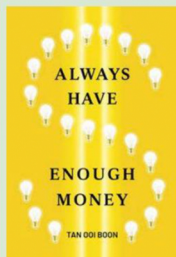
Mr Foo, a veteran in the gold trade, has this advice for gold buyers: "Always buy from reputable dealers who source gold bars from accredited mints."

"Be aware of the different premiums charged for the various sizes, types and brands. You should not overpay, to ensure better profits when you sell."

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## ALWAYS HAVE ENOUGH MONEY

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