



GOLD CORE

10 Key Points To Consider Before You Buy Gold



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INTRODUCTION

Gold is set to protect, preserve and grow wealth in the coming years as it has done throughout history.

This is gradually leading to gold going from an asset class owned by a tiny minority of wealthy investors to it becoming an asset owned by the wider public. Therefore, there has been an increase in the number of individuals and companies selling precious metal coins and bars.

Some are safe, others far less so. There is very significant counterparty risk inherent in many of the new ways to invest in, own and store gold.

The provision of gold bullion does not fall under the remit of regulatory authorities. This means that there are few barriers to entry to the gold market for would-be sellers.

As buying precious metals often involves a significant sum of money you need to ensure that you invest and own gold in the safest way possible.

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Perth Mint Gold Bars

By becoming aware of the fundamentally important things to consider when buying and selling gold you will ensure that you own the genuine gold article in a cost efficient, safe and secure way.

As part of your due diligence process, you should consider these 10 important points before you part with your hard earned money to buy gold.

1. AUTHENTICATION AND VERIFICATION

A key consideration is that you can trust your bullion provider with regard to the authenticity of your gold coins and/or bars.

Verifying the authenticity of your precious metals is of paramount importance. Does your gold provider buy directly from London Bullion Market Association (LBMA) approved mints and refineries or are they dependent on buying from the secondary market and the general public?

Does your gold provider have the experience and the authentication procedures in place to ensure that your precious metals are the genuine article?

The “chain of integrity” is an important part of the bullion market’s infrastructure and gold providers must protect the chain of integrity for gold bars that they buy and sell.

Bullion providers need to know the provenance of the bars they sell. Reputable bullion providers ensure that every bar they receive is refined by an accredited bullion mint or refiner, stamped with a serial number and is of a purity of at least 99.5%.

Gold bars that are LBMA approved, with each bar individually sealed with a tamper proof assay card featuring a unique serial number, are becoming increasingly popular.



Once a gold bar has been assayed and is of proven weight and purity to be accepted by the professional markets, the bar should remain in professional vaults recognised by the LBMA and international financial exchanges.

A gold bar that remains within the gold market’s chain of integrity can be easily traded and exchanged and furthermore, it does not need to be reassayed or re proven. Gold bullion that remains within the chain of integrity is said to be of ‘good delivery’ status.

By keeping gold bars within the chain of integrity, providers can assure that their clients own authentic gold bullion.

Gold bars that are LBMA approved, with each bar individually sealed with a tamper proof assay card featuring a unique serial number, are becoming increasingly popular.

Know your customer (KYC) and international anti-money laundering requirements, which involve having photographic identification documents for all clients – whether buying or selling – actually help protect clients. They mean that bullion providers can always trace who has sold them what product and greatly reduce the risk of inauthentic coins and bars entering the market.

Gold coins authenticity can also be established using a Fisch gold coin detector which is used by major banks, bullion dealers and investors internationally since 1980.

Ultrasonic testing is beginning to be used and will become more important in the coming years with better calibre gold providers offering this service.

Some gold providers make a commitment to repurchase gold coins and bars they have sold to their clients and you should seek this commitment.

Buying gold bullion coins and bars, made by reputable refiners and mints, through an established and trusted provider with a direct relationship with the refinery or mint greatly reduces the risk of not owning the genuine article.



The Perth Mint 1oz Gold Bar

2. SAFE STORAGE

Does your gold provider offer the facility for you to store your metal in an allocated account with a specialist storage facility with independent verification, audit controls and appropriate insurance cover?

Having your gold stored in this way allows you to immediately sell your gold or other precious metal holdings should you wish. It also allows you to avoid further re-authentication costs as the bullion has always remained within the chain of integrity.

Gold providers should not expose their clients to unnecessary counterparty risk by storing clients' gold in anything but highly specialised storage facilities. The client's gold should never remain the property of the gold broker or bank by being held on the company's balance sheet.



Loomis: Worldwide Leader in Safe Storage

This form of gold investment as seen in popular pool accounts and in many gold exchange-traded funds (ETFs) makes the client an unsecured creditor of the providing company or institution.

Not owning gold in the safest way possible defeats the purpose of owning the safe haven asset and financial insurance that is gold.

3. AVOID CERTAIN TYPES OF ‘GOLD’

Taking delivery of and/or owning physical gold coins and bars in an allocated account is the safest way to own gold.

As Shakespeare warned, “all that glisters is not gold.”

Avoid telemarketers or any gold broker that engages in ‘hard sell’ tactics. These are often scams to sell overpriced gold coins (often semi numismatic and numismatic and proof coins) at extortionate rates.

Consumers have been ripped off by mark-ups of between 25% and 100% over the spot or melt value of gold. Gold bullion coins typically retail at premiums of between 5% and 10% and lower on some coins and bars with large volume purchases.

Be wary of companies who sell non tradable, illiquid gold plated coins or 9 carat gold coins (only 0.375 pure) and pass them off as “solid gold coins” or gold bullion coins.

Be wary of companies that attempt to restrict your ability to sell your gold when you want to. This is sometimes done by making you pay for multiple years of storage in advance.

Avoid brokers that try to get you involved in leveraged trading and leveraged trading accounts. You are told that you only have to pay 10% or 20% for the gold and you will then “get to buy” or “own” 5 or 10 times more ‘gold’ than you have paid for.

Leveraged trading is extremely high risk speculation. Should gold have a material correction, as is typical in all bull markets, the buyer can lose all of their money. Also, buyers do not own the underlying physical asset and are exposed to significant counterparty risk.

There is a significant unappreciated risk from only being able to sell your gold back to the one and same provider, or online dealer that sold your gold to you.

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Perth Mint Gold Bars

This is a form of ‘closed loop’ buying and selling. It creates a dependency and an over reliance on one single entity or counter party which creates extra risk, not only in terms of counterparty risk but also in terms of price risk.

If you own actual physical coins and bars – either in your possession or in allocated accounts – there is an internationally competitive market whereby you can sell your bullion back to any number of international bullion dealers at the time of your choosing. This reduces your dependency on one provider.

This competition is vital to reduce counterparty risk and ensure competitive pricing at all times.

4. REPUTATION

Is your gold provider established, respected and trusted within either their domestic or international markets?

Due diligence should be done on your prospective bullion provider.

A little bit of off-line and on-line research can go a long way to reassure you that you are dealing with a reputable broker.

Simple Google searches will help you to determine the reputation of your bullion provider – locally and/or internationally. By checking a company’s offline media presence and online “digital foot print” you can quickly establish their bona fides.



Check who the owners and promoters of the business are. Check if they are quoted or interviewed in the general media in an expert capacity. Are they known and trusted gold experts? Do they have a strong track record of protecting and growing client’s wealth? Always do adequate due diligence on your bullion provider.



5. PROTECTING YOUR MONEY

The same counterparty risks apply to gold providers that apply to dealers, brokers and agents in any other open market or industry.

You should make appropriate enquiries regarding any counterparty to ensure they are not only well-established and reliable but also financially sound.

You should only deal with providers who are fully audited on an annual basis and have publicly accessible filings. You can ask for audited statements from a prospective provider and/or you can request a letter from their auditors confirming that the company's accounts are up to date and in order.

When entrusting some of your life savings to a company it is wise to know if they have a solid trading history, are established and trusted.

6. TIME IN BUSINESS

How many years has your gold broker been in business?

A company with only a few years of business history will have a limited experience of the gold markets. They may be in business as a result of the recent rise in the gold price and have no experience in the gold market, nor may they genuinely have their client's interest at heart.

When entrusting some of your life savings to a company it is wise to know if they have a solid trading history, are established and trusted.



Recent entrants to the market may not be well capitalised. A well-capitalised established firm reassures you that they will be there next time you want to make a purchase or more importantly sell your gold.

7. REPUTABLE AFFILIATIONS, ASSOCIATIONS AND PARTNERS

Is your gold provider a member of, affiliated with or work with reputable associations and partners?

Do they work closely with other respected and trusted counterparties such as government mints, large refineries or depositories? Direct relationships with reputable partners mean that, importantly, independent due diligence has been carried out on the gold provider.

This can afford a degree of comfort as a result of the independent verification. Respected and long established institutions involved in the gold market will refrain from being associated with inexperienced, unknown and potentially disreputable entities.

Is your gold provider a member of, or an affiliate of international gold associations or groups? Such groups include the London Gold Market Association (LBMA), the International Precious Metals Institute (IPMI), Industry Council for Tangible Assets (ICTA), Professional Coin Grading Service (PCGS) and the Numismatic Guaranty Corporation (NGC).



Perth Mint 50oz Gold Bar

Direct relationships with reputable partners mean that, importantly, independent due diligence has been carried out on the gold provider.



8. SIZE, TYPE AND ABILITY TO MAKE A MARKET

Does your gold broker offer the facility to buy back your precious metal?

Some gold providers do not have the facility, liquidity and/or the financial resources to repurchase your gold when the time comes for you to sell.

This can be rather inconvenient and will require you to source another gold provider to purchase your metal. This may be time consuming (further ID or 'know your customer' procedures may be needed) and may incur further expense as the new gold broker may have to re-authenticate your gold before agreeing to purchase.

Does your gold broker have multiple suppliers? If so they will have access to a greater pool of liquidity than a company with just one or two individual suppliers. This access to liquidity means that over the long term you will have access to a wider range of coin and bar products and more stable and competitive pricing.



Heraeus



9. INSURANCE

Does your gold provider carry independent insurance covering potential loss in transit of your precious metals?

Most courier services do not accept any responsibility for bullion, requiring the prudent broker to carry supplemental insurance. Insurance cover for gold sent through the post is also limited so be sure to ask who insures your gold, silver or platinum bullion until you get it and what will happen in the unlikely event that it is lost or stolen while in transit.

Ask if they have insurance to cover all bullion while in their possession and while being delivered. If you are not reassured after asking this question then request proof of insurance.

Access to liquidity means that over the long term you will have access to a wider range of coin and bar products.

10. INTERNATIONAL EXPERIENCE AND EXPERTISE

Does your gold provider have logistical expertise and experience in dealing with clients in many different countries?

Many gold buyers prudently choose to store some of their gold in countries which they are not resident in, in order to reduce national and geopolitical risk.

The logistics of international transportation and the international storage of gold can be very complicated and requires specialist knowledge and indeed good relationships with post and freight companies and custom authorities. It involves handling different sales tax (including VAT) regimes as well as customs and duties obligations.

Inexperience in this area often results in incorrect taxes and tariffs being applied at the expense of the client as well as delaying delivery of your gold.



CONCLUSION

With demand for gold coins and bars having increased in recent years and likely to continue to do so, many new individuals and companies selling gold bullion to the public will appear.

At this time of elevated counterparty risk, it is important that you choose your gold broker carefully.

Developing a long term relationship with a trusted gold bullion dealer is the best way to avoid a company taking advantage of you.

By doing your due diligence and asking these questions you will be in a better position to make an informed choice when it comes to selecting your gold broker, buying gold and protecting your wealth.



GOLDCORE'S BONA FIDES

| | | GoldCore |
|--|--|----------|
| Authentication and Verification: | GoldCore only buys gold bullion from trusted counterparties such as government mints, large refineries or depositories. GoldCore has long standing relationships with the Perth Mint in Western Australia, the Royal Mint in the UK, the Royal Canadian Mint, MKS of Switzerland and Heraeus of Germany. | ✓ |
| Safe and secure storage: | All investments are fully insured under Loomis's insurance policy. We operate a system of bailment and as such your gold investments are held securely in custody in your name and are never on our balance sheet for your protection. | ✓ |
| Deals only in physical 'real' gold bullion: | GoldCore strongly advises that owning real gold bullion is the safest and most prudent option available; it also offers significant peace of mind and security. We do not sell or recommend exchange traded gold (EFT's) because the counterparty risk is far too high. | ✓ |
| Reputation: | GoldCore is a regular contributor to the world's major news companies such as Bloomberg, The Financial Times, CNBC, BBC, RTE and others. Please visit our media centre here . | ✓ |
| Well established bona fides: | GoldCore was established in 2003, making it one of the oldest and most well established bullion companies in existence. GoldCore has over 4,000 clients in 50 countries and has executed over \$500,000,000 in transactions. | ✓ |
| Solid trading history: | Since inception in 2003, GoldCore has traded profitably and continues to grow its client and revenue base. | ✓ |

| | | GoldCore |
|----------------------------------|---|----------|
| Reputable affiliations: | GoldCore is the only approved dealer in the EU for the Perth Mint Certificate Programme. GoldCore is regulated by the Central Bank of Ireland as an authorised Advisor. | ✓ |
| Access to liquidity: | GoldCore manages or advises on over \$200,000,000 worth of assets, much of which is divided between the Perth Mint and GoldCore's secured vaulting service with Loomis. | ✓ |
| Insurance: | GoldCore holds significant insurance cover and insures every shipment of gold delivered, transferred and stored. | ✓ |
| International experience: | With offices in Dublin and London, and clients in over 40 countries, GoldCore has forged a deep understanding of how the global bullion markets operate, and as such, gives us a competitive edge in buying and selling, and shipping bullion on behalf of our client base. | ✓ |

CHECKLIST

| Must Have's for Your Bullion Dealer | | GoldCore |
|---------------------------------------|---|----------|
| Authentication and verification | <i>A key consideration is that you can trust your bullion provider with regard to the authenticity of your gold coins and/or bars.</i> | ✓ |
| Safe and secure storage | <i>Does your gold provider offer the facility for you to store your metal in an allocated account with a specialist storage facility with independent verification, audit controls and appropriate insurance cover?</i> | ✓ |
| Deals only in physical 'real' bullion | <i>Taking delivery of and/or owning physical gold coins and bars in an allocated account is the safest way to own gold.</i> | ✓ |
| Reputation | <i>Is your gold provider established, respected and trusted within either their domestic or international markets?</i> | ✓ |
| Well established bona fides | <i>The same counterparty risks apply to gold providers that apply to dealers, brokers and agents in any other open market or industry.</i> | ✓ |
| Solid trading history | <i>How many years has your gold broker been in business?</i> | ✓ |
| Reputably affiliations | <i>Is your gold provider a member of, affiliated with or work with reputable associations and partners?</i> | ✓ |
| Access to liquidity | <i>Does your gold broker offer the facility to buy back your precious metal?</i> | ✓ |
| Insurance | <i>Does your gold provider carry independent insurance covering potential loss in transit of your precious metals?</i> | ✓ |
| International experience | <i>Does your gold provider have logistical expertise and experience in dealing with clients in many different countries?</i> | ✓ |

GLOSSARY OF TERMS

Asset class: In financial accounting, assets are economic resources. Anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value is considered an asset.

Chain of integrity: A gold bar needs to be assayed and be of a proven weight and purity acceptable by the professional markets. If this bar then remains in the professional vaults recognised by the London Bullion Market Association (LBMA) and international financial exchanges, this gold bar is said to have remained in the gold market's 'Chain of integrity'. If it does not leave the chain of integrity - it does not need to be reassayed or re proven and can be easily traded and exchanged. Gold bullion that remains within the chain of integrity is said to be of 'good delivery' status.

Counter Party: Is a legal entity, unincorporated entity or collection of entities to which an exposure to financial risk might exist. Refers to brokers and other securities dealers that serve as the contracting party when completing "over the counter" securities transactions. The term is generally used in this context in relation to "counterparty risk", which is the risk of monetary loss a firm may be exposed to if the counterparty to an over- the-counter securities trade encounters difficulty meeting its obligations under the terms of the transaction.

ETF: Exchange-traded funds are gold exchange-traded products that aim to track the price of gold. Gold exchange-traded products or trust are traded on the major stock exchanges including Zurich, Mumbai, London, Paris and New York.

Fisch gold coin detector: The Fisch is an instrument that checks the vital measurements of a specific coin against the minimum allowable weight, maximum allowable thickness, maximum allowable diameter and the shape as specified by the issuing mint.

Know Your Customer (KYC): Refers to due diligence activities that financial institutions and other regulated companies must perform to ascertain relevant information from their clients for the purpose of doing business with them.

LBMA: The London bullion market is a wholesale over-the-counter market for the trading of gold and silver. Trading is conducted amongst members of the London Bullion Market Association (LBMA), loosely overseen by the Bank of England. Most of the members are major international banks or bullion dealers and refiners.

Numismatics: Is the study or collection of currency, including coins, tokens, paper money, and related objects.

World Gold Council: The World Gold Council is a non-profit association of the world's leading gold mining companies, established in 1987 to promote the use of gold. It aims to stimulate demand for gold from industry, consumers, and investors. The World Gold Council is the market development organisation for the gold industry. Working within the investment, jewellery and technology sectors, as well as engaging in government affairs, their purpose is to provide industry leadership and create sustainable demand and awareness about gold.



WRITTEN BY

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ABOUT GOLDCORE

GoldCore are respected international bullion dealers who are experts in the execution and logistics of the highly specialised precious metals market.

GoldCore have been providing precious metal investment solutions for an International client base since 2003. Today, our team of experts service all investor classes from private individuals to companies and institutional investors. Whether you are a small or large investor looking to take delivery or arrange for secure, trusted insured storage, GoldCore has a solution to suit your needs.

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