

Men's Weekly

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# Lear Capital Explains the Little-Known Tax Benefits Precious Metals-Backed Investments Can Offer



If you haven't reviewed your retirement savings approach lately, examining your portfolio's asset allocation — something Lear Capital founder and Chairman Kevin DeMeritt recommends investors do at least annually — can be a good idea, particularly because of the effect inflation and other recent economic issues may have had.

"People should really think about their retirement accounts," DeMeritt says. "How you protect that retirement plan is more important today than it was 10 or 20 years ago."

Investing in physical precious metal assets, such as coins or bars that are held in a self-directed individual retirement account, is one option investors may choose to incorporate for a variety of reasons — ranging from the less volatile performance they've shown over time to the peace of mind they offer because you fully own and control the assets.

Precious metal assets-backed IRAs can also present tax-related advantages. Find out why — and learn about some of the other elements the investments involve — below.

## Precious Metal Asset-Based Investments' Appeal

While some investors opt for a traditional IRA, which often contains a mix of stocks, mutual funds and bonds, some choose to invest in a precious metals-backed IRA, a self-directed individual retirement account that includes ownership of a physical asset, such as a gold or silver bar or coin. (For more information about how precious metal IRAs are established and funded, view Lear Capital's [information on the topic](#).)

To qualify for inclusion in a self-directed IRA, precious metal items have to possess a certain composition.

"The government has made these rules that it has to have a fineness to it," Kevin DeMeritt says. "If it has that quality, then you can add it to an IRA; if it does not, then you cannot — with the one exception being an American Eagle coin, which does not have that fineness."

For gold bars and rounds, the minimum fineness is 0.995, and for silver items, it must be at least 0.999.

Investors sometimes gravitate toward precious metal IRAs, according to Kevin DeMeritt, in part because gold, silver and platinum prices tend to be less reactive to external factors like economic changes than the stock market.

In the past, gold prices, for instance, have actually risen during a number of challenging economic periods — such as the aftermath of the pronounced 2009 recession. [U.S. Bureau of Labor Statistics](#) records show gold prices increased 50% between September 2010 and September 2011.

Including physical precious metal-based investments in a portfolio, Kevin DeMeritt says, may provide some stability and help offset some of the losses from other types of investments.

"Gold has an inverse relationship to stocks and other types of assets," he says. "The volatility of gold is not going to be the same. No one has a crystal ball, so I can't tell you when the stock market or home values are going to fall; you can't predict any of those things. But when they happen, it can have a devastating effect — especially if you're retired and living on your assets."

## Physical Precious Metals Asset Tax Considerations

With a precious metals-backed IRA, the taxes you pay on the associated assets held in the account will be deferred until you retire. That allows you to purchase items like gold coins as investments, and reap the benefit of any price increases the metals experience over time.

That aspect may not apply, however, if you purchase items such as gold coins purely as collectibles and keep them at home, instead of securing them in a self-directed IRA.

Collectible items were originally not allowed to be included in IRAs when that type of investment was [introduced in 1974](#), according to the *Journal of Accountancy*, published by the American Institute of CPAs and Chartered Institute of Management Accountants, to prevent speculative risk becoming an element in the retirement savings accounts.

However, in 1986, the U.S. government began allowing certain gold and silver coin assets with a specific purity level to be included in IRAs — with a caveat: Investors can't physically possess precious metal items that are part of their IRA investments.

Per Internal Revenue Service regulations, physical precious metal assets must be kept in an approved storage vault. Gold and other items that Lear Capital customers purchase for use in an IRA, for example, are housed at the Delaware Depository, a well-known facility provider that provides a comprehensive insurance policy underwritten by Lloyd's of London, one of the world's oldest insurance providers, to protect investors' assets in the event a fire, flood, or other issue occurs.

As the *Journal of Accountancy* points out, similar to other IRA investments, gains obtained from selling gold items that have been held in a precious metals-backed IRA won't be taxed — at your marginal tax rate — until you start taking distributions from the account, which taxpayers typically can do once they reach 59 1/2. You may face a penalty if you begin drawing from the account before then.

While the sale of a collectible item kept at home may be taxed, assets held within an IRA likely won't be — offering those investors flexibility to change their asset allocation and potentially boost their return on investment.

Finding a buyer for a precious metal asset may also be easier than locating an interested party for an investment that's experienced a sudden, significant drop, such as a stock that's plummeted.

With an enduring value due to the limited total quantity and growing demand for use in electronics, luxury goods and other items, gold, silver, and platinum are sometimes considered to be fairly liquid assets — which is one reason, according to Kevin DeMeritt, that central banks snapped up a record amount of gold last year. In 2022, the World Gold Council reported central banks purchased [152% more](#) gold than they'd bought in 2021.

"If you look at gold, it's outperformed the stock market since 2000," Kevin DeMeritt says. "A quarter of all of the gold pulled out of the ground last year, central banks purchased. Over the past 10 years, Russia has doubled the amount of gold held in reserve at its central bank. China has sold off U.S. Treasuries; they've been replacing it with gold. [Countries] understand the paper and the digital currencies could potentially go away. They need something that's physical and has value."

If central banks' robust gold-buying activity continues into next year — and the U.S. economy continues to present challenges — Kevin DeMeritt predicts gold prices could rise, [potentially making the precious metal even more attractive to a number of investors](#).

"The demand from central banks will start to move up significantly, along with demand from institutional and individual investors," the Lear Capital founder says. "When investors are worried about the economy, usually you get more people turning to gold — which can drive up its price. We're starting to see that more and more."

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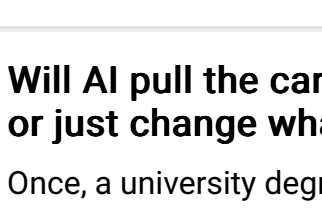
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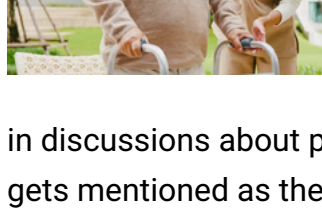
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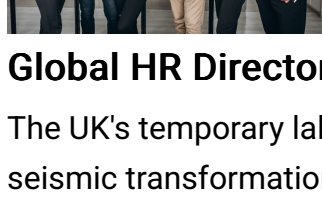
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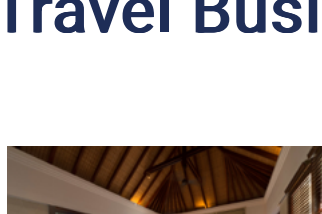
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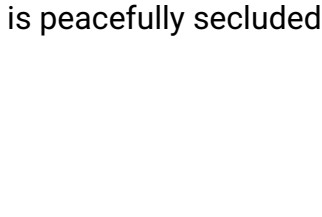
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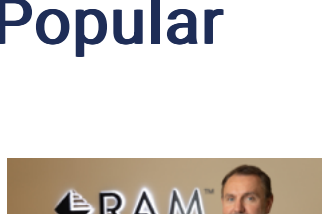
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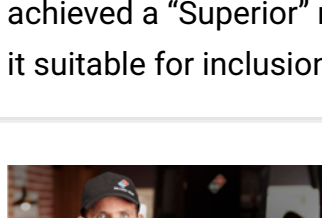
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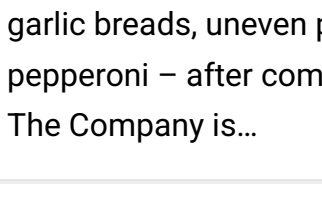
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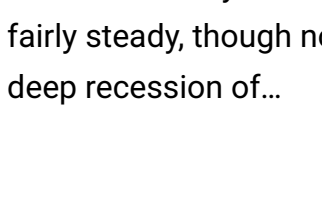
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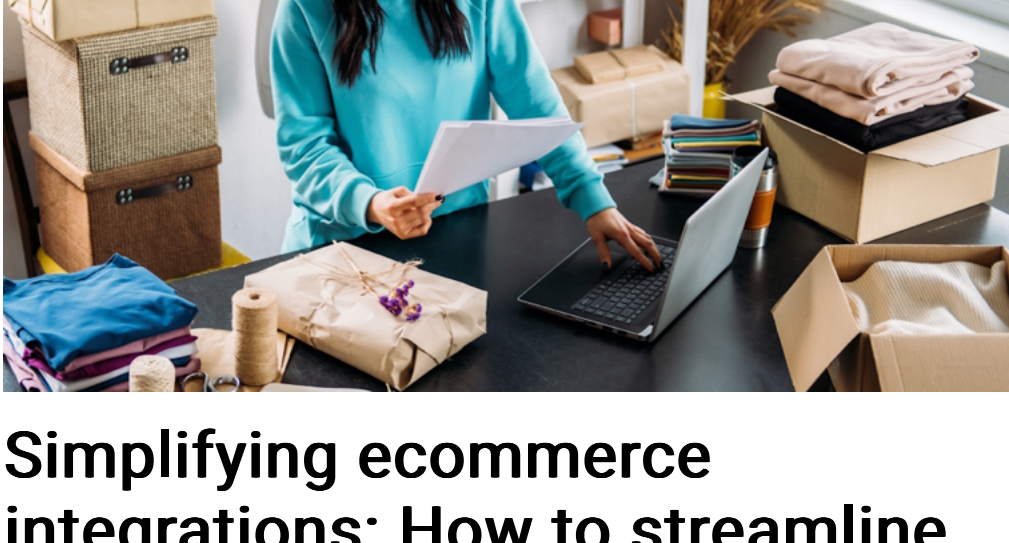
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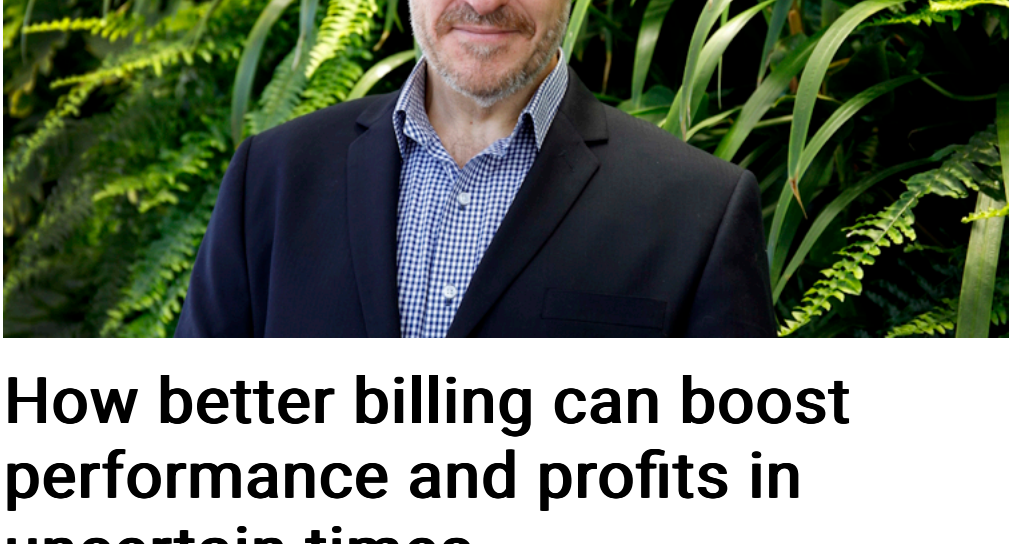
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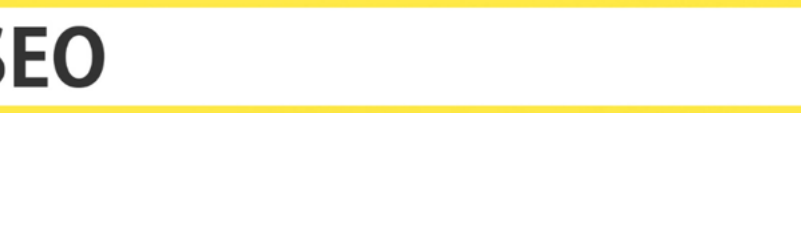


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