**GOLD AND OTHER PRECIOUS METALS, SUCH AS SILVER AND PLATINUM, MAY NOT BE AS SAFE AS SOME PROMOTERS MAKE THEM OUT TO BE.**

Claims sometimes suggest that gold or silver are safe havens that can protect you against economic or political uncertainty. While precious metals can offer additional diversification to an investment portfolio, they are subject to the same pressures of supply and demand as other commodities.


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# THE RISKS OF BUYING GOLD, SILVER & PLATINUM

## WAYS TO INVEST

Here are three common ways you can invest in gold or other precious metals, and all of them involve some risk:

**Futures contracts.** When you speculate in the futures markets, you have the ability to purchase contracts on margin. This means you can control a large amount of metal at a fraction of its value. Leverage can amplify returns and risk. Small price swings in either direction could mean significant gains, or you could lose significantly more than you initially invested.

**Precious metals securities.** These can range from shares in publicly traded mining companies to exchange traded funds (ETFs) that buy physical metal or trade metal futures contracts. Like other securities, metals securities and ETFs are subject to trading commissions, fees, and market risk.

**Physical metal.** You can buy bullion or coins from a bank or other dealer. You will pay the current or "spot" price plus a markup or "premium." You'll want to compare premiums from multiple sellers to make sure you're getting the best value. For you to make a profit, the spot price needs to increase enough to cover the premium plus any other costs associated with selling the metal. Also, consider the cost of storage over time. If you keep the metal at home, it may not be covered by your homeowners insurance. If you store it with a bank or other facility, you will likely pay fees.

## BEWARE OF OTHER TYPES OF OFFERS

Be cautious of offers to buy bullion or coins and store the metal in secured facilities rather than deliver it to you. If the seller is not registered with the CFTC and the sale involves financing or buying the metal on margin, it could be **operating illegally**. In most cases, it is against the law for a non-registered entity to sell any commodity "over the counter" using credit or margin, unless the buyer receives delivery within 28 days of the purchase.

The CFTC has brought enforcement actions against several companies that operated illegally. In some cases, the CFTC charged the companies with fraud for selling gold and other precious metals that didn't exist. These frauds also charged victims for:

- Storing the nonexistent metal
- Insurance premiums
- Shipping fees
- Interest on loans

## SIGNS THAT A SALES PITCH MAY BE FRAUDULENT

- You are promised guaranteed returns.
- You are called out of the blue or receive an offer via email.
- You are told only precious metals can hold their value in times of crisis or political upheaval.
- You are told that gold or silver or other metals have the potential to reach their "highest values" in a long time.
- The salesperson claims to be a "metals dealer" or "merchant" to sound more legitimate.
- You are told precious metals transactions are unregulated.
- The sales agreement does not say where the physical metal is located, or claims that it will be stored in an overseas storage facility or bank.
- The pitch claims you can make a lot of money with little risk by purchasing through a "financing agreement."

## WHAT TO DO BEFORE YOU INVEST

- Run a background check at SmartCheck.gov to verify the company and person selling the investment are registered.
- Learn how the investment makes money, how it can lose money, and verify claims using independent, unbiased sources.
- Get the opinions of friends, family members and professionals you trust.
- Consider if the product meets your financial needs and risk tolerance.

## IF YOU SUSPECT FRAUD...

**Report it to the CFTC:**
**www.cftc.gov/ConsumerProtection**