Which gold investment is best when rates are cut?

MONEY WATCH
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Investing in the right gold asset is key — especially in an environment where interest rates are falling.
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Interest rates have been high for a while, but just last month, things started to change. That's when the Federal Reserve finally adjusted its policy, opting to reduce its federal funds rate for the first time in years.

The Fed is largely expected to cut rates further in November and December, which could impact where you put your investment dollars in the coming months. If gold is on your investing agenda — something many experts recommend during volatile economic times — you may want to think carefully about how you'll buy into the precious metal.

Which gold investment is best when rates are cut?

Experts say there are a few gold investment options that could win out in the current rate environment.

Physical gold

With a presidential election on the horizon, rate changes, and a potential recession looming (JP Morgan Research estimates a 45% chance by the end of 2025), gold's big draw is its safety right now — meaning its ability to diversify your portfolio and ensure your money retains its value for the long haul.

For this purpose, "physical gold and ETFs that hold physical gold would be the safest types," says Mike Chadwick, president of Fiscal Wisdom Wealth Management.

Physical gold investments also give investors a certain level of confidence in uncertain times, says Christopher Mediate, president of Mediate Financial.

"Buying physical gold gives the buyer a tangible asset and, most importantly, a store of value that can be used if necessary to barter or just allow the buyer to have an asset that they feel they can use if necessary," Mediate says.

Find out more about the value that gold can offer.

Gold ETFs

Gold exchange-traded funds (ETFs) — specifically those that are invested in physical gold — can be a good way to diversify in times of lower interest rates, when risk might heighten in other asset classes.

"If the investor is purchasing gold as a diversifier, especially during times of economic uncertainty, they may use gold or silver ETFs to provide access to the asset class and support their portfolios," Mediate says.

A nice bonus? They're quick to sell off if you find yourself in a pinch.

"It's an easy purchase and provides liquidity," Mediate explains.

Yield-earning investments

Since lower interest rates make it hard to see returns on other investments, another attractive way to invest in gold right now is through yield-earning investments, says Ben Nadelstein, head of content at Monetary Metals.

"Products that pay a yield on gold or silver should become increasingly attractive as interest rates fall," Nadelstein says. "This would include precious metals leases, which can pay anywhere from 2 to 5% on gold and silver, as well as gold and silver bonds — which offer higher yields."

The bottom line

There's no one-size-fits-all strategy for investing in gold. The best way to determine where your investment dollars should go — particularly in an evolving economic climate — is to consult a professional, so take time to find an investment or financial advisor in your area. They can walk you through current gold prices and give you personalized guidance for your unique goals, budget, and portfolio.