



Keen on investing in gold in India? Here are the details you need!

In today's unpredictable economic climate, marked by the tumultuous swings of the stock market amid the lingering effects of the pandemic, many investors are seeking avenues to safeguard their portfolios and a great way to do this is through a gold investment. This is because gold is one asset that has garnered considerable attention amidst the ongoing uncertainty. If you have been contemplating venturing into gold investments but feel unsure about where to start, this comprehensive guide is tailor-made for you. Let us delve into the realm of gold investment in India, and answer questions around how to invest in gold for beginners, how to buy digital gold, gold ETF investment, gold vs silver investment and types of gold investment. We will also explore the merits of gold investment, and offer details on importance of investing in commodities through gold ETF or silver ETF, various investment avenues, tax implications, and crucial considerations. Gold investment for beginners was never this easy!

What makes gold investment a great idea?

Gold has been revered in India for centuries, not only for its cultural and religious significance but also for its potential as an investment vehicle. Throughout history, gold has stood the test of time as a reliable store of value. Its enduring purchasing power and resilience, even in the face of economic upheavals, make it an attractive long-term investment option. Further, unlike fiat currency, which derives its value from government decree, gold possesses intrinsic value, with its scarcity, durability, and universal acceptance contributing to its inherent worth. Gold has also, historically, served as a hedge against inflation. As the value of fiat currency diminishes due to rising inflation, gold often maintains or increases its value, thereby preserving purchasing power. Gold is also an exceptional investment option as the yellow metal enjoys high liquidity, allowing investors to easily buy and sell it in various forms, thereby making it a readily accessible asset. Finally, including gold in your investment portfolio can enhance diversification, as it typically exhibits low correlation with other asset classes like stocks and bonds. This diversification can mitigate overall portfolio risk.

Ways to undertake gold investment

Gold investment avenues have evolved beyond traditional jewellery purchases to encompass a variety of options suited to different investor preferences. Here's a rundown of the various ways you can invest in gold –

- **Digital gold:** Digital gold platforms enable investors to buy and sell gold in fractional quantities online, often with minimal investment requirements. Backed by physical gold, digital gold offers convenience, transparency, and ease of transactions.
- **Coins or bars:** Investing in physical gold in the form of coins or bars provides an alternative to jewellery. These purchases typically incur lower making charges and can be acquired from jewellers, banks, or online platforms.
- **Savings schemes:** Many jewellers offer gold savings schemes, allowing investors to accumulate gold gradually through

monthly deposits. These schemes often offer attractive incentives such as bonuses upon maturity.

- **Sovereign gold bonds:** Issued by the Reserve Bank of India (RBI), SGBs offer a secure way to invest in gold, providing a fixed interest rate and the flexibility to convert the investment into physical gold or trade on the secondary market.
- **Gold mutual funds:** Mutual funds specialising in gold investments offer exposure to the precious metal through various instruments such as stocks of gold mining companies and gold bullion. These funds provide professional management and diversification within the gold sector.
- **Gold Exchange Traded Funds (ETFs):** Gold ETFs track the price of gold and trade on stock exchanges like equities and offer liquidity, transparency, and cost-effectiveness, making them an attractive option for investors seeking exposure to gold without owning physical bullion.
- **Jewellery:** While primarily valued for cultural and aesthetic reasons, gold jewellery can also serve as an investment. However, investors should be mindful of making charges and ensure the security of their jewellery holdings.

Tax rates to consider

It is crucial for investors to be aware of the tax implications associated with gold investments in India. Profits from the sale of gold are subject to capital gains tax, with rates varying based on the holding period – if gold is held for three years or less, gains are classified as short-term and taxed at the individual's income tax slab rates. Alternatively, gains from holding gold for more than three years qualify as long-term capital gains and are taxed at the rate of 20%. Plus 4% cess bringing the chargeable tax to 20.8%

Things to know before investing in gold

Before diving into gold investments, consider the following imperative aspects to ensure the best outcome for your portfolio –

- **Research:** Understand the factors influencing gold prices and conduct thorough research on investment options, whether physical gold, ETFs, or mutual funds.
- **Security:** Ensure the safety and security of physical gold holdings, whether stored at home or in a secure facility.
- **Diversification:** While gold can serve as a hedge against market volatility, it is essential to maintain a diversified investment portfolio tailored to your financial goals and risk tolerance.

Investing in gold can offer stability, diversification, and potential long-term growth to your investment portfolio. Whether you opt for physical gold, digital gold, or gold-related financial instruments, careful consideration of your investment objectives and diligent research are paramount. By weighing the merits and risks of gold investments and staying informed about market trends, you can navigate the world of gold investing with confidence and prudence.

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