

NEW ZEALAND
VAULT

ESTABLISHED 1931



A Beginner's Guide To Investing in Precious Metals:

How to Buy Gold, Silver and Platinum



New Zealand Vault has been providing our clients peace of mind since 1931 and have been helping them invest in physical gold, silver and platinum since 2014. We have written this Beginner's Guide to Precious Metals to help new clients who have not purchased physical bullion before. It will provide new investors with the basics needed to begin investing in physical precious metals.



Key Terms for New Precious Metals Investors

What is Precious Metal?

A rare metal of high economic value. Less reactive than most chemical elements, precious metals are popularly used in jewelry and regarded as a store of value for investment purposes. The most well-known precious metals are gold, silver and platinum.

What is Gold?

A soft and malleable precious metal with a bright yellow colour. Gold is most commonly used in jewelry, investments, and for industrial use. It has the chemical symbol AU and Atomic Number 79. Gold is well-known for its monetary and symbolic value.

What is Silver?

A white, soft precious metal known for its malleable characteristics and value. Silver is most commonly found in jewelry, high-valued utensils, and as coins and bars for investment purposes. Silver also has numerous industrial and commercial uses. It has the chemical symbol Ag and Atomic Number 47.

What is Platinum?

A gray-white precious metal that is highly malleable and ductile. Platinum has the chemical symbol Pt and Atomic Number 78. It has a variety of uses from industrial equipment to jewelry and for investment. Platinum is a scarce material and thus, is highly valuable.

What is Bullion?

Bullion is used to describe precious metals bars, coins, rounds, and ingots, produced by mints. The value of bullion is determined by the purity and weight of the precious metals content.

Why should you invest in precious metals?

Everyone has their own reasons as to why they invest in precious metals, but the two most common reasons are:

- Precious metals act as a hedge against the ongoing depreciation of a currency due to inflation.
- Precious metals help to diversify an investment portfolio. Precious metals will often move counter-cyclical to other asset classes, particularly in times of uncertainty.

What does the term 'spot price' refer to?

The 'spot price' is simply the live tradeable price, of 1 troy ounce of fine gold, silver or platinum. A 'premium' is then added to the spot price to cover the cost of the mint to fabricate the product and for resellers to market it.

What does the term 'ask spot' and 'bid spot' refer to?

The 'ask spot rate' is used if you purchase gold, silver or platinum. It is slightly higher than the 'bid spot rate' which is used if you are selling your gold, silver or platinum. The difference between the two spot rates is called the bid – ask spread.

What is the difference between cast and minted bars?

Gold, silver and platinum bars can either be cast or minted. Cast bars are made by pouring molten metal into a mold and later stamped with the manufacturers brand and serial number.

Minted bars and coins are made from sheets of gold, silver or platinum that has been rolled to a uniform thickness. The coins or bars are then stamped out into the desired shape. The coins or bars can then be pressed and stamped with the desired design. Small minted bars will often be enclosed in tamper evident packaging.

The premium on a minted bar or coin is normally higher than a cast bar of the same weight and purity, because the manufacturing process is more involved.



What is a Troy Ounce?

A troy ounce is a unit of measure used for weighing precious metals that dates back to the Middle Ages. Originally used in Troyes, France. A troy ounce is not to be confused with the common 1 ounce, as they have different units of measurement.

1 troy ounce = 1.097 common ounce

1 troy ounce = 31.1034768 grams

1 Kilogram = 32.1507 troy ounces

What is an investment grade bullion?

Investment grade indicates a degree of purity of the precious metal product that is considered high enough to be tax-free. For bullion to be exempt of Goods and Services Tax (GST) in New Zealand, it needs to meet the following minimum purity levels: Gold is 99.5%, Silver is 99.9%, and Platinum 99%. There are several notable coins that fall below this threshold such as the Gold Krugerrand at 91.6% pure and the American Gold Eagle at 91.67% pure. As a result, New Zealand Vault do not trade in these coins.

What is Face Value?

The monetary value depicted on a coin set by the minting authority, often times the government. Face value differs from the actual value of the coin. For instance, a 1oz Gold Maple Leaf coin has a face value of \$50 but the actual value of the coin is based on the spot price of gold.

What does purity/fineness mean in gold, silver and platinum?

The purity/fineness of a precious metal is measured in percentages and indicates how much of an object is made up of the particular metal.

What is a legal tender?

The monetary value depicted on a coin, authorized by the government.

What forms of precious metals can I buy?

Precious metals can be bought as physical coins, rounds, and bars.

- Coins: Precious metals that have a face value, as set by the government. The actual value however, is based on the amount of precious metal in a coin.
- Rounds: Coin-shaped bullion that do not hold any face value. They are not backed by the government and thus, are not considered legal tender.
- Bars: Bullion that is shaped into bars, sheets, wafers or plates. Like rounds, they do not hold any face value.

What is the difference between rounds and coins?

Coins are minted exclusively by a government-backed sovereign mint and bear a face value. Rounds are coins that do not have a face value and can be minted by a private or sovereign mint.

What is the difference between coins and bars and why the difference in price?

Coins and bars differ based on value and production cost. Since coins are legal tender and hold a face value, they have a higher premium than bars, which do not have a legal tender value. There is more work involved in manufacturing a coin than a cast bar. As a result, the premium is higher. It is more efficient to produce 1 cast kilo gold bar than 20 x 50-gram bars. As a result, the premium of 1 kilo bar is lower than the combined premiums of the same weight in 50-gram bars.





What is a mint?

A facility, either private or government-backed, that produces precious metals/bullion bars and coins.

Examples of Minting Companies:

- Royal Canadian Mint – Canada*
- Australian Perth Mint –Australia*
- Argor-Heraeus, Switzerland
- US Mint – United States*
- The Royal Mint – United Kingdom*
- PAMP Suisse – Private Switzerland Mint
- Scottsdale Mint – Private US Mint
- *Government Mints

Where should I store my precious metals?

There are many options for investors in terms of precious metals storage. Some choose to store it within their own home safes which can work well if you have a high grade safe and no one knows that you have bullion. There have been a number of cases where there have been home invasions as a result of other people finding out that gold has been stored at home. Others choose to store it in safety deposit boxes which can be a cost-effective option, particularly if you are storing smaller amounts. Clients who have large quantities of gold or silver may want to store in our specialist bullion depository. To discuss what may be the best option for you, please call our bullion team on +64 4 4999 333.

What does 'allocated' and 'segregated' precious metals storage mean?

'Allocated storage' means that your precious metals are recorded under your name and you hold direct ownership of the metals.

'Segregated storage' means that your precious metals are stored separately from others in individual boxes assigned to each client.

All New Zealand Vaults storage options are allocated and segregated.

Will my bullion be insured at New Zealand Vault?

You can choose to have your bullion insured under the New Zealand Vault's insurance policy, if you have a safe deposit vault. This is priced at 0.25% of the value you nominate. In the bullion depository, insurance is included in our storage fee.

Access to your bullion

With a safe deposit box, you have a key and can access your bullion when the vault is open. If you are based off shore, you can use independent accountancy firm, Crowe Australasia, to hold your key and access your box on your written instruction. Likewise, you can access your bullion in our bullion depository by making an appointment, or if you are overseas you can hold your bullion in a safe where Crowe Australasia hold one of the two codes required to open it.

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What is COMEX?

The Commodity Exchange, Inc. (COMEX) is a division of the New York Mercantile Exchange (NYMEX) in which Gold and Silver are traded.

What is London FIX?

The procedure by which the price fix of gold and silver is determined twice each business day on the London market by the members of the LBMA based on the buy and sell orders at that time. The price fixing provides a recognized rate that is used as a benchmark for pricing precious metals products.

What is LBMA?

The London Bullion Market Association (LBMA) is a wholesale over-the-counter market for the trading of gold and silver.

What is Gold/Silver Ratio?

The ratio demonstrating how many ounces of silver it takes to purchase one ounce of gold. Investors use the ratio to evaluate the relative value of silver, which determines if it's an optimal time to purchase gold or silver.

What is Fiat Money?

Fiat money is a currency which is not backed by anything but is made legal tender by a government decree. Examples: US dollar, British Sterling, Euro, New Zealand dollar and Aussie dollar.

What is Bull/Bear Market?

A bull market is when a market is performing well and prices have an uprising trend. A Bear market, on the other hand, is when a market is stagnant or falling, and prices are trending down over the long term.



Interested in buying or storing precious metals?

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