

Investing via Gold ETF

WHILE the tradition has been to buy gold on Akshaya Tritiya, gold bought for investment should not be in the form of jewellery, coins or bullion but through gold exchange traded funds (ETFs) that allows you to hold gold in paper form and offer you other significant benefits.

While there are benefits of cost involved, ETFs are also tax-efficient. Banks charge anywhere between 6-10 per cent mark up on gold coins, whereas in case of ETFs there is a brokerage cost of around 0.5 per cent to be paid. In case of ETFs investors also need to pay a fund management fee of around 1 per cent per annum.

"ETFs are far more cost efficient as you easily save between 6-10 per cent at the time of purchase. It is tax efficient too as there is no long term capital gains tax after one year and also there is no wealth tax involved with ETFs," said Vishal Dhawan, a

Mumbai-based certified financial planner. In case of physical gold, long-term capital gains tax are applicable up to three years and wealth tax is also applicable. Experts say that it is not just the cost that makes ETF a better option but there are issues of practicality that need to be considered.

"If one is buying gold for investment purpose, ETF is a better option not only from the price point view but also because gold ETFs provide you the discipline to sell as against other forms of gold. There is no social stigma attached to it," said Lalit Nambiar, fund manager at UTI AMC.

Mutual funds have launched ETFs that allow investors to convert ETFs into gold. "It saves on cost as someone who wants to buy gold from his ETF investment can do that directly as against in other cases where he would have to first sell ETF to get cash and then buy gold and thus pay charges twice," said Dhawan.