No, U.S.-Iran tension is not a reason to invest retirement money in gold — here’s when you should

By **Alessandra Malito**

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Gold is considered a ‘safe haven’ when geopolitical turmoil arises

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Gold may be considered a safe investment, but carefully consider when to invest in it.

When geopolitical drama flares up, American investors consider fleeing to safe assets for their portfolios, such as gold. The latest tension between U.S. and Iran is no different.

American and Iranian relations worsened dramatically this week, after U.S. troops shot down Iranian Gen. Qassem Soleimani during an airstrike on Friday, and Iran responded with a missile attack on U.S. forces in Iraq on Wednesday. At the same time, gold futures (a type of investment in the metal), reached their highest settlement since April 2013.

See: ‘Gold, gold, gold, gold’ — CNBC host Jim Cramer says stocks should have been down a lot more to start the week

Gold is perceived as a safe haven, but geopolitical conflict is not a good reason to invest in the precious metal. The asset may be rallying now, but those gains are likely to diminish, some analysts and advisers say. How quickly depends on the current situation between the U.S. and Iran.

“Gold is purely a speculative play,” said Robert Greenman, lead adviser and partner of Vista Capital Partners in Portland, Ore. “It never produces anything, but is purchased in the buyer’s hope that someone else will pay more for them in the future.”

As of Wednesday morning, gold had already slightly dwindled from its highs.

But there are times when gold can play a valuable role in a retirement portfolio — one that is diversified, said George Gagliardi, a financial adviser at Coromandel Wealth Management in Lexington, Mass. Gold acts as an insurance policy against central banks devaluing their money or countries accumulating too much debt. “[Gold] can’t be printed like government currencies can,” he said. “In a time of monetary crisis, having a small percentage of one’s net worth in gold could be extremely valuable in the not too distant future.” Gagliardi suggests having at least 5% invested in gold but no more than 10%.

Another option is to invest in the companies that mine gold, said Kashif Ahmed, president of American Private Wealth in Bedford, Mass.

Also see: Why it may be too late to chase defense stocks as Iran strikes U.S. bases

Retirement savers need to be careful about when to invest in gold, however. Prices are driven by fear, said Allan Katz, a financial adviser and founder of Comprehensive Wealth Management Group in Staten Island, N.Y. “The best time to buy is when the price falls back and there seems like there is nothing to be concerned with, and then sell when something happens,” he said.

Investors can also take the buy-and-hold approach (beginning when the prices are lower), however, which is more typical for a retirement investing strategy. Active day traders who really know what they’re doing may want to incorporate gold into their investment strategies, but the typical saver stashing money in a 401(k) is not regularly buying and selling assets in their portfolios.

Plus, timing the market usually warrants bad results, said David Bize, a financial adviser at First Allied in