

Warren Buffett Is Wrong About Gold



By Monetary Metals

Suggested Meta Text: Famous gold skeptic Warren Buffett is right about the dangers of inflation when it comes to non-producing assets, but he's never been a fan of gold. Monetary Metals has transformed gold into a productive asset by generating a yield on gold, paid in gold, proving Buffett wrong about gold and giving investors new ways to own this timeless asset.

Warren Buffett, one of the world's most successful investors, has never been shy when it comes to expressing his opinions. He is famous for sharing his financial wisdom and wit over the years.

The "Oracle of Omaha" is known for his value investing philosophy and has often shared his skepticism about investing in non-productive assets like cash, [cryptocurrency](#), and even gold.

And while Buffett's critiques of cash and other currency-based investments have proven remarkably prescient, his views on gold haven't aged quite as well.

Let's explore why Buffett is wrong when it comes to gold as an asset.

Buffett's preference for productive value

In a [2011 shareholder letter](#), Buffett outlined what he sees as the three categories of investments:

1. Currency-based assets like cash and bonds.
2. Assets that "will never produce anything," like gold.
3. Productive assets like businesses, farms, or real estate.

Buffett's strategy has long emphasized buying undervalued, productive assets such as Apple, Coca-Cola, or Bank of America—and holding currency-based assets [like bonds](#) only when equities become overvalued.

So why not own gold?

Let Mr. Buffett tell you in his own words, *"...it's a lot better to have a goose that keeps laying eggs than a goose that just sits there and eats insurance and storage and a few things like that."*

But all of Buffett's critiques of gold hinge on one major assumption: gold doesn't produce anything.

That used to be true. Today, it isn't.

The gold yield innovation

Ever since Monetary Metals introduced gold leases and gold bonds, thousands of gold owners now earn a yield on their gold holdings.

Our gold fixed-income products transform gold from a passive store of value into a productive income-generating asset that generates a real yield, paid in gold.

In [gold leases](#), clients lease their gold to qualified businesses for use as inventory or work-in-progress and receive between 2% to 5% in gold interest.

In [gold bonds](#), businesses with gold assets or income, like gold miners, prefer to borrow in gold and align their liabilities (gold loans) with their assets (gold income). Investors in gold bonds have earned annual yields between 6% to as high as 19% paid in gold.

By turning gold into an income-generating asset, gold leases and gold bonds directly address Buffett's primary critique that gold doesn't produce any income.

Should Buffett own gold?

It's unlikely that Buffett is going to change his feelings towards gold at 94 years old, although we wouldn't refuse him if he wanted to become a Monetary Metals client!

But if he did take a fresh look, he might notice that modern [gold fixed-income products](#) are remarkably aligned with his own investing philosophy on productive assets:

“Ideally, these assets should have the ability in inflationary times to deliver output that will retain its purchasing-power value while requiring a minimum of new capital investment.”

That sounds an awful lot like gold with a yield.

Buffett also argues in the same 2011 letter that *“if you own one ounce of gold for an eternity, you will still own one ounce at its end.”*

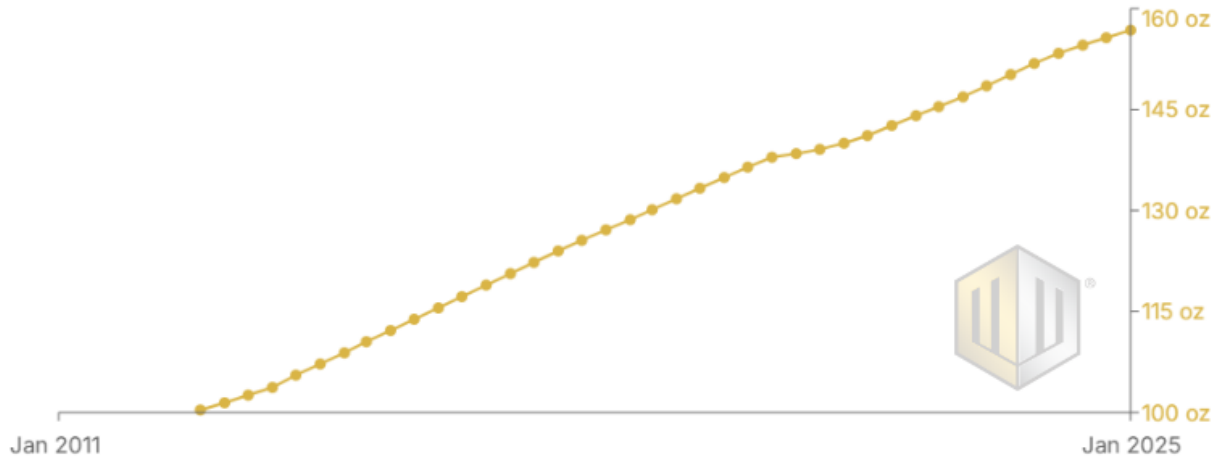
Not so for clients of Monetary Metals. Their ounces grow.

Back in 2011, when gold was sitting at just \$1,405 per ounce and Buffett made his famous remarks about gold, 100 ounces was worth about \$140,500.

If you had earned a 4% annual yield in gold on those 100 ounces, you'd now have nearly 160 ounces, worth approximately \$528,000 at today's price of \$3,300 per ounce.

Total Interest Earned

Gold: 159.3 oz



That's an additional 60 ounces, or about \$198,000 more than just holding the gold.

Not bad for an asset that "will never produce anything"!

If you're heading to the Berkshire Hathaway shareholder meeting in Omaha, it might be worth asking Mr. Buffett if his views on gold have changed, considering gold's ability to generate an income.

For those interested in owning gold as an income-generating asset, contact a Monetary Metals relationship manager to [learn how to get started](#).

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