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Is Your Gold Worth The Paper It's Printed On?

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posted by JOHN E. GIROUARD

Gold's role as a hiding place from inflationary government spending is reaching a fever pitch. As the perceived value of paper currencies erodes, people increasingly want the real deal.



Yet many individual investors who think they own actual gold could be in for a shock because what they own is a pretty good promise, but definitely not the real deal.

That could spell trouble down the road depending on whether it turns out that gold's at bubble levels or is still a bargain. We haven't reached the point, as the French did during their revolution, when people said of paper currency, "if my horse can't eat it, I don't want it."

But it might not take such dire conditions to cause a panic that would send investors running to the bank to pick up or sell that chunk of gold they think is waiting with their name on it. Were that to happen, we could see some wild price gyrations that could make some people fabulously wealthy overnight and leave others holding gold that isn't worth the paper it's printed on.

Gold may be as over-leveraged as real estate was just before the credit crisis that sparked the 2008 economic meltdown and the lingering aftermath. Like the housing market, what's driving the price of gold to new highs is in part financial hocus pocus by those who market and trade in it.

[Special Offer: Which are your best gold and silver miners to buy now? Click here for instant access to Curtis Hesler's recommendations in Professional Timing Service.](#)

What professional traders and investors know that many individual investors don't is that most of the gold that's sold is never delivered. The metal trades much like grain or other commodities. The buyer gets a certificate from the selling institution that is a promise—if you show up to take your gold home, the institution promises that it'll be there, safe

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