



## Precious Metals

### How to Hold Gold and Silver in an SMSF

There are different types of investments that an SMSF can hold and precious metals are one of the allowable asset classes. Before going down this path, it is important to understand not only your options, but the rules that surround the holding of these assets.

As a starting point it is necessary to ensure both your trust deed and investment strategy allow for this type of asset to be held. If not, you will need to have these documents updated to allow for this acquisition before you proceed.

There are 3 main ways a fund can hold precious metals such as gold and silver:

- Exchange Traded Fund (ETFs)
- Gold or Silver Coins
- Gold or Silver Bars/Bullion

#### Gold or Silver Exchange Traded Funds (ETFs)

An ETF can be purchased for metals such as gold, silver, platinum and copper. The ETFs are designed to track the price of acquisition and consist of one principle asset – the metal itself.

The funds consists of a derivative contract which is backed by the metal, so you don't physically own the metal in its tangible form. The investment is traded on the major stock exchanges and when you come to sell the asset it can only be redeemed for cash.

#### Gold or Silver Coins

It is possible to hold gold or silver coins in your SMSF. You are likely to be paying a premium above the face value as they are considered to be a 'collectable' asset. Also, buying in this format means that they will be caught by the investment rules around 'collectables' held by SMSFs.

Under the rules for collectables, such as coins, you may not receive any present-day benefit from the asset. They cannot be leased, used or displayed by a related party and must not be stored in a private residence of a related party. You will be required to insure the coins within 7 days of acquisition. Not meeting these requirements could result in a contravention and the fund being made non-complying. When you come to sell the coins, you are required to sell them at market value determined by a qualified, independent valuer.

#### Gold or Silver Bullion

The holding of a precious metal in the form of bars is probably the most common form. Holding precious metals in this form avoids it being caught by the collectables rules which apply to coins. Many trustees still choose to store their bullion in a storage vault or the mint for security reasons even though it is not compulsory for them to do so. The bars can legally be stored at a person's home but there are additional risks and documentation required if a trustee decides to do so.





## How to satisfy the audit requirements:

### 1. Gold or Silver ETFs

As a listed security it is easy to meet the annual audit requirements in relation to the verification of the holding and the market value. As ETFs are traded on the ASX the holding is verified by the registry holding statement at 30 June and the market value is the most transparent of all forms as it is listed on the ASX.

### 2. Gold or Silver Coins

Holding gold or silver in this form involves a stricter set of rules and additional audit requirements. The fund will be required to provide proof of the following to the fund's auditor at year end:

- Where the asset is being stored.
- Insurance certificate to verify the coins were insured within 7 days of acquisition.
- Market valuation from a qualified, independent valuer will be needed if coins have been sold during the year.
- The coins need to be revalued at a very minimum of at least every three years (even if the coins aren't being sold) or sooner if there are any significant events that are likely to affect the value of the coins.

### 3. Gold or Silver Bullion

If a trustee holds bullion at a storage facility or at the mint the documentation provided by these third parties will act as proof of the holding to the auditor.

If trustees choose to store their bullion at home or their business premises the auditor will require a resolution as at 30 June of each year which confirms the following:

- Inventory listing of the type(s) and quantities of metal held.
- Confirmation the asset is stored securely and not available for personal use by the members.
- Confirmation that the metal(s) are insured for the correct value.

Valuations are less costly than holding metals in the form of a collectable. The market value can easily be verified to live prices which are readily available on a number of bullion dealer's websites.

## Summary

As highlighted, exposure to precious metals can be achieved in a variety of ways. The suitability of which method of investment will depend on the requirements of the members and what the trustees deem to be the most appropriate. As always if there is any doubt, appropriate advice should be sought.

