

When gold saves lives

Here is a true story in which gold and stocks play large roles.

Before World War II, my grandmother's sister married a physician of Jewish origin. They lived peacefully in a small town, my great-uncle ran his medical practice with my great-aunt helping him. One day during the war, the Germans came and ordered all the Jewish men to gather at the train station. They were to wait for transport to a concentration camp in Poland. My great-uncle was among those waiting for the death train at that station, but serendipity struck at that very moment.

A German officer happened to fall ill and, being a physician, my great-uncle was administering first aid. Because the train had to leave, he was told to take care of the sick officer and get on another train a week later.

My great-uncle was of course not about to wait around for that, and he left that very night together with my great-aunt. They went by train to Trieste and then by ship to the Philippines, where they settled for a while. The problem was, however, that they could only take one suitcase with them – not the medical practice, not the house with the land plot, and not the protectorate banknotes (which had no value abroad). The only thing that allowed them to buy a ticket, get away, and survive was a handful of gold from their friends and relatives.

For conservative investors who take into account various even less probable future scenarios, there follows from this the following observation. Although historical data convincingly show that gold is not a good investment over the long term, its long-term real value being more or less stagnant and lagging far behind other classes of assets, gold that is physically owned could in critical situations play an invaluable role because it is universally accepted as a medium of payment.

From an investment perspective, this story has a sequel. When I visited my great-aunt in California at the beginning of the 1990s (my great-uncle was unfortunately no longer alive), she related how they had made their investments over their lives. My great-uncle opened his physician's office in America and my great-aunt worked there as a nurse. They lived off my great-uncle's income and regularly invested my great-aunt's entire income into stocks, doing so every month, year after year for several decades. The result was stunning.

The interesting thing is that while they could be thankful for gold because in large measure it saved their lives, they realistically recognised that a great fortune is best made by owning shares in companies over the long term (publicly traded stocks being probably the best available form). During my visit to my great-aunt, the Dow Jones 30 index had just celebrated its passing the 3,000-point mark.



Since then, it has grown to more than seven times that. My aunt would have been happy.

Invest with care!

Daniel Gladiš, 12 August 2017

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