Gold Has Gone Through the Roof. Retirees Should Keep a Lid on It.

By Elizabeth O'Brien

April 03, 2025 2:30 am EDT

Gold has soared to more than $3,100 an ounce as investors look for safety amid market turmoil. (AKOS STILLER/BLOOMBERG)

Gold just finished its best quarter since the Reagan administration, and the yellow metal may keep rising as uncertainty clouds the economic outlook. It's not too late for investors to get in—just don't go overboard.

Gold rose 19% in the first quarter to $3,122.80 per ounce, its largest quarterly gain since the third quarter of 1986. The metal is defying the gloom in the stock market, with the S&P 500 index down about 5% this year, and it comes amid gains in other safe-haven assets like long-term Treasuries.

Analysts attribute the gains to a few factors. Perhaps the biggest driver is mounting concerns about the U.S. and global economy arising from President Donald Trump's tariffs and a looming trade war. Increased central bank buying and rifts between the U.S. and longtime allies are also fueling gains for gold, long viewed as a haven in times of turmoil.

It might be tempting to pile in now, but advisors say gold's recent performance doesn't sway their recommended allocation of roughly 3% to 8% of an overall portfolio.

"Let's not get carried away with the story," says Rand Spero, president of Street Smart Financial in Lexington, Mass. He recommends holding up to 8% in gold, although he hasn't been trimming client positions if they've risen above the target due to price appreciation.

Gold's performance comes after long stretches when it has traded sideways or trailed the stock market's long-term gains of around 10% a year. While the metal beat the S&P 500 by more than 20 percentage points in the first quarter, that has happened only 12 other times in the past 50 years, according to Bespoke Investment Group.

Gold's record as an inflation hedge is also mixed, and it doesn't always shine in recessions. While it outperformed stocks in the 2008-09 financial crisis, its average return in market declines of 10% or more since 1990 is -4.6%, according to CFRA Research. What's more, it doesn't throw off income, a negative especially for retired investors.

Still, holding a little gold can act as a good diversifier, and it appears to be in a good spot now, with tailwinds that could linger for some time.

The easiest way to hold gold is through spot exchange-traded funds that track its price. Spero uses the iShares Gold Trust, which has a 0.25% expense ratio compared with the more popular SPDR Gold Shares, at 0.4%.

One caveat to consider is taxes. In taxable accounts, gold ETF shares held for more than a year are taxed at the "collectibles" rate of 28% when sold at a gain, which is higher than long-term capital-gains rates on other assets of 0% to 20%, depending on your income. It's generally easiest to hold gold ETFs in a tax-advantaged account such as an individual retirement account.

Gold mining stocks are another option. The VanEck Gold Miners ETF is up about 35% this year. The gains have narrowed the spread between the imputed price of gold in the stocks, relative to spot prices, says Alan Bazaar, CEO of Hollow Brook Wealth Management in Katonah, N.Y. He still recommends the miners, though, and suggests dollar-cost averaging in at these valuations for investors who aren't at their target allocation.

If you want to own physical gold, there's also an easy way: Costco sells one-ounce bars, although members can only buy a handful per transaction. You would then need to store it—ideally not at home but in a bank safe, where fees can add up over the years.

A word of caution: Commercials for gold IRAs are a staple of cable TV, pitched as a way to safeguard your retirement. These accounts allow you to hold physical gold in your IRA, but that can get messy for investors starting at age 73, when minimum distribution requirements begin, says Rick Miller of Miller Investment Management in Manassas, Va. "You can't slice off part of your bar and send it to the IRS," he says.

The only way to make a gold IRA work is to have another IRA with enough liquidity to satisfy your entire RMD requirement, Miller says. (IRA owners must calculate the RMD separately for each IRA they own, but they can withdraw the total amount from just one.)

And that's assuming you want such a concentrated gold position in the first place. A better option might be a smaller holding and a plan to take some profits at certain price levels, he says.

"There's been such a run-up that people are silly," Miller says.

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