

Why gold is a key asset in recession-proof portfolios

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Adding gold to your portfolio could have big benefits — especially in a recession.

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Investors have jumped at gold investments in recent years. So much so, in fact, that the price of the precious metal has hit record highs several times since the start of 2024.

It's no wonder why investors are flocking to gold, either. In times of high inflation and economic uncertainty, gold can be a smart way to safeguard your wealth. When timed right, it can also be a wise tool to recession-proof your portfolio.

Add gold to your investment portfolio today.

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Why gold is a key asset in recession-proof portfolios

Are you looking for a way to prepare for a potential recession? Here's why experts say gold can be a good idea.

Gold's price grows when worries do

Gold has long been considered a protector against inflation and a safeguard of wealth, so when consumers start to worry about the economy, interest in gold grows.

"Historically, gold has been seen as a hedge against economic instability, inflation, or a declining currency," says Matthew Argyle, a certified financial planner and owner of Encore Retirement Planning. "Put another way, gold is like economic disaster insurance."

Because of this, gold investing not only gets more popular during hard economic times and recessions, but that demand drives up prices, too.

"Gold will be volatile in a recession at the onset but will rebound first once the fear and margin calls subside," says Michael Chadwick, president of Fiscal Wisdom Wealth Management. "Once past that, gold will do well for an extended period, and the worse the recession is and the more inflation there is, the better it'll do."

In fact, James Cordier, CEO and head trader at Alternative Options, says gold prices could reach over \$3,000 next year — up from the \$2,600 the price hovers near today.

"We see the long-term underlining fundamentals as extremely bullish," Cordier says. "The investors seeking alternative assets next year, could be all the catalyst needed to reach that level."

[Learn about your gold investing options here.](#)

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History repeats itself

The proof is in the pudding, as they say, and historically, gold has performed well in past recessions.

"During the recession of 1973 to 1975, gold surged 87%, in the recession of 1980-1982 gold had a modest increase of 1.6%, but in 1983 it grew 20%," says Eric Elkins, CEO of Double E Financial Solutions. "During the Covid-19 recession from January to August 2020, gold rose by 28%. Based on this historical picture, gold has been a consistent overachiever during recessions."

"We have almost a perfect recipe" for gold right now, Chadwick says. "It's more compelling than anytime in recent history."

It diversifies your portfolio

Gold is also a good portfolio diversifier. It tends to not follow the same trajectory as other asset classes, so when you're seeing a downturn in one area — like the stock market, for instance — gold often gains ground. This allows you to offset those losses and reduce your overall risk.

"The stock market has won overall, but there were marked periods where gold was the clear winner," Argyle says. "These were enormous economic events, and the outperformance lasted for years — the great depression, the stagflation of the 1970s, and the tech bubble and later financial crisis of the first decade of the 2000s."

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The bottom line

Gold can be a good way to recession-proof your portfolio, but exactly how much should you buy — and in what way? While "everyone's appetite for risk is different," Elkins says. "We typically like allocating initially somewhere b/w 5% to 20% toward gold or other precious metals if expecting or in a recession."

As for how to do it, Argyle suggests gold ETFs or mutual funds, as they allow you to retain liquidity. Gold individual retirement accounts (IRAs) are also a good option.

With these approaches, "you don't have to worry about the troubling aspects of gold ownership: reselling coins, high broker fees, transportation, storage, and insurance to cover disaster or theft," he says.