What are gold ETFs?

Gold Exchange Traded Funds (ETFs) are open-ended mutual funds that help you invest in pure gold.

Experts typically consider gold to be one of the most important elements of any investment portfolio, mainly due to its high demand, finite supply and value growth over time. While buying gold in the physical form is a common method of investing in this precious metal, gold Exchange Traded Funds (ETFs) have gained popularity lately.

Gold ETF is an investment instrument that is specifically designed to emulate the price of gold. It invests your money in pure gold, so that you benefit from its growth in value, without actually owning physical gold.

There are several other benefits of investing in gold ETFs.

- Firstly, the brokerage cost you pay to buy the units of this fund is much lower than the cost of owning physical gold.
- Secondly, profits earned on selling units after one year of investment are considered long-term investment gains, whereas in case of physical gold, you have to wait for three years for the same benefit.
- Lastly, neither do you have to pay for the security of gold (locker charges for storage, etc.), nor do you have to worry about theft or loss.

Getting started

Gold ETFs, like stocks of companies, can be easily traded on stock exchanges. Generally, each unit represents one gram of gold that is 99.99 percent pure. Since the money is invested in pure gold, these funds closely follow the performance of gold in the commodities market.

To get started with investing in a gold ETF, you will need a demat account with a brokerage fund or a bank. This account will enable you to buy units of gold ETFs online on stock exchanges like Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).