VAULTONOMICS
STRATEGIC BULLION ADVISORY

# Weighing Premiums vs Storage And Insurance Costs

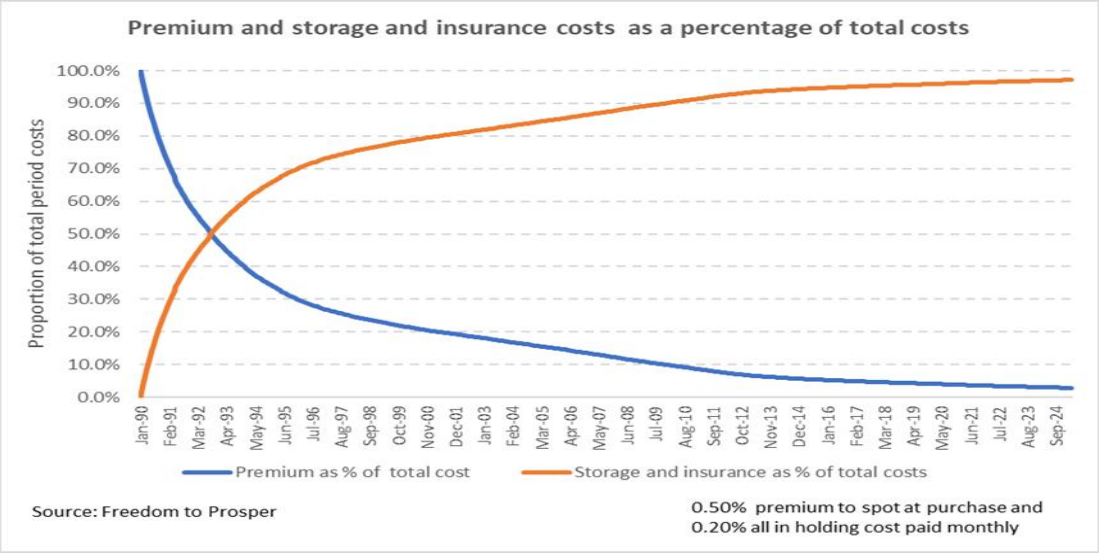
Bullion investors place excessive focus on premiums. In doing so, many neglect the costs of selling (which can vary dramatically by dealer), storage and insurance, which dominate over the long term.
When selecting counterparts for bullion investments, the investment's full life cycle should be considered: buying, holding and selling. It is important to build optionality and flexibility into all arrangements in case circumstances change.

Each stage has costs. Excessive focus on purchase premiums can cloud judgement on the relevance of holding and selling costs. Some dealers make more on sales than purchases, and your options with some providers may be limited. Even during the recent bull run that led to scarcity and unavailability, wide sale discounts have been common.

When bullion is purchased for the long term, the cost of vaulting and insurance is a much more important consideration than the premium paid.

Consider the following from one of our contacts:

- In January 1990, he purchased 3,215 troy ounces of gold bars at a 0.50% premium.
- Gold's spot price at the time was US$ 376.95 per troy ounce.
- His storage costs were locked in at 0.20% per annum, paid monthly in arrears with cash and inclusive of insurance.
- Obviously, he has done very well given gold's price performance.
- However, as shown on the chart below, as gold's price increased dramatically so did his storage and insurance costs. The upfront premium initially dominates but is only paid once, while the storage and insurance costs are paid for the whole period of ownership increasing in nominal terms as the price appreciates.




By May 2025, his accumulated storage and insurance costs were US$ 209,084 or 17.5% of the invested amount.

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The purchase premium was US$ 6,059.47 or 0.50% of the purchase amount, as it had been 35 years earlier. Due to the price appreciation and holding duration, the premium he paid turned out to be a tiny element of his total costs yet had dominated his initial thinking.

Storage and insurance costs reward an essential service which protects bullion and keeps it within the chain of integrity, therefore enhancing its liquidity and utility. Some look at this 'cost' as a downside of owning bullion, but fail to appreciate that financial assets also come with costs such as custody charges and have complex ownership implications.

It is worth paying a bit more to secure a quality service, strong security arrangements and optionality with respect to logistics and alternative locations. Holding fully allocated and segregated bullion within professionally managed facilities with third party audits and broad insurance coverage has a cost which in our view is always worth paying.

The price and quality of service in this area varies widely, even for equivalent offerings utilising the same vaults. Finding the best price and suite of services is therefore an important strategic consideration, as changing providers involves additional costs and inconvenience.

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