THE INVESTOR'S NOTE

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अनन्याश्चिन्तयन्तो मां ये जनाः पर्युपासते तेषां नित्याभियुक्तानां योगक्षेमं वहाम्यहम् ।।

भगवद् गीता (9.22)

Ananyāś cintayanto māṁ ye janāḥ paryupāsate | Teṣāṁ nityābhiyuktānāṁ yogakṣemaṁ vahāmy aham || Bhagavad Gita (9.22)

For those who stay steadfast, I bring what they lack (yoga) and protect what they have (kshema).

Wealth has two halves: acquiring it and protecting it. Wise investors give both equal care.

1. Buying Gold and Silver This Festive Season: Beyond the Jeweller

Every Dhanteras, many families buy gold the way their parents did: one jeweller, one coin, one bill. The tradition is lovely. But gold can be owned in other ways too, with lower cost, clear pricing and, for those who want it, a way to earn from it. Dhanteras falls on Friday, 6 November, and Diwali on Sunday, 8 November.

Three ways to own gold

- **Physical gold (coins and bars):** You own the metal and you store it.
- **Gold ETF:** Units traded on the exchange, backed by physical gold and held in your demat account.
- **MCX gold contracts:** Exchange-traded contracts that give you gold price exposure for a fraction of its cost.

The same routes exist for silver. First, what each costs upfront.

What it costs to get started



Figure 1 • Upfront tax and charges on a ₹10 lakh purchase

Now a closer look at the first two routes.

Gold ETF vs Coins and Bars

	Gold ETF	Coins and bars
Purity	99.5% or better, backed by physical gold	999 from a reputed dealer
Upfront cost	**No GST**	**3% GST plus a dealer premium**
Safety	Held in your demat account. No theft risk	Theft and loss risk
Selling	On the exchange at the market price, within seconds	Dealer buyback, usually at a discount
Smallest amount	One unit, about a gram or less	Typically 1 gram and above
Tax on gains	12.5% after 12 months	12.5% after 24 months
Can it earn income?	Yes, through the options approach below	Possible in whole 100 g blocks
Ritual value	Low	Medium to high

Gold ETFs bring lower cost, assured purity, no storage worry and easy selling. Coins bring ritual and something you can hold.

> ***The ritual lives in the coin. The efficiency lives in the exchange.***

Good to know about two other routes

- **Sovereign Gold Bonds:** No new issue since February 2024. From 1 April 2026, bonds bought on the exchange no longer carry the tax-free maturity benefit.
- **Digital gold:** 3% GST plus a spread, and not regulated by SEBI or RBI.

Buying gold on MCX

MCX lets you buy gold through exchange-traded contracts, from 1 kg down to as little as 1 gram.

The attraction: you can buy by paying only about 10% of the purchase cost upfront, as margin. Pricing is transparent, and there are no making charges.

What to know:

- **Leverage cuts both ways:** you are exposed to the full value of the gold, not just the 10% you pay. A fall in price can trigger a margin call, which a fully paid ETF never faces.
- **Rolling:** contracts expire monthly, so a longer-term position must be rolled each time, with costs.
- **Tax:** gains and losses are taxed as business income, not capital gains.

Earning regular income from gold you already hold

Gold pays no interest or dividend. But for those who already hold physical gold or a gold ETF, MCX gold options can turn that holding into a source of regular income. Here is how it works:

1. **You hold the gold.** Say 100 g, the size of one Gold Mini lot.
2. **Each month, you sell a call option** at a price above today's, on the same quantity of gold.
3. **You receive the option premium upfront.** That is your income.
4. **If gold stays below that price,** the option expires worthless and you keep the premium. The cycle then repeats the next month.
5. **If gold rises above that price,** your upside stops at that level for the month.

Illustrative example (not a forecast): 100 g of gold is worth about ₹15 lakh at today's rates. A monthly premium of 0.5% would bring ₹7,500 a month, or ₹90,000 a year. That is about 6% a year on the value of the gold, before tax and costs. The actual premium depends on volatility and the price chosen.

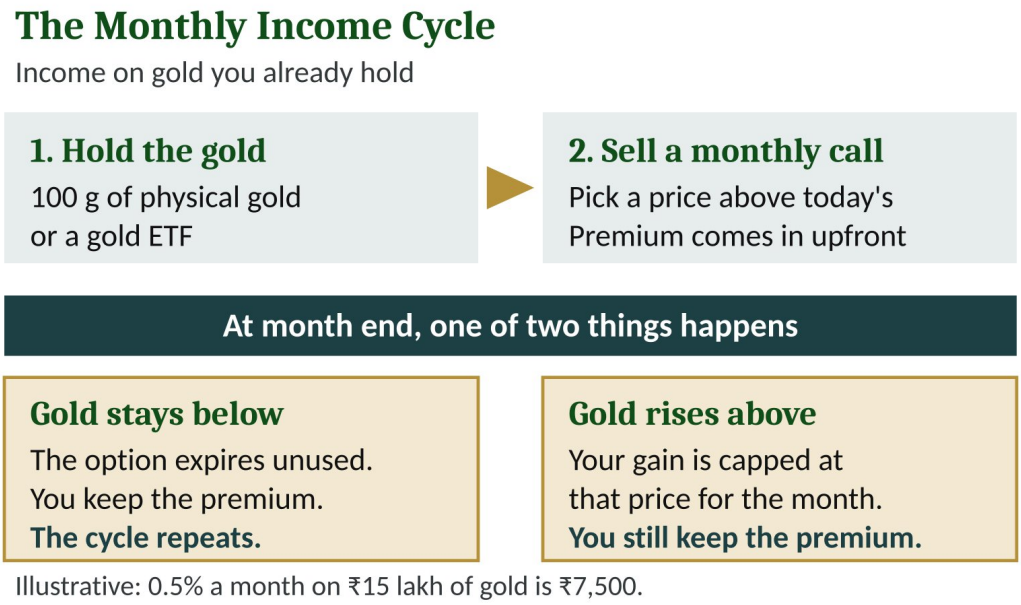


Figure 2 • The monthly income cycle on gold you hold

Honest limits:

- **Capped upside:** in a sharp rally you give up gains above the chosen price. You earn income in exchange for that.
- **Not a perfect match:** the option is on MCX gold futures, while your holding is physical gold or an ETF. Prices can differ slightly, and lot sizes may not match your holding exactly.
- **Margin needed:** the short option position needs margin, so cash must be kept aside. Physical gold cannot be pledged for it.
- **Expiry rule:** an in-the-money option at expiry converts into a futures position, so it must be closed or managed before expiry.

- **Different tax treatment:** premium income is taxed as business income, separate from the gold's own tax treatment.

> ***Gold in a locker sits idle. Gold held with options can earn.***

If you would like to understand how Gold ETFs, MCX contracts or the options income approach work in practice, write to us. Our details are at the end of this note.

2. Protecting Your Capital Without Leaving the Market

A 20% fall needs a 25% gain to recover. A 40% fall needs 67%. The deeper the fall, the harder the climb back.

Every investor wants market upside with no loss on the way down. Nothing gives both for free. But one idea comes close: build the floor first, then take market risk only with what sits above it.

How a floor is built

1. **Start with the full amount.** Say ₹10 crore, with a 3-year horizon.
2. **Size the safe part.** Place just enough in a safe fixed-income asset so that it grows back to ₹10 crore by the end of the term. At 7% a year, that is ₹8.16 crore.
3. **Use the rest for growth.** The remaining ₹1.84 crore goes into market growth. It is the only part at risk.



Figure 3 • Splitting ₹10 crore into a safe part and a growth part

What the outcomes look like

The worst case is your capital back. A good market adds to it. A plain equity portfolio has no such floor.



Figure 4 • Total value after 3 years, by result of the growth part

What the floor costs

- **Lower upside.** Only about 18% of your money is exposed to growth, so a strong market lifts the total less than a full equity portfolio would.
- **A fixed term.** The floor applies at the end of the term. Exit earlier and the value depends on market prices.
- **Only as strong as the safe part.** The quality of the safe asset matters. Tax and costs also mean the safe part is sized slightly larger than shown.

Three questions before you consider any protected structure

1. **Who stands behind the floor?** Check the credit rating of the safe asset.
2. **What if I need to exit early?** Ask what value you would receive in a weak market.
3. **What is the total cost?** Include fees and tax, not only the headline return.

> ***A floor is not free. You pay for it with lower upside and a fixed term. For money that must not be lost, many investors see that as a fair price.***

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I have three decades of experience across Corporate Banking and Investments. Every wealth journey is unique. We offer personalized wealth solutions along with curated learning programs

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