The motley fool YOUR INVESTMENTS

GOLD VS. STOCKS: IN THE LONG RUN, IT'S REALLY NO CONTEST

Fool's school

When the markets get volatile, many people think about investing in gold. They're also drawn to its luster when the price of gold soars, as it occasionally does. Indeed, the price of gold recently topped $1,350 per ounce and hit $1,900 back in 2011. (Just a decade ago, it was around $600 per ounce.) Clearly, the price of gold can be quite volatile, too.

Is it a decent long-term investment? Well, in his book, "Stocks for the Long Run," finance professor Jeremy Siegel reveals what a dollar invested in various things would have grown to, between 1802 and 2012 (yes, 210 years!): stocks, $704,997; bonds, $1,788; T-bills, $281; and gold, $4.52. That's an average annual return of 0.7 percent for gold, vs. 6.6 percent for stocks. (Amounts have been adjusted for inflation.) Through many wars and economic times even more troubling than those we face today, gold hasn't proved to be a great long-term investment.

In Fortune magazine, writer Chris Matthews noted, "(G)old is simply not a great place to park anything but a small portion of your investment portfolio. It pays no dividends or coupons like stocks and bonds. And, more than any other investment, gold is very difficult to value."

Superinvestor Warren Buffett disparages gold because it's not a productive asset: "The idea of digging something up out of the ground, you know, in South Africa or someplace and then transporting it to the United States and putting into the ground, you know, in the Federal Reserve of New York, does not strike me as a terrific asset."

If you want to buy gold, restrict it to a small portion of your portfolio. You have options. You can invest in gold stocks or gold mutual funds, which can be volatile. You might buy gold coins or bars, but they'll need to be stored safely.