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Gold Isn't Cash: What to Know Before Your Business Parks Its Reserves in Hard Assets

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Thinking of holding gold as a business reserve? How it's taxed and accounted for, allocated versus unallocated storage, fraud flags and historical drawdowns, plus a treasury reserve policy checklist.

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Not legal, tax, accounting, financial or investment advice. This article is general education. It makes no claim about future prices or returns. Tax figures are federal income tax only and are current as of November 16, 2026; state rules differ. Before your business buys gold or any other hard asset, work through the decision with your attorney and your CPA, using your own facts.

Picture a company that has finally built a real cushion. The cash sits in the operating account earning little, and someone asks: why don't we put part of it in gold?

It's a fair question, and the answer isn't automatically no. But a lot of the confusion starts with one word, "reserves," and one mistaken belief: that gold is a kind of cash. It isn't. Gold has its own accounting and tax treatment, its own storage and fraud risks, and a record of long price declines. If your company does hold hard assets, it should do so on purpose, on paper and with professional advice.

1. Start with a definition: gold is not a cash equivalent

"Cash" on a balance sheet is a defined term, not a feeling of safety. Under U.S. accounting standards, cash equivalents are "short-term, highly liquid investments" that are both "readily convertible to known amounts of cash" and "so near their maturity that they present insignificant risk of changes in value." Generally, only investments with original maturities of three months or less qualify. The examples given are Treasury bills, commercial paper, money market funds and federal funds sold. 1

Gold bullion fails both tests. It has no maturity date, and its dollar value changes every trading day, so you can't know in advance how much cash it will bring. FASB's definition doesn't mention gold by name. That conclusion is our reading of the definition, and your CPA should confirm how it applies to your books. But in

plain terms: **gold is not a cash equivalent, and a dollar in gold is not a dollar of cash.**

That matters beyond vocabulary. If a lender looks at your liquidity, or your loan agreement sets a minimum cash or working-capital level, moving cash into gold may change those numbers. Ask your CPA how the asset would be classified, and ask your attorney or banker how your loan covenants treat non-cash reserves, before you buy.

2. The accounting gap: there's no single "gold rule"

You might expect a clear rule for a company that holds gold as a reserve. As of November 16, 2026, our researcher found no U.S. accounting standard written specifically for that situation. In practice, the treatment depends on why the gold is held:

• **Held for sale, as inventory.** The inventory standard includes an exception allowing that "precious metals having a fixed monetary value with no substantial cost of marketing may be stated at such monetary value." 2 That provision fits dealers and similar businesses, not most operating companies.

• **Held long-term by an operating company.** One public company's filing shows a cost-based approach. Streamex Corp., which holds gold in connection with a token program, not as a cash reserve, says it records gold "at cost, which includes the purchase price and directly attributable transaction costs," reports it as a non-current asset ("Other assets held at cost – gold"), accounts for it as "a long-lived tangible asset within the scope of ASC 360," and expenses "ongoing storage, insurance, and administrative custody costs." It tests the gold for impairment, and "subsequent increases [are] recognized only to the extent of previously recognized losses." 3 That's one company's disclosed policy, not a rule for everyone.

• **Held by a gold trust or exchange-traded product.** Investment companies such as gold trusts carry gold at fair value under investment-company accounting. 4 That framework applies to funds, not to your operating business.

Think through what that implies. Under a cost-and-impairment model, a falling gold price can produce a write-down that hits your results, while a rising price generally doesn't show up as a gain until you sell, except to reverse earlier losses. The balance sheet can understate what the gold would fetch, and a price drop can still reduce your reported earnings. **Which policy your company uses is your CPA's call, so decide it with them before the first purchase, not at year-end.**

The crypto contrast. Crypto assets now work differently. Under ASU 2023-08, as described in the standard's summary, qualifying crypto assets, which among other criteria are fungible, live on a distributed ledger and give no enforceable claim on underlying assets, are measured "at fair value with changes recognized in net income each reporting period." The standard is effective for fiscal years beginning after December 15, 2024. 5 Before it, such holdings used a cost-less-impairment model that recognized "only the decreases, but not the increases," which is close to the pattern above. 5 Physical gold falls outside this standard, since it isn't an intangible asset on a ledger. Whether a gold-backed token would qualify is a question for your CPA, because the token may give its holder a claim on gold.

Fair value has its own consequences. One company that holds bitcoin as its primary reserve, Strategy Inc., reported an unrealized loss on digital assets of $5.91 billion in the first quarter of 2025, a gain of $14.05 billion in the second, a gain of $3.89 billion in the third and a loss of $17.44 billion in the fourth. That's a full-year unrealized loss of $5.40 billion. The company says the new standard "increased the volatility of our financial results" and that "unrealized gains on digital assets do not generate cash." 6 We cite those figures only to show how reported earnings can swing when a reserve asset is marked to market. They aren't a model for a small business.

3. Taxes: the collectibles rate and the C-corp traps

General information only. Confirm everything in this section with your CPA or tax attorney for your entity and your facts.

The collectibles rate. For federal purposes, gold bullion is a "collectible," and so are coins, including U.S. gold coins that are allowed in IRAs. The IRA carve-out applies for IRA purposes only. For capital-gains rates, the tax code defines collectibles gain "without regard to" that exception. 7,8 The IRS describes collectibles gain as gain "from the sale or trade of a work of art, rug, antique, metal (such as gold, silver, and platinum bullion), gem, stamp, coin, or alcoholic beverage held more than 1 year," taxed at a maximum rate of 28%. It adds: "If you are otherwise subject to a rate lower than 28%, the 28% rate does not apply." 9 As of November 16, 2026, that 28% maximum applies to noncorporate taxpayers, which includes owners of pass-through businesses such as sole proprietorships, partnerships and S corporations, where gains flow to the owners' returns.

Gold funds can carry the same treatment. Owning gold through a fund doesn't always avoid that rate. The largest gold trust's annual report explains that, as a grantor trust, its U.S. shareholders "generally will be treated ... as if they directly owned a pro rata share of the gold," that individuals' gains on collectibles "held for more than one year are taxed at a maximum rate of 28%," and that the trust's own sales of gold to pay expenses are "a taxable event to shareholders." 10 Funds built differently, such as futures-based products, are taxed differently. Check each product with your CPA.

C corporations play by different rules. A C corporation pays a flat 21% federal rate. 11 Based on our reading that the collectibles rate applies to noncorporate taxpayers, there's no separate collectibles rate at the corporate level; your CPA should confirm. There's a catch on the downside: a corporation can deduct capital losses "only to the extent of gains from such sales or exchanges." 12 If a C corp sells gold at a loss and has no capital gains that year, it may not be able to use the loss that year.

The accumulated earnings tax. As of November 16, 2026, federal law imposes a 20% accumulated earnings tax on a corporation that lets earnings and profits pile up instead of distributing them, in order to avoid tax for its shareholders. 13 Accumulating beyond "the reasonable needs of the business" is treated as proof of that purpose unless the corporation shows otherwise. A credit generally shelters accumulated earnings and profits up to $250,000, or $150,000 for certain service businesses such as health, law and consulting. 13 The regulations list warning signs, including accumulating to fund "investments in properties, or securities which are unrelated to the activities of the business" or "to provide against

unrealistic hazards." 13 A gold reserve with no documented business purpose could look like either. This tax applies to C corporations. If yours is one, document why you hold any reserve, and **have your CPA weigh in before you buy, not after the IRS asks.**

No 1099 doesn't mean no tax. Many small bullion sales aren't reported to the IRS on Form 1099-B. For example, a dealer selling a single gold coin generally doesn't have to file one when the CFTC-approved futures contracts for that coin call for at least 25 coins. 14 But the seller still has to report any gain, and the exception doesn't apply when a dealer knows a customer is splitting sales to avoid reporting. 14

4. Custody: allocated vs. unallocated

If you don't keep the gold yourself, the custody agreement determines what you actually own. The clearest explanation in the evidence comes from that gold trust's SEC filing. Gold held in an unallocated account "is not segregated from the Custodian's assets." The account holder "has no ownership interest in any specific bars of gold," is "an unsecured creditor of the bullion dealer," and its balance is "at risk of the bullion dealer's insolvency." 10 Allocated gold, by contrast, means specific bars "identified on each of the Custodian's books as the property of" the owner. 10 The same filing warns that holders "cannot be assured that a Custodian maintains adequate insurance or any insurance." 10

In practical terms: with unallocated gold, you own a promise. With allocated gold, you own specific, identified bars, but you still need to confirm insurance, audit rights and who holds title. **Have your attorney read the custody agreement before you sign it.** If it doesn't say plainly whose name is on the bars and where they are, treat that as an answer.

5. Fraud red flags regulators keep warning about

Storage programs come up again and again in regulators' fraud warnings. The CFTC and FINRA warn that "retail metal dealers are not regulated at the federal level," that "some fraudulent dealers have charged storage and insurance fees for metal that never existed," and that the CFTC has charged companies "for an alleged total of more than $500 million in fraudulent sales" over the past decade. 15 The CFTC's fraud advisory lists warning signs, including an agreement that "does not identify where the physical metal is located," claims to deliver metal "to an overseas storage facility," and firms that "do not store metal with an independent bank or storage facility, but charge storage fees." 16

What the Red Rock case alleged about markups. In 2024, the SEC obtained a final consent judgment against Red Rock Secured. The SEC alleged that investors were told coins carried "only a 1 to 5 percent markup," when "in reality, Red Rock charged as much as 130 percent in markups," affecting at least 700 investors and more than $50 million. The defendants settled without admitting or denying the allegations. The April 23, 2024 judgment ordered more than $76.4 million in disgorgement, interest and penalties. 17

The spread is your first loss, even with an honest dealer. "A dealer will always sell metal above the spot price and buy it back below the spot price," the CFTC and FINRA explain. Some fraudulent dealers have charged spreads above 300%, while some dealers may charge "less than 20 percent." 15 Treat that as a

regulator's illustration of the range, not a typical figure. Their advice: get all fees in writing and "ask how much you would receive if you had to sell back the metal tomorrow." 15 Storage, insurance and administrative fees come on top. 15

An illustrative example (hypothetical numbers, not market data): suppose a business buys $50,000 of gold coins from a dealer whose buyback price that day would return 8% less than the purchase price. On day one, before storage and insurance, the reserve is worth about $46,000 in cash. The price has to rise just for the company to break even, and nothing guarantees it will.

6. "Gold always recovers" is not true

You'll hear that gold is a safe haven that always comes back. The CFTC says the opposite: "gold and other precious metals are highly volatile and past performance is not a good predictor of future returns." 18

The World Bank's monthly gold price series shows what that looks like over time. The figures below are our arithmetic on the World Bank's monthly averages, in nominal dollars, using data through October 2026 (file updated November 3, 2026): 19

- **A 19-year round trip.** The monthly average was $675 per ounce in January 1980. It fell to $256 by July 1999, a 62% decline, and didn't get back to $675 until May 2006.

- **Nine years to get back.** From $1,772 in September 2011, the average fell to $1,076 by December 2015, a 39% decline. It didn't climb back above $1,772 until July 2020.

- **Recent swings.** As of November 2026, in the 12 months through October 2026, the monthly average ranged from a high of $5,020 (February 2026) to a low of $4,073 (July 2026), a 19% decline from that high to that low. The latest month, October 2026, averaged $4,105. Over the past ten years, 22 of 120 months moved 5% or more from the month before. The largest moves were +10.6% (October 2025) and −7.8% (June 2026).

A business can't wait 19 years for its reserve to recover. A reserve exists to be spent when you need it, and you might need it in the middle of a drawdown.

7. Write the policy before you buy

If a company holds an unusual reserve asset, the decision should be written down and approved at the top. Strategy Inc.'s board, for example, adopted a "Treasury Reserve Policy" in 2020 that names cash and short-term investments "in excess of working capital requirements," plus bitcoin as "the primary treasury reserve asset." 6 We cite that as an example of how such a decision is documented, not as a recommendation. The conventional route looks different. DoorDash's annual report, for instance, says its investment policy "is focused on the preservation of capital and supporting our liquidity requirements" and that "we do not enter into investments for trading or speculative purposes." 20

For a framework, the Government Finance Officers Association's best practice for public entities is a useful model, though it was written for governments, not private companies. It calls for a formally adopted investment policy, "reviewed and updated at least annually," that covers objectives such as safety, liquidity and preserving principal; roles and responsibilities; "suitable and authorized investments"; risk management; diversification; "internal controls, safekeeping, and custody"; and reporting. 21

A hypothetical walk-through. Picture a fictional regional catering company, organized as a C corporation, with a healthy cash balance and an owner interested in gold. Following the steps in this article, the owner would first decide how many months of operating costs must stay in cash and true cash equivalents. Some owners use a rule of thumb such as three to six months, but there's no official standard, so this is a choice to make with the CPA. Next, the owner would ask the CPA how gold would be accounted for, and whether holding it fits the company's "reasonable needs" for accumulated-earnings-tax purposes. Then the attorney would review any custody agreement for allocated storage, insurance and title. Then the owner would get a dealer's buy and sell prices in writing. Finally, the owner would write a short policy setting a maximum share, who can approve purchases and sales, and when it gets reviewed. The owner might decide to proceed with a small amount, or not at all. Either answer is legitimate if it's made this way.

Some people suggest putting a small slice of reserves in precious metals. There's no official guideline for businesses. The CFTC notes only that some advisers recommend small percentages "of their diversified portfolios" for individual investors. 18 If your company holds hard assets, size the allocation so that a long drawdown, like the ones above, wouldn't threaten payroll, rent or loan payments. And make that call with your CPA.

The bottom line

Gold can be a legitimate asset for a company to own. It is not cash, it is not guaranteed to recover, and its accounting and tax treatment can be less forgiving than you might expect. If you're considering it, write the policy first, read the custody agreement, get the spread in writing, and **do this with your attorney and CPA.**

Companion: Treasury Reserve Policy Checklist (Hard Assets)

General education, not legal, tax or investment advice. Complete this with your attorney and CPA before any purchase.

1. **Set your cash floor first.** Decide, with your CPA, how many months of operating costs stay in cash and true cash equivalents (such as Treasury bills or money market funds), and write it down. Hard assets come only from money above that floor.

2. **State the purpose in writing.** Record why the business would hold the asset and how that ties to its needs. If you're a C corporation, have your CPA review it against the accumulated earnings tax.

3. **Choose the accounting policy before you buy.** Have your CPA decide how the asset will be classified and measured (for example, cost with impairment testing), and how it affects reported earnings.

4. **Check your loan covenants.** Ask your attorney or banker whether moving cash into non-cash assets affects any minimum cash, liquidity or working-capital requirement.

5. **Model the tax outcome both ways.** With your CPA, model a sale at a gain (the collectibles rate for pass-through owners, 21% for a C corp) and a sale at a loss (C-corp capital-loss limits) for your entity.

6. **Set a maximum share and a review date.** Cap the share of reserves in hard assets, size it so a long price decline wouldn't threaten payroll, rent or debt payments, and review the policy at least once a year.

7. **Name who can buy and sell.** Require two people to approve each transaction, and separate the person who approves from the person who executes and records it.

8. **Get every cost in writing.** Get the dealer's buy and buyback prices, storage, insurance and administrative fees, and ask what you'd receive if you sold tomorrow.

9. **Vet the dealer and custodian against regulator red flags.** Walk away if you can't verify where the metal is, who stores it, or why you're paying storage fees to the dealer itself.

10. **Have your attorney review the custody agreement.** Confirm allocated storage of specific, identified bars in the company's name, insurance coverage, audit or inspection rights, and what happens if the custodian fails.

11. **Keep records for every lot.** Keep invoices, bar or coin details, dates, cost basis and custody statements, and report gains whether or not you receive a Form 1099-B.

12. **Write the exit rule.** Decide in advance when the company would sell (for example, if cash falls below the floor), so you're not deciding under pressure.

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