THE
15
TRUTHS

NO COIN DEALER
WANTS YOU TO KNOW
THE 15 TRUTHS NO COIN DEALER WANTS YOU TO KNOW!

If you own coins or are considering owning coins chances are you have or will be working with a coin dealer, and chances are they are going to be making a lot recommendations to sell you coins. You need to walk into that relationship with confidence and a basic understanding of rare coins. Most will try to tell you about the virtues of rare coins and perpetuate the many myths out there. Your main source of information is going to be the dealer that you choose. Unfortunately most dealers want to sell you coins they make the largest possible profit from.

In over 30 years in the business of buying and selling coins, I have probably heard every pitch, trick and theory there is and have seen too many investors get burned. So, to keep you from making some of the basic mistakes and losing money, I have put together these 15 truths that coin dealers don’t want you to know about. Dealers will not like what’s in this booklet because it will expose many of the fallacies they continue to promote. The following insider’s information will be extremely valuable to you when considering your gold, silver and rare coin investments. I believe when investors are given an honest transaction they are likely to come back for more. So, while some will say my information hurts the market and could scare people away from rare coins, I maintain that an educated buyer is the best thing for the rare coin market. Please, enjoy and profit with the information I share.
THE OVERWHELMING MAJORITY OF COIN INVESTORS LOSE MONEY

Very few people have made money investing in rare coins, except for those who have purchased either bullion related coins or the super rarities. For starters, you can’t even buy the super rarities from 90% of the dealers out there. Why? Because most dealers need to sell coins they can supply in bulk. They sell and promote what they can control. Most buyers are then simply sold whatever their particular dealer is pushing. Most dealers are so blinded by their own rhetoric they never stop to ask why their clients aren’t making any real money on the coins they’ve continued to sell for 10, 20 or 30 years. They rarely evaluate what is really happening, possibly because it would be very inconvenient to discover the truth. The bottom line is that gold has gone up as much as 600% since 1999 while most of the “Hot Buys” in rare coins have barely broken even.

Nevertheless, dealers continue to push rare coins year after year hoping for different results. Isn’t that the definition of insanity - doing the same thing over and over again and expecting a different outcome?

The myths and lies about rare coins:

1) Coins are safe
2) Coins are liquid
3) Coins outperform gold
4) Coins don’t go down in value
5) Coins are safe from confiscation
6) Coins are not reportable to IRS

ALL FALSE!
The first sign your dealer is lying to you is if your dealer shows you charts, graphs or statics comparing coin prices in the 1970’s with today’s prices, don’t walk away, RUN!!

This is a manipulation of data and an extreme distortion of facts. Any dealer who uses grading comparisons from 1970 is outright misrepresenting the coin market. Standards used today cannot be compared to the 1970’s. In fact many of the grades used today did not even exist in the 70’s. Plus, today’s grading standards are much stricter than what was acceptable prior to 1986.

In fact an MS-65 in 1970 would most likely only be considered an MS-63 or LESS today. This difference in grading can result in a substantial difference in price. For example a $2½ Indian Gold piece is worth $715 in MS-63 and $2000 in MS-65. Therefore, it is misleading to suggest an MS-65 coin purchased in the 70’s is now worth $2000 when it’s most likely only worth $715 or LESS.

It’s bad enough that every dealer knows this fact. The worst part is that the dealers use this as a way to avoid repurchasing coins yet use these misleading charts to make the claim of rare coins’ performance.

The only truthful charts begin at 1986 or later. No surprise, these tell a completely different story. In fact the Coin Dealer Newsletter only charts from 1990 to present. These charts clearly show that rare coin market as a whole is worth LESS today than in 1990. Not surprisingly, even the best performing sectors are only up 20% since 1990! Add the dealer markups and the profit disappears.

The charts and statistics most dealers share do not include the markups, fees and actual prices charged. They are comparing only “bid” to “bid” prices. In reality a coin you pay $1500 for is probably “bid” at only $1000. So if you’re extremely lucky and that coin doubles - you would only realized a 33% profit. Plus most dealers want to make 10% to 20%
on the sale too which whittles your profit down to 7% to 14%.

So in reality, you will be lucky to make $100 to $200 profit even after your $1500 coin doubles in value. It should be obvious that rare coins are a losing proposition. Since the greatest “Gold Boom” in history started in 1999, rare coins have gone up less than 6¢ for every dollar gold has increased.

Here is a sample of how coins have performed. Since 1990, according to Coin Dealer Newsletter, only 2 of 11 sectors of the coin market have shown ANY appreciation at all. The best being Silver Dollars with a gain of a “whopping” 20% in over 23 years! The next best performer is up only 5%!

• Since 1999 Pre 1933 Gold has gone up 37% while gold bullion has gone up close to 600%
• $20 St. Gaudens MS-66 up 34% vs. Gold up 564%
• $2 1/2 Indians MS-63 up 45% vs. Gold up 564%
• $5 Indians MS-64 down 5% vs. Gold up 564%

At American Federal we can compare virtually any coin you own or are thinking of owning to bullion or other coins.

If you think rare coins are giving you a “gold” related investment you are in for a shock. See how your investment really stacks up.

Call us at 1-800-221-7694 for a personized market analysis.
MOST PEOPLE SHOULDN’T INVEST IN COINS

I love rare coins and used to invest in them myself. In the 1980’s many of my clients made substantial profits in coins, but today most coins are speculative luxuries… and unsuitable investments for most people. They do not provide a hedge like gold; they do not react to the dollar’s devaluation since they are always dollar denominated. They are not suitable for funding your retirement, little Susie’s college education, or anything where safety or a reliable return is important. Never have more than a few percent of your net worth in them, if any at all. They should not be considered diversification. Don’t invest unless you are able to actively monitor your portfolio. Even then the odds of making money are slim. Rare coins can create problems for heirs because of appraisal fees, legal fees, disposal, and tax treatment...they’re generally not for people where estate planning is a major consideration. New laws can create a nightmare for heirs. If you do manage to pass coins on without the IRS knowing, it can be difficult for them to prove what they “purchased” the coins for and can lead to the entire amount being taxed as ordinary income. Plus any loss you may have disappears when you pass the coins on. So, even if you lost money your heirs will eventually be stuck paying taxes when they sell. Dealers promise to buy back, but the majority will do everything in their power to avoid it. They will happily trade for other coins because they can then hide their true mark up again. Read all the fine print and disclosures your dealer sends you.
Rare coins have been a terrible investment. Simply buying Gold Eagles or other bullion coins have outperformed coins ten times over, and I can prove it! It makes no sense to take the risks involved in rare coins when there has been no payoff. They are not liquid, have huge spreads, have a tiny market and prices are controlled by dealers’ promotions. There are no reporting or confiscation benefits that are offered on rare coins that are not specifically granted to Gold Eagles and Buffalos. In most cases the coins you are sold as non-confiscatable were confiscated in 1933.

If you look at the performance and know the facts you would never own rare coins unless you just love them. If you believe in gold and silver, then rare coins are the wrong way to invest.

Want to check out how coins have performed? We have charted thousands of rare and semi-numismatic coins – everything from 1907 High Relief St. Gaudens, Proof $4 Stellas to common $20 St. Gaudens and Liberties. Thinking of buying? We compare returns on different coins for you. Ask for the Performance Review or Investment Comparison. If you still want rare coins we can beat anyone’s price guaranteed. Call us at American Federal toll free: 1-800-221-7694, e-mail to: info@americanfederal.com or fax: 480-553-5290.
Why invest in something that costs $1,000, but you can only sell for $500-$750 the next day?

Most dealers charge a 29% or more spread (not markup) for rare coins. However, many dealers mark up their coins an onerous 50% to 100%...or more, although they go to great lengths to hide it.

You have to understand that “spread” and “mark-up” are different. A 29% spread is a 41% mark-up. It works this way; a 29% spread, means that the dealer supposedly will pay 29% less than their selling price. So a coin they sell for $1000 will have a buyback of $710. However, if a dealer pays $710 he is marking it up about 41% to sell it for $1000. So this coin needs to go up about 50% just to break even.

This is why most dealers want to trade you into more coins instead of cash you out. If you trade for more coins they can hide their markups.

Dealers deserve a fair profit margin, but if a coin has to go up 50% or even double in price just for you to break-even, it’s not really an investment no matter how “special” it is! Be sure to find the wholesale trading range for the coin before you buy. It’s easy to do. Simply call any dealer and ask for the “Certified Coin Dealer Newsletter price” Be very careful about buying coins that you can’t easily find independent price listings for. Those coins are generally esoteric and only for true experts.
Caution: There are few if any pricing guides that I am aware of on the Internet that will show you anything but retail “wish” prices. Even price guides put out by reputable companies and grading services like PCGS and NGC will show high retail prices-not true liquidation value. Using these self-serving pricing guides guarantees you will end up paying too much.

Wouldn’t it be easier to simply buy bullion coins from a transparent company like American Federal? Call us at 1-800-221-7694 and we’ll make sure you get honest, accurate pricing.

<table>
<thead>
<tr>
<th>Your Break Even Point after dealer</th>
<th>41% Markup (29% spread)</th>
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<tbody>
<tr>
<td>Price You Paid</td>
<td>$1000</td>
</tr>
<tr>
<td>Actual Coin Value</td>
<td>$710</td>
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“BUY & HOLD”
= BUY & LOSE

This is a classic recommendation coin dealers make…even many of the most honest and reputable ones. They tell you to “Buy and Hold”… They say, “put your coins in your safe deposit box until you need them at some distant point in the future“.

Many tell you to hold for 5 to 10 years. This is so they don’t have to worry about buying them back.

This strategy fails miserably. First of all, most of the coins investors have put away have gone down in value over the past 20 years. Usually that’s because they were poor investments in the first place, and they’ve only become more common and less desirable over the years. The last real bull market in rare coins ended in 1989. If you missed that opportunity then holding coins has only cost money.

If these investors had checked up on their coins every year or so, they would have been able to identify the ones that were bad investments and they could have done something about it. Instead, many investors simply wait until they need the money, and then find out their coins are worth a fraction of what they paid. In the meantime they may have completely missed out making money elsewhere. Worse yet is that most people believe their coins were appreciateing while gold went up and find out that wasn’t true years later. Re-evaluating and trading into bullion coins would have increased the value of their holdings by as much as 792%. Any good money manager evaluates their holdings
annually and makes changes accordingly. Be very suspicious of anyone who wants you to forget about your investment.

The coin market fluctuates wildly due to dealer manipulation and promotions. Common sense dictates that when a promotion is ongoing, demand and prices will temporarily be strong. Take $2 ½ Indians, for example. These coins had been heavily promoted and performed well for a short period of time. However, the promotion lost steam, dropped over 70% and has not recovered since 2006.

You should regularly monitor your portfolio to make sure the coins you thought had great potential when you bought them, still do. If not, adjust your portfolio accordingly. Many people own rare coins because they were talked into them when in reality they wanted to buy gold. If that is the reason you own rare coins a smarter move is to simply trade your rare coins for bullion coins such as Eagles, Buffaloes, etc. and take the dealer out of the process. You can check your newspaper or T.V. to find out where you stand daily or call American Federal at 1-800-221-7694.

We are here to help investors!

Make sure your rare coins are actually meeting the goals you set. If not it’s time to get out. Chances are - if you take an honest look at it, your coins are probably not doing what you hoped.
The pitch is that these “best of both worlds” coins (semi-numismatic) are a combination rare coin and precious metal investments. “They were supposed to go up when gold and silver go up, and they go up when rare coins go up.” FALSE!

The truth is, this is one of the worst ways to invest in bullion or rare coins. When gold and silver are cheap, they typically cost you much more per ounce than bullion items like American Eagles, Buffaloes, Canadian Maple Leafs, or bars.

When gold and silver are high, they often not only lose their entire premium (the so-called “collector value”), sometimes they even sell for a few percent under their bullion value. Why? Bullion is extremely liquid, rare coins require your dealer to find a buyer. It can take months. Consequently, “semi-numismatic” coins become extremely illiquid in these markets. When gold first hit $1000 you could find $20 St. Gaudens MS-63 for only $960! As gold rocketed towards $2000 the collector value all but disappeared even in MS-65 and MS-66.

Another important reason to avoid the semi-numismatic coins is that the coin market may be weak when the precious metal markets are strong, as they have been for over 22 years. Obviously, you can’t separate the “bullion value” part of the coin from the “collector value” part. You have to sell one with the other. You may end up losing so much of the collector value that it completely wipes out any profit you could have.
made. This is why, for example, MS-65 and MS-66 $20 St. Gaudens have gone up less than 20¢ for every dollar gold has gone up.

And yes, you may wonder, at some point this amazing rally in gold and silver is going to come to an end. Where that price is, no one knows. But, when is does you may ask, “What will happen to value of coins vs. gold prices then?”, and, “What if gold and silver prices actually drop?”

Well, if historical trends hold true coin values will flatten and fall with price of gold, if not more. Plus, they will be very illiquid. As, investors lose interest in the gold market watching the price flatten or drop, they tend to also lose all interest in the coin market as well. There is nothing worse than waiting to bail out and not being able to sell - just ask any real estate investor.

Many rare coins are only sold to investors interested in buying gold, but who are talked into buying coins. If there is no interest in buying gold, then the number of people available to talk into buying coins drops. With the lack of new coin buyers coin prices plummet, often far more than gold and silver.

People holding coins will run to sell when no one wants to buy. It a perfect storm for the collapse of a market. So, if anyone tells you to buy coins because they will hold their value as gold price flatten or fall, again don’t walk, RUN. History just simple doesn’t show that to be true.

This is why I say when gold prices are going up or down, coins are “The worst of both worlds”.
YOUR “NUMISMATIC CONSULTANT” USED TO SELL VACATION TIMEShaRES

Most large coin companies hire salesmen based on their selling ability... not their numismatic knowledge.

The following was taken directly from the terms on a major dealer’s website:

“i.e. their salary is based, at least in part, on the amount and profit margin of the Precious Metals they sell. In addition, from time to time, sales representatives may receive other compensation tied to sales activity = e.g., contest, bonus tied to the sale of certain denominations types or grades of precious metals. Sales representatives are not licensed and their knowledge varies markedly.”

These salesmen are rarely numismatists. They are salesmen who in their last job may have sold timeshares...long distance, used cars... whatever. Many of the “new” dealers are simply brokers who discovered how much their employer was marking up coins and decided to steal your name from their previous employer and go into business for themselves.

They’re trained to tell you what you want to hear and prey on your fears. Much of what they say is based on myth not reality. Most care about their commission check more than your investment. Ask them to buy your coins and they run for the hills, unless you will trade for more over-valued coins. It’s the only way they can make their quotas.

When investing in coins, or selling your coins, you want to deal with companies known in the industry for their expertise, and deal with true
numismatic experts. Ask to talk to clients who have made money. Check their affiliations. The best association your dealer should be a member of is:

Professional Numismatic Guild (PNG)
28441 Rancho California Rd., Suite 106
Temecula, CA 92590 | 951-587-8300

They are the only organization that really keeps their members accountable. They make members abide by a Code of Ethics and retain the right to arbitrate conflicts.

Most other organizations take anyone who simply pays the membership fee. It is no surprise that American Federal’s owner, Nick Grovich has been a member of the Professional Numismatic Guild since 1987.
Unfortunately most dealers care only about their profits... not yours. Most promote coins that they make the biggest profit on. They sell coins they can buy in adequate quantities and that are easy to sell to less experienced investors, or sell super rare coins at huge markups. The track record of many of the “boiler room“ type companies calling you are abominable. The proof is that many companies sell the same thing for years, even decades, and continue to tell their clients what great potential these coins have, even though their clients have done nothing but lose money on the recommended coins year after year! All while gold has continued to appreciate as much as 600%.

The fact is that no matter how well intentioned the dealer is, it may be impossible for the dealers to get their clients out when the time is right. If a dealer is high profile in a certain area of the market, it quickly becomes common knowledge in the industry. The coin industry is really a very small community. If a dealer who was previously a major buyer of a certain type of coin all of a sudden decides to have his clients sell, the market could tumble when he becomes a seller instead of buyer. For example: If a dealer is the market maker in Morgan dollars and is constantly at coin shows and on the computer trading system buying hundreds or thousands of coins and then suddenly turns around and tries to resell these same coins into the market, it will collapse the market. He has gone from creating huge demand for silver dollars to being a supplier. Other dealers will be aware of how many coins he has
sold his clients and will be very hesitant to take the risk of supporting that market now that the major buyer has not only disappeared but has become a supplier. The only avenue the dealer has is to sell the coins back to other clients. This is why promoting coins rarely works out for the dealer or the investor. The higher the dealer’s profile the less likely he is to be able to perform for his entire client base.

There are dozens of examples of this over the last 30 years.

In the mid 1980’s Silver Dollars in MS-65 were the “hot buy”. After rising to close to $1000 a coin they tumbled to just over $100. Twenty years later they still have not recovered. More recently $2½ Indians were highly promoted. They did well at first, but as the promotion lost momentum they too collapsed. After MS-65 graded coins hit a high of around $7000 they have tumbled to less than $2000. Unfortunately, no amount of promoting is likely to make them repeat their earlier performance. Investors pin their hope on the dealer repeating the promotions with ads and pushy salesmen, but it’s not likely to work. The bulk of his buyers already owns the coins and are not likely to buy more. It’s more likely they are looking for an opportunity to sell.
NOT ALL GRADING SERVICES ARE EQUAL

Watch out for dealers trying to sell you coins certified by anyone other than PCGS, NGC or even ANACS. They are the ONLY ones recognized by the dealer community. That’s a fact. Coins graded by other grading services’ coins typically trade for 30% to 90% less than coins graded by PCGS or NGC. It’s especially true on high-grade rare coins. The safest and easiest rule to follow is simply to only invest in PCGS, ANACS and NGC coins. Coins graded by other companies can sell for as little 10% of PCGS or NGC coins.

A client paid $60,000 for a rare date $10 Indian piece graded by an “off brand” grading service. This service had no guarantees or acceptance in the coin industry. There are dozens of these types of grading companies. You need to realize that there are no oversight organizations or regulatory restrictions on them. Anyone can start their own grading company and claim to certify coins. The coin was graded MS-64. In reality, it was a polished, circulated coin worth maybe $1000!

Rare coins are not liquid to start with. Purchasing coins certified by the recognized grading companies is key and will make it possible for you to know exactly what your buying.
WANT RARE COINS? MOST DEALERS CAN’T SELL THE RIGHT ONES

The only rare coins that have performed in the past decade are what I call the “Super Collector” coins. They are not just “low” population coins. They are the cream of the crop, key dates or top quality collector coins. These are the coins that make headlines when they set new records. The 1913 Liberty 5¢ is such a coin. It brought $5 million in 2007.

These are not what you will buy from your typical dealers which have rooms full of salespeople or brokers. Generally, they can’t afford to sell you these types of high-grade, prime investment coins unless they are grossly overpriced. They need coins that they can buy in large quantities and with little effort. Therefore, they are selling coins that by definition are not rare.

The only way to buy the super collector coins is usually one on one with a dealer who gives you personalized service and has a lot of experience and expertise. And, these types of coins typically have bigger markups that can eat up all your profits.

Example, take a rare $4 Stella that has gone up 300-400%. (This doesn’t include markups.) So, when the $35,000 coin tripled the investor likely made less than 50%. The dealer charged over $70,000 for the coin. When it went up to $105,000 the gross profit was only 50%. But remember, the dealer needs a profit on the sale too.

If you love rare coins and want to purchase, then call American Federal. We can evaluate your coins and tell you a better way to be in the rarities without getting gouged. I guarantee to beat any other dealer’s price.
Most dealers who sell to investors — particularly the boiler rooms — are actually retailers who make their money selling coins, not buying back coins. They may be willing to take the coins in trade because they can hide the true price you receive by overcharging on the coins they trade you into. They rarely want to buy them outright. If you’re going to invest in coins, and you’re not an active, experienced coin investor yourself, it will be hard to find a dealer with a track record of advising clients when to sell and take profits. There are very few of them out there. Even the best have had a hard time paying profits in the last 20 years. It’s even harder today, since we are NOT investment advisers or licensed financial brokers.

Realize that you are buying into a one-way market. Rare coins have poor liquidity. Deals with as few as 100 or 200 $20 Liberties are enough to send prices down 20% overnight! That is a thin, illiquid market. That is not what you want when it is time to sell.

The brokers who work for these dealers get paid to sell coins, not buy them. Again this is why so many people encounter resistance when they try to sell. Many companies actually “reprimand” or “blackball” brokers who buy coins back. They are isolated and not given new leads.

That’s why they are suddenly sick, on vacation or too busy to take your call when you want to sell.
YOU HAVE TO SELL TO MAKE MONEY

Never be afraid to take a profit! Don't get stuck when the market peaks... it can drop dramatically in a matter of hours. It can take years—even decades—for prices to approach their previous highs. This goes for bullion as well. If you are sitting on big profits, then it never hurts to take some of it. Today’s rare coin prices are still 80% less than the highs of 1989 even though gold and silver have hit new all-time highs. Even if you see an increase you are likely to find that your rare coins are not very liquid. Just a couple hundred coins are enough to flood the market.

An article in Coin World documents Barber Halves - a classic U.S. collectable - that were bid at $15,000 each in 1980 and were readily available for $1200 in 2010. Investment coins rarely maintain their gains unless they are super collectables. Even those coins have performed poorly compared to gold, silver and platinum. If you are lucky enough to have in a profit in rare coins, TAKE IT!*

At American Federal we will buy your coins outright or trade you into bullion if you prefer. Call us at 1-800-221-7694 to ask for a written quote that will help you decide if the time is right to sell.

* If you are not making profits in this market, then it’s time to reconsider selling your rare coins.
Of all the advice I’ve ever given, this is the most important. One client summed it up for me. He said, “People want to believe whoever tells them what they want to hear.” This is very true. So, when someone quotes you high coin values, test them. Have them **PUT IT IN WRITING**!

Most dealers want to make you feel good and tell you that your coins are more valuable than they actually are.

They do this for many reasons. The dealer you bought from will do it so that you can’t figure out his real mark-up OR they tell you inflated “values” hoping you won’t sell OR they hope by “paying” you too much they can “trade” you into something else. A trade will almost always put you farther behind. They may “pay” more, but make it up on the mark-up. I see people make this mistake almost daily. The true value of the trade is usually much less than what is charged.

When selling your coins, keep these key points in mind:

1. Choose a company that specializes in liquidating coins. Check them out on the Internet. You may be surprised what you find. Simply type in the company name and see if any derogatory problems are prevalent.
2. Don’t sell to anyone who pressures you or makes you uncomfortable.
3. Make sure it is a CASH offer. (Yes checks are ok) Don’t accept anything less!
4. If your dealer won’t give you a cash offer in writing - get another dealer.
5. If your dealer insists on trading into more rare coins or graded bullion coins – get another dealer.
6. If you can’t get your calls returned promptly once they know you want to sell for cash - get another dealer.

There are plenty of dealers out there who will be happy to purchase your coins. If your dealer puts up road blocks or makes it obvious they are not interested, find one who wants the business. Remember how anxious your dealer was to talk to you when you bought coins? If they are really going to perform for you, they should be just as interested to hear from you when you are ready to sell. At American Federal, we are happy to buy and sell… and will make sure you have all of the reliable information that you need to make a solid investment.

**IF A DEALER INTENDS TO PAY YOU, HE SHOULD PUT IT IN WRITING!**

Time after time, people have a tendency to believe the broker on the phone even when that same dealer is the one who offered misleading information in the first place. People believe because it makes them feel better and because the dealer is telling them what they want to hear. It’s hard to believe someone giving you bad news, even when your gut tells you it’s the truth.

I could give you hundreds of real life examples of investors taking a “higher” offer and then being worse off.

A recent example was a client who had been dealing with one of the
larger dealers, who you probably have seen on the television. My offer was approximately $185,000 in cash or bullion. The other dealer’s offer was $221,000. However, when all was said and done this client did NOT receive a check at all. He didn’t get it in writing - as I had told him. He ended up getting 1000 ounces of silver LESS than what I would give him even at my lower offer! So, he actually receives about $30,000 LESS by taking the “higher” offer.

Many dealers know you are looking only at the “supposed” offer, so they quote high but make it up by over charging on what they give you in exchange. Many investors ended up with coins worth only half the value as they were charged in an exchange.

Most dealers refuse to put their offers in writing. Others will take weeks or months to get back to you. With no written offer, you do NOT have a transaction. Read the fine print when you get what you think is an offer. Many times it is nothing more than an indication - not an agreement to purchase, or only good for the day it was made.

The Supreme Court recently ruled that pricing is the clients’ responsibility. This has emboldened dealers. The debate between a NY Congressman, a California dealer and talk show host drives it home. In an interview on Bill O’Reilly, the talk show host and O’Reilly both claimed that the dealer is only an advertiser and the buyer needs to be responsible for checking prices instead of assuming the sponsoring talk show host has done so.

Most dealers claim they always buy back and many try to. However, there are reasons that sometimes they can’t. Even PCGS has warned that there may be no market for coins at certain times.

The following are terms, offers and disclosures posted on the Internet at the time of this printing are from actual documents sent to clients.
• **Universal Coin and Bullion**
  Their written valuation is NOT an offer. They are very straightforward about it. It says on the “offer” that it is **not a transaction**. It is subject to being reviewed and the prices are good **ONLY** on the day it is printed. They could not be any more forthright, yet client after client assumes it’s an offer to buy. “**Indications**” are **not offers** to buy. They also have a return privilege, but charge 20% to restock.

• **Blanchard**
  This company is one of the early hard money dealers. Even they admit that they “cannot guarantee to make a bid on every coin…or that it will exceed those from other coin dealers.”

• **Lear Financial**
  Their website states “sales representatives are commissioned sales persons – their salary is based, at least in part, on the amount of profit margin of the Precious Metals they sell.” And “**LCI does not guarantee** that it will repurchase any Metals that Customers purchase” and finally “**LCI’s repurchase offer may be raised or lowered on a daily, even hourly or more basis**.”

• **Goldline**
  Encourage you to sell, but says “the law prohibits us from guaranteeing to repurchase the coins we sell…”

These companies could not be more up-front, yet buyers are consistently surprised when they can’t resell their coins. The way to stay out of trouble is be specific about what you expect, get a cash offer and get it in writing – by fax, e-mail or mail. At American Federal we will send you the offer in writing through any of those communication formats…you choose.
LEAVING COINS TO YOUR HEIRS CAN BE EXPENSIVE, AND COMPLICATE YOUR ESTATE

If you have truly significant rare coins, and heirs who appreciate them, passing them down to a new generation can be a historical legacy.

However, in most cases, heirs have little interest in the coins they inherit, and end up selling them. As you can imagine, not only can this be time consuming and a lot of work for them, they often end up selling them to a local dealer, a pawn shop or hotel buyer for much less than they could get if they knew where to go. *(See Truth 15)*

If your heirs aren’t interested in coins, it’s generally much better to sell the coins and leave them cash, stocks, bullion coins, or other traditional financial assets instead. Not only will this make things much easier for them, it will make settling your estate less complicated and costly, as well.

Think about it…your trustee will have to have the coins appraised, identify your cost, and then possibly argue with the IRS over the taxes due. This can make settling your estate a costly and stressful event for your heirs at a time when they’re least able to handle it. New laws will make it harder for them to sell the coins without IRS reporting. Estate tax changes could also work against them. Coins are no longer private.

If your coins are worth less than you paid for them, you should seriously
consider selling them. Any tax losses you may be entitled to are only available to you and your spouse. Your heirs lose the ability to take those losses. In some cases, they end up losing tax benefits that would have provided you cash-in-your-pocket tax savings worth as much as, or more than, your coins were worth.

If you are frustrated with coins, why leave them for someone else to deal with and clean up your mistakes. Leave them something liquid and easy to deal with, like cash or bullion coins. Call or e-mail American Federal and we can help make that happen.
It’s been proven time and time again, unless you’re an active and highly experienced investor, your dealer will be the primary factor deciding whether you make or lose money in coins. You want to work with a dealer that has your best interest in mind and is dedicated to achieving your investment goals. Unfortunately many don’t! This will be a huge challenge.

One large well respected newsletter/coin dealer actually employs a portfolio manager who supposedly monitors and makes updated recommendations to clients. While it sounds good, the main purpose is to muddy the waters so the company profits are maximized.

A client of American Federal previously spent $1.5 Million with this company. Starting in 1999, they purchased a small portion of their portfolio in U.S. Gold Eagles bullion coins. These coins increased from $286 to $1800 each, as I write. The balance of their portfolio was put into Peace Dollars, U.S. pre 1933 Gold coins and a variety of so called semi-numismatic foreign coins. These coins have severally lagged the gold and silver markets.

Their dealer bragged that they turned $1.5 million into $2.7 million over 13 years. However, if they simply purchased gold and silver bullion coins they would currently have $9 million to $10.5 Million. Adding insult to injury, the coins they were sold are not liquid. When I advised them to sell part of their portfolio back to their dealer, they could not confirm...
a price by phone. Even after mailing their coins it took 3 weeks to get a price, and their dealer only wanted to buy the coins if they traded for different coins and did a million dollar plus trade in conjunction. This trade would profit the dealer in excess of $150,000. They finally purchased the coins for 7½% less then quoted, after 7 weeks.

In the end the investor only made 50% profit, while gold went up nearly 600% I maintain that he made money in spite of the company “Portfolio Manager”.

Select your dealer with the same degree of research and care you’d select a doctor or lawyer. Your dealer must have a long track record of helping his investors achieve real profits. After all, unless you take profits, you haven’t made profits.

The Internet gives you a lot of instant information. Searching a dealer’s name will often, quickly reveal any complaints. You should also check the Better Business Bureau and a variety of coin organizations. It’s the first step to protect you!

Find a dealer who asks about your goals and doesn’t continually try to force rare coins on you. Deal with someone who is willing to sell you Bullion coins, such as, Eagles, Buffaloes, Maple Leafs, etc., instead of using scare tactics to sell you rare coins time after time.

If you own rare coins, try this test. Call your dealer to see what would happen if you want to sell. Even if you’re not ready to sell – act as if you are. Find out how hard it is going to be when you do decide you want to sell. You need a dealer you can depend on when the time comes to sell.

For an update, a performance review or consultation, please call us at America Federal, at 1-800-221-7694, we want to be your tried and true dealer!
There actually are many places to sell your coins. But, it can become quite confusing and difficult to choose the best method. I have listed below the 7 most common places to sell coins.

1. The Internet - Many people use Craigslist, eBay, etc. to sell everything from used shoes to multi-million dollar mansions. It takes a certain personality and comfort level to do this with coins. My experience with auctions is that most people are looking for a cheap deal, unless you have something “super spectacular”. In addition, if you don’t know the market very well, you can easily be in over your head. Many people lose money and were taken advantage of using the internet to sell their coins. People, including other dealers, who have done this have told me it’s a real hassle and extremely time consuming. You must be willing to set up an account, answer endless questions, ship to various buyers and worry about getting paid. Even after all this, you’ll still have to pay the fees and/or commissions. Plus there are numerous accounts of “copies” being sold on the Internet if you happen to be buying or using it as a pricing guide.

2. Small Coin Shops - I can’t say anything categorically about small shops. Some are great and some are horror houses. Since gold took off, it seems like everyone is a gold and coin “expert.” If you look to local shops, unless they are involved nationally, attend major auctions and shows they may only be knowledgeable of their own little market. They are at the whim of the local collectors and not in touch with the broader market. I hear complaints that “a local dealer paid half of what it was worth.” Some people feel ripped off if this happens. The local dealer
often keeps all he buys while trying to sell retail through the store location, and he has to double his money to make a decent return. Nevertheless, I do think the local dealer is much better than a pawnshop, jewelry store or collectible store, and they probably pay several times what the hotel buyers pay.

3. Pawn Shops - Pawn Shops, part-time or general collectibles stores and places like barber shops that happen to have signs that say “We Buy Gold” are fine if you need cash that minute, but generally these places are going to pay very low rates. These guys are part-time coins guys and need to be extra safe (cheap), because many don’t really know the market. If they buy it cheap enough, it doesn’t matter. I had a pawnshop owner call me years ago to buy out his coin accumulation. He thought he knew what he was doing, but he really had no idea how to grade coins. He had polished counterfeits, priced in the thousands of dollars. When I pointed it out, he didn’t seem to care. He said he only paid a third of the gold price and would sell them as MS-63 or MS-65’s to people who came in. We were not able to do business.

4. Auctions- Some dealers will pass the buck by putting your coins into an auction instead of buying them back. An auction could be a very profitable way to sell extremely rare coins, especially if they are a highly sought after item. However most coins you are likely to have purchased from dealers are going to be too common to bring even average prices at auctions. Dealers attend auctions for two reasons. The first is to bid on super rare coins for their collector clients. Secondly, they go to auctions to get a great deal. Don’t think that a set of coins will bring more at an auction - it won’t. It is extremely unusual for coins to sell as a set. The normal procedure is to break the set apart and sell each coin individually. This is completely opposite of what most dealers will tell you-as they convince you to assemble the entire set!

Typically both the buyers and you will pay a commission. Coins that are
not rare routinely sell for 30% less than “Bid” at auctions. Many people will not put reserves on their coins to save the buyback commission. Dealers know this and can usually buy coins for less than what they can turn around and sell them for the next day by simply hitting the computer bids. The problem with an auction is that you need at least two people who really want the coin to get a superior price. That won’t happen on most rare coins. Coin Dealer Newsletter regularly reports that coins have sold at large discounts at most major auctions. The problem is you can’t control who will see the coins, what the market will be like or even have the opportunity to turn down as bid without paying to “buy” your coin back.

I buy many collections that have been unsuccessfully auctioned and “bought back”. Most of the major auction houses do a great job and are very reputable but they can’t guarantee you top dollar on 90% of the coins sold by telemarketing dealers.

For most coin owners auctions just don’t make sense.

5. Hotel Buyers - The hotel buyers seem to show up every time the market gets hot. They spend a lot of money and get a high return. They run full-page ads with incredible prices with words that says “up to” price meaning you won’t get it. I’ve talked with some of these buyers. They love telling stories about the great deals they have gotten. I’m not saying they are a bunch of crooks, but I think they come in for a weekend looking to make great buys and if anyone wants to complain, they are in a new town a week later.

In the Coin Dealer Newsletter the Executive Director of PNG (Professional Numismatic Guild) says that traveling hotel buyers offer only pennies on the dollar. One such dealer offered only $60 for a rare $2½ Indian in MS-66 that has a “bid” of $8500!

The average hotel coin buyer has gone into business just to take advantage of the current market boom.

6. Gold Mail-Ins - These are the guys who just want you to mail your
gold in and they will give you an offer. This applies to sending coins to national dealers or even the dealer you bought from. Always get something in writing as to what you’re getting. If it’s scrap gold, know how much per gram or karat you’re getting. If it’s rare coins, demand a written offer. Many dealers will send you an offer that is good only the day they mailed it. Wow! How exactly do you take advantage of that when it takes up to a week to ship them? Some will tell you what they’ll pay only after they receive your coins, even though they sold them to you. Others claim that the prices change hourly and they can never tell you what you can actually expect. I've seen too many people send coins expecting one price only to get much less or worse yet, overpriced, unwanted coins as trade. If they intend to pay you, they should have no problem guaranteeing a price in writing.

7. National Dealers- The best dealer, in my biased opinion (because I am one) is one that deals nationally. These dealers should be members of national coin industry organizations, of which the best is PNG-Professional Numismatic Guild. Here at American Federal, for example, we physically deal in all 50 states; we deal with market makers, auctioneers and both collectors and their representatives. It takes a lot of manpower and relationships to stay current in today’s market. As a national dealer, it is our job to know what is behind the market. We look at why collectors are buying, for example, because it tells different stories. If someone is buying simply to support his or her inventory, it’s different than someone buying in anticipation of doing a major promotion. Believe it or not, only a handful of us dealers do most of the national business.

We, at American Federal, pride ourselves in being a top national dealer, with 30+ years of experience. We truly care about our clients and work to make our transactions transparent and profitable for all parties. You can trust us at American Federal…coins and bullion are our only business! We buy and sell all types of rare coins and bullion. Please, call us toll free TODAY at 1-800-221-7694, e-mail to info@americanfederal.com or fax us at 602-553-5290. We promise to make your investment our priority!
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