

Smart Stamp And Coin Investment

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Smart Stamp And Coin Investment

The fact that there are far more stamp and coin dealers than stamp and coin brokers, that few wealthy people hold portfolios of these collectibles, and that few hobbyists ever live long enough to get rich from their knowledge, tells us something. It tells us that this sort of investment, one of the most accessible for the average person, one of the most potentially lucrative and one of the safest, pales in comparison to most other investments in return and is too complex for most people to attempt. But there seems to be widespread curiosity about this fascinating topic, and as one who profited from a hobby collection and learned much about the field, I feel qualified to give you a good introduction to collecting as an investment.

There are two ways to go about investing in collectible portfolios

The first is to be a hobbyist yourself. You should be ready to spend a lot of hours to learn to enjoy the hobby, get involved in clubs, study catalogs, attend exhibitions and auctions, and be as smart as possible about your field of interest.

The second way is to make friends with an experienced collector, which you'll have to do anyway, who can advise you on special items with promise or long-term security.

In the case of coin and currency collecting, the market is fairly strong in all segments of the field and trends are generally established and well known to collectors. So while it may have long term growth potential than stamp collecting, windfall profits are rare. Gold and silver coins have intrinsic value in their metal and tend to fluctuate in price with the metal markets, which in turn vary with value of the US dollar. The Krugerrand and the Canadian Maple Leaf one-ounce coin are the mint coins available offering substantial intrinsic value, but it is generally agreed that the bullion is a better overall investment. Neither the Maple Leaf nor the Krugerrand will be prized for their rarity.

Silver coins at current silver prices, using \$5 US per ounce as a benchmark minimum price and \$10 as a maximum, are excellent long term bets when investing in coins for metal content. Few bargains in vintage collectible. Coins are ever available, and a good portfolio should only be selected with the aid of a qualified counselor. Always opt for the best condition you can afford, even if it means purchasing a less-scarce coin, since the mint and proof coins are always in most in demand from collections and can be disposed of the most quickly when necessary. For both stamps and coins, it is wise to specialize

in items from your country of residence. They will be the least cost-effective to purchase, but they will always be the easiest to liquidate.

It is felt that the market for collectible paper currency will show better growth than coin markets over the next 20 years. As this segment of the collectible market gains more public exposure, catalog values are bound to rise in response, in many cases out of proportion to actual value. Paper money specialists are hard to find and most agree that the market is so unstable that only established issues of value are worth long-term investments. We advise collecting issues of substantial value, three figures and higher, which have not shown sharp increases in book value in the last five years, and again we stress collecting only the best condition possible. These issues should provide the best overall long-term growth and best odds on substantial short-term gains.

Stamp collecting is a much more varied field than most amateurs realize, and for investment purposes, it is always, always best to specialize from the start. There is no sense cluttering your mind and your closet with facts and figures for low-value foreign issues. They don't pay off and take too much time and space

The best bet is to specialize not only in your country of residence, but a specific aspect of that country's history of issue. You have a lot of choice there. Even specific decades, types of stamps (commemoratives, definitives, revenues, air mails, types of perforations, stamped envelopes, first day covers, plate blocks, etc.) provide wide fields.

Among the best performers are classic series of definitives, commemorative issues before 1930, varieties and errors in printing and lately revenue stamps, the types used for liquor, tobacco and other commodities and excise customs documents, are getting rosy forecasts from experienced collectors because they comprise the lowest-priced of the extremely rare issues. They are low-priced at the present time only because they are not widely sought by collectors but since there are only so many rare stamps to go around, anything scarce in a popular field, whether in antiques or records or stamps will eventually show a book value comparable to its scarcity. Demand on these issues is definitely going to increase.

Varieties of certain issues are the second-best bet for investment. The reason is the work involved in discovering many of them. It is often possible to find a rare variety of a common one cent stamp in collector's and dealer's penny-a-stamp boxes worth twenty to two hundred dollars, and the more you know about varieties of common stamps, the more frequent these finds will be. They don't tend to grow in value at rapid rates, but they

provide the best overall chance at windfall profits.

Classic stamps of values over \$100, especially in superior condition, provide the best overall return on investment and tend to outrun inflation as a rule. The more popular the stamp, the better it will appreciate, and popularity can be determined by comparing the catalog price to an actual selling price. When auction prices regularly go over catalog price, the catalog prices rise accordingly and if the cycle continues, the issue will show excellent gains.

As a rule, items such as plate blocks, first day covers, commemoratives of recent issue (50 years or less) and souvenir items are not good investments. The visual beauty of these items tends to artificially inflate catalog prices which in turn inflates the selling price. They don't tend to show reasonable advances in value over the long term.

Large lots of cheaper issues can look attractive, especially at auction where their prices will seem especially attractive, but when you look around and understand that dealers and serious hobbyists bid fairly low for these lots, and dealers figure their profit margins into the buying price, you'll realize that they are best left to hobbyists more interested in having fun than making money.

For the same reason, it is wise to steer clear of purchasing entire collections from former hobbyists. You'll be paying for the cheaper issues that you won't easily liquidate in addition to the better issues, and that's a headache and an unnecessary expense.

It is, however, wise to seek out hobby collectors who are retiring and selling their collections for income. Frequently they have already consulted dealers about values and prices and will frequently offer the private individual a deal comparable to what a dealer would pay for that little bit of extra profit.

A few investment syndicates dealing in rare stamps and coins have surfaced from time to time and provide the naive investor with ready-made portfolio. These can work out in your favor in the long run, but the cost of marketing and acquiring the items must be figured into the syndicate's selling prices, making the overall investment higher in proportion to real value than you could probably make on your own.

Many more syndicates offer "collector's items" custom-made by the factory, including special coin mountings, metal stamp sets in gold, silver and platinum and fancy exhibition pieces that require substantial investment for completion of the series. Some of these have turned out to be top performers, but many haven't kept pace with inflation. It makes no sense to put money

into these manufactured collector's items unless you have a strong sense of trends and collector's demands. When in doubt, steer clear.

A good rule of thumb is that the collector, not the manufacturer, sets the true value, and predicting future values for these items are too extremely risky.

Once you've got a good sense of market values and determining factors, you might want to consider speculating in new issues from time to time. Certain items come out of the post office every few years and shoot up in value phenomenally over the first year or two. This usually happens because of the oddities in printing method, limited runs, varieties or errors too insignificant to result in recalling the issue, or major errors that result in massive recall of particular issues, making those in circulation of substantial value almost immediately. If you can spot these as they come onto the market and invest substantially in large numbers of the desired item, you can literally make a killing over a two or five year period. Investment of this sort does require some skill, however, because most recent issues actually drop in value since their face value at time of purchase is higher than their face value after five years of inflation, and resale at higher than face of a common item will be virtually impossible on items less than 30 years old.

When investing in either stamps or coins, a safety deposit box is almost always a must. Stamps especially are subject to all sorts of damage from environmental changes and a stable atmosphere especially such as that in a bank vault will provide the highest degree of protection.