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American Eagles



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**Canadian Maple Leafs** 



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# Precious Metals BUYING GUIDE

How to Ride the Bull Market in Physical Bullion without Being Ripped Off



## **Precious Metals Buying Guide**

Precious metals investors who make the decision to protect their hard-earned savings from inflation and financial turmoil are quickly confronted with the next choice – what form to buy. Money Metals Exchange representatives get lots of questions from customers bombarded by conflicting information on TV, the Internet, or elsewhere. Here is some guidance on how to make the right decision.

Right up front, we want to remind customers that the most crucial decision is whether to buy bullion or numismatic (aka collectible or rare coin) products. If you are an investor, the answer is bullion; numismatics are for speculators and hobbyists, <u>not</u> serious investors. The most common numismatic coins peddled by controversial "boiler room" type sales operations include graded pre-1933 gold coins (such as Double Eagle coins and St. Gaudens gold coins), Morgan Silver dollars, and contemporary super-marked-up American Eagle "proof" coins.

The pre-1933 Double Eagle gold coin and the others mentioned above are usually "slabbed coins" or "graded coins" which are stored in protective plastic cases to create the appearance of high collectible value supposedly justifying substantial mark-ups above their melt value. In many cases, these coins are not rare or valuable at all (other than the value of their actual gold or silver content).

### **Why You Should Avoid Numismatic Coins:**

- 1) The transaction costs and premiums for buying rare coins are dramatically higher than for bullion coins, bars, and rounds. Customers often get conned into paying huge markups (and/or buy-back discounts) in the illiquid, specialized rare-coin market. That's why Money Metals has chosen to leave this field of play to other firms.
- 2) <u>Numismatics are no safer from government confiscation</u> than low-premium bullion alternatives.
- There are NO tax advantages to buying collectible coins. The IRS views all precious metals, including bullion, as "collectibles" for the purposes of calculating capital gains taxes. Purchases and sales of bullion coins, bars, and rounds are not reported by dealers to the IRS except in the rarest of circumstances. Reporting of sales is your own responsibility.
- 4) Trying to get the best price when it is time to unload your collectible coins may entail a lengthy search for the buyer who is looking for just what you happen to have. If economic conditions get tougher, this buyer may be very difficult to find at all. Even as more and more people search for a reliable store of value in the form of gold and silver bullion, fewer may be in the market for items like rare coins that are priced higher than their intrinsic metal value.

The transaction costs for physical precious metals are revealed by the "bid/ask spread." This spread is the difference between the premium per coin or per ounce that a customer pays to buy compared to the premium (or discount) that a customer receives when selling. As with any investment, the lower the bid/ask spread, the better.

This is where bullion really shines versus collectible coins. Reputable dealers offer spreads on bullion coins, bars, and rounds in the range of 3% - 10%, depending on the particular product and the quantity desired. Numismatic coins generally have spreads of 30% - 40% and often higher! That means as soon as you buy a collectible coin *you should expect it to be worth at least 30% less than you paid for it.* No savvy investor wants to be that far upside down on day one! Money Metals representatives have taken many phone calls from customers suffering severe cases of "buyer's remorse" after sinking their savings into these illiquid rare-coin "investments."

To be sure, those so-called "rare coin" companies are making an absolute mint with their bait-and-switch tactics and their overpriced numismatic coins. The worst part is these rip-offs enable high-pressure "collectible coin" outfits to fund slick TV commercials, impressive celebrity endorsements, and other "big ticket" ways to get even more unsuspecting precious metals buyers to pay far higher than is wise or necessary.

# **Bullion Coins, Rounds, and Bars Are the Smart, Pure Play on Precious Metals**

Now that we have established why it is so important to buy bullion rather than numismatic coins for investment, the next most important consideration is to stick with the most popular bullion forms. That is why Money Metals Exchange offers the most widely traded and familiar bullion products. Our coins, rounds, and bars are stamped with their weight and purity. They are produced by government mints or reputable manufacturers. This could be important when it is time to sell your metal back. Here's why:

1) There is always a large and active market for these popular bullion forms. Virtually any dealer in the country (especially Money Metals!) will be happy to buy an American Gold Eagle from you and pay a fair price – on the spot and without question. Alternatively, if you have an off-weight and unmarked bar, or something

### **Bid/Ask Spreads - Popular Bullion Products**

	Pre-1965 Dimes/Quarters				1 Oz Rounds				American Eagles			
Quantity	Buy Premium	Sell Premium	Spread	%	Buy Premium	Sell Premium	Spread	%	Buy Premium	Sell Premium	Spread	%
500 Ozs						·						
2,500 Ozs												

1 Oz Bars					Canadian Maple Leafs (1-oz)				American Eagles (1-oz)			
Quantity	Buy Premium	Sell Premium	Spread	%	Buy Premium	Sell Premium	Spread	%	Buy Premium	Sell Premium	Spread	%
10 Ozs												

outsized such as a 1,000-ounce silver bar, you may have more trouble selling it as quickly and getting a fair price. Many dealers cannot easily re-sell that sort of item.

2) It is easy to establish fair value. The most popular products trade near their "melt value" – the value of their metal content based on the current spot market price. There is no uncertainty. When it is time to sell your metal, you can quickly and easily determine whether or not a buyer's offer is fair.

The final consideration is how to choose exactly which round, bar, or bullion coin to buy. Please note that this consideration is <u>far less</u> crucial than those mentioned earlier. If you avoid paying way too much for dubious collectible coins and stick with popular bullion products, your investment will allow you to capture essentially all the gains that can be had in the gold and silver markets. That said, we believe you can best secure those gains by buying whatever option offers the lowest premium at the time of your purchase.

We expect the metal itself to produce outsized returns. So the name of the game is to acquire as many ounces as possible today and let those ounces go to work for you.

To illustrate, consider a hypothetical \$100,000 investment, based on Money Metals's recent sell pricing and buy-back pricing.

Even though an investor can expect Silver American Eagles to be worth \$1.00-\$3.00 more per ounce more than either 1-oz silver rounds or pre-1965 90% coins when it is time to sell, he would enjoy higher gains if he bought the rounds or the 90% coins because he acquired more silver ounces for his money. More ounces = more profits if silver prices rise significantly.

1924 \$20 St. Gaudens Gold Coin (0.9675 oz) MS-63								
Buy Price	Sell Price	Spread	%					

Ounces Purchased		
Purchased		
Holding in Ozs		
Value		
\$ Gain		
% Gain		

Prices per ounce include buy and sell discounts/premiums shown above.

As with metals prices, premiums are subject to change.

Premiums as of

To summarize, we think precious metals investors will do best by following these guidelines:

- 1) Stick with bullion coins, bars, and rounds.
- **2) Buy the popular bullion forms.** Avoid un-marked, off-weight, or oversized bars and rounds.
- 3) Buy whatever offers the lowest premium in order to accumulate as many ounces as possible. Call Money Metals, or visit www.MoneyMetals.com for live pricing and current premiums.

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