



The Buyers Guide to Gold Coins

Part two of Pete Thomas's white paper reports on gold bars and coins designed to help the first time consumers entering into the Precious Metals asset class make the safest purchases.

***Sovereignty** is understood in jurisprudence as the full right and power of a governing body to govern itself without any interference from outside sources or bodies. In political theory, sovereignty is a substantive term designating supreme authority.*

You will commonly see two types of offerings in gold coins. The first class of coins that I strongly recommend, is the Sovereign Coin market. Sovereignty means it is minted by a recognized government, as seen above. All Sovereign coins must have their weight, size and purity strictly adhered to by a recognized governing body to assure a consistently good quality product. This is the driving reason that I always recommend buying nationally minted products. Also, having a law enforcement branch willing and able to imprison counterfeiters is an important component of my choice as well. The protection of one's assets must always be taken into account for the long term.

The second type of coin you will see offered is the Collectible Class. Numismatics coins have produced some excellent returns on investment over the years. A good example of a rare collectible is the Efesos, an ancient Hellenic city and prosperous trading center on the coast of Asia Minor. They produced the 1/6 Stater more than 2,700 years old, making it one of the very earliest coins and proof positive that collecting is fun and rich in history. I encouraged my children to collect coins very early on with the hopes that it would allow them to gain an understanding of the history of many nations over the centuries. The only real issue with collector's coins is that Numismatics require a great deal of skill and patients to acquire just the right coin. Most of my clients just don't have the time to learn this fascinating hobby. So even if there is a potential for a profit, it really doesn't fit into most people's modern life style. This being said, let's move right into modern, freshly minted coins that are readily available.

The highest volume of Sovereign gold coins that are sold in the world today are the Canadian Maple and the American Eagle one ounce coin. The only real difference between these two coins of any significance is the purity content. The gold Eagle is .9166 fine gold whereas the Canadian Maple is .9999 fine gold or what's is called four 9's in the trade. For clarity's sake they both sell for just about the same price but in the EU the Maple is more popular, and in United States the golden Eagle is the coin of choice. In year to date sales for 2015, American Gold Eagles were posted at 801,000 ounces sold which was 52.7% were higher in sales then in 2014. This New Year is coming to an end soon and the 2016 sales of gold Eagles might just outstrip the recent 2015 sales record as well.

The number one most commonly asked question about coins:

Why can't I pay spot for a coin, I see the posted price as London Fix or spot price twice a day on your website?

Let me take a moment to answer this question in a rather thorough manner. As I get asked this question all the time, with our coin sales in the retail arm of our operation, I have compiled the following the list of reasons that causes coins to be above the spot price.

1. Fabrication costs ,mining, smelting and casting
2. Packaging costs, with weighting and quality inspection
3. Administration costs
4. Security costs

5. Storage costs
6. Marketing
7. Sales staff
8. Insurance
9. Transportation/shipping expenses
10. Profit margin is figured into all the steps of the supply chain

Taking into account all of these ten steps posted above, the causation of a 3-5 % premium becomes very self-evident, which in and of itself becomes a very reasonable premium, when you pause to reflect on the hard asset coin category. What I usually advise our clients is that the purchasing spread on a gold Sovereign one-ounce coin, not a collectable or proof coin, should sell to you for 3-5% over spot price, and really, any more at this time is probably just a bit too much for you to pay. Remember, demand drives prices, so any shortages will drive premiums higher.

Now that we have covered what you should buy, how much you should pay, and explained the underlying cost to produce your coins, I would like to give you a few tips for the care of your coins and how much you should buy and where to do the procurement of your investment into coins.

A Google search is a great place for you to start your research for a reputable coin dealer. The rule of thumb goes as follows. I always recommend dealing with an older, well established company. I prefer someone that has at least five years in the business and a good rating with something as simple as the Better Business Bureau. A little simple research and you should be fine. PayPal can add a lot of cost to a purchase so try to deal with someone that has a bank wire account to save on fees. On purchases in the six figure and up category, this will add a lot of savings to your bottom line, and also allow the metal to be shipped much faster.

Remember to request from your dealer something we refer to as a sleeve or a protective case for your coins. This especially stands true for the Gold Canadian Maple coin as it is made of pure gold (24K) and gold is a very soft metal, so they can get dinged up very easily and if it gets damaged, that coin will go down in resale value. We even have a term for damaged coins in the industry, and that is a "Scruffie". So please be take the time to handle your investment with care.

I've tried to keep this simple for my first time buyers and we just have a few more quick points to cover. Such things as Swift wires for offshore purchases and also currency conversions along with the ability to not only store metals but hedge them to protect against market movement, can only be done by a few trading houses, and these options I'll cover later in article three as to how I perform them for my clients.

When I created the Sponge Bob coin series for Nickelodeon I can share with you that it was an amazingly difficult feat to perform. Not only was the character a very recognized public cartoon, but every little nuance had to be signed off on by all the talented people that were involved with the cartoon. I also decided to have the series registered as a coin which meant I had to state my case to a governing body as well. During the ongoing process I had brief discussion with Chairman Edmund Moy of the US Mint about the creation of minted Sponge Bob coins. Our 38th Director of the US Mint then told me that he felt that the creation of any coin was purely a labor of love. Chairman Moy brought back the most beautiful Sovereign coins that the United States ever minted. He shared that the main reason he toiled in the rerelease of the Saint-Gaudens Double Eagle was that such an iconic coin needed to be out in circulation, it told the story of an America at the beginning of the 20th century.

Remember that an investment is as only good as its resale price. Buy your coins at a fair price. Take care that they aren't damaged in storage. And always buy your product from a well-established dealer.



Peter Thomas is a Senior Vice President at the [Zaner Precious Metal Division](#), and he is considered one of the leading gold authorities in the world today. As a licensed floor broker, he was a filling broker in the silver pit when silver ran to \$55 an ounce. He currently manages a global cash desk which handles Refiners, Recyclers, Mining Operations and Coin & Bullion companies. He is constantly in demand for his insightful opinions drawn from his 35 years of metals trade to such news enterprises and magazines publishers as EconoTimes, Bloomberg News, WSJ, The Guardian, US News and World Review, Hard Assets, Kitco, and Modern Trader magazine. Contact him at [@Goldbug111](#), [@MetalZaner](#), (312) 277-0140 or <mailto:pthomas@zaner.com>.