

The Investor's Guide to UNITED STATES COINS

Second Edition

*Everything you need to know
about the No. 1 emerging
growth area for the millennium!*

Now! For the first time ever the complete price history of U.S. Type Coins! Your guide to spectacular profits in the coming years.

By
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Dedicated to the memory of
Hans M. F. Schulman
1913-1990

Numismatist, Coin Dealer, Gentleman & Friend

“The history of civilization is the history
of mans’ trade and commerce. Where ever man has gone
before, and all that he has done, both auspicious and bane,
is recorded on his coins. In a very real sense, the
history of coins is the history of man.”

Hans M.F. Schulman
Professional Numismatist
New York City 1986

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PREFACE

Dear Fellow Coin Collector/Investor,

"Almost anyone can become a collector, and they can start collecting at almost any time in their life. One need not be an expert or have large amounts of time or money to start..." said John Paul Getty in his book "The Joys of Collecting". Mr. Getty continued, "... the passion for collecting is an acquired taste." You need not be a "born coin collector" to get involved in an area that is interesting, educational, fun and profitable.

The passion for coins is well portrayed in the following true story. In 1908 Industrialist J. Pierpont Morgan offered collector William Dunham \$35,000 for a coin Dunham had purchased two years earlier. Though Dunham had purchased this coin for \$2,165 (a world record price in 1906), the offer was refused. "My coin collection is my life," Dunham reportedly told Morgan.

Rare coin collecting is not only an educational and intellectually rewarding pursuit, and a wonderful past time, when done correctly it is also a very prudent and highly profitable investment, as illustrated by the following examples:

Baltimore banker Louis Eliasberg invested approximately \$400,000 in coins between 1925 and 1950. He consequently thrilled his heirs when his spectacular collection brought \$44.5 million in three separate sales between 1982 and 1997. In the last sale a new world record was established when the 1804 Draped Bust dollar sold for \$1.8 million, the highest price paid for a U.S. coin at public auction! Today, the 1804 draped bust dollar is worth more than \$4.4 million. Harold Bareford of New York invested only \$13,832 over a twenty year collecting career. These same coins sold at auction in 1978 for more than \$1.2 million. John Pittman, an Engineer from Rochester, invested less than \$200,000 in his coin collection between 1940 and 1995, which ultimately sold for more than \$25 million in 1996.

Eliasberg, Bareford, Pittman and scores of others realized substantial profits on their holdings because they were interested in their coins first and foremost. Unlike short-term traders, buying and selling in an attempt to outsmart the market, they were collector's first and investors second. Therein lies the secret to their success. These triumphs in the rare coin market mirror the advice of legendary financial portfolio manager Peter Lynch, who guided Fidelity Magellan to preeminence in mutual fund investing. Lynch has always correctly stated that the long-term holder always outperforms the short-term trader.

To enjoy rare coin collection to its fullest, and profit handsomely in the process, it's necessary to wear two hats. With your collector hat on, you will learn all about the fascinating history of U.S. coinage. Wearing your investor's hat, you will study the fundamentals and dynamics of this exciting marketplace. As a collector, you would be wise to focus on some area of numismatics that appeals particularly to you. Perhaps your passion is early 18th century U.S. silver coins. As your collection grows over the years it is quite possible to amass and impressive collection of every type -- each with its own unique story. Or maybe you will accumulate a complete set of glittering Proof Liberty gold pieces, or Morgan Dollars, or Commemoratives. Perhaps your specialty will be obsolete coinage -- like three-cent nickels, three-cent silver pieces, twenty-cent pieces, or half-dimes. Maybe Pattern coinage will whet your appetite.

One of the two most rewarding and profitable collections of all time was assembled by T. Harrison Garrett and his sons, John and Robert. Through two generations, the family enthusiastically studied numismatics and focused on a specific acquisition strategy. The Garrett's spent no more than a few hundred

thousand dollars, but invested countless years in the pursuit of knowledge, and the coins they needed to complete their various sets. When the collection was sold in the late 1970s and early 1980s, it realized \$25 million!

But perhaps the best example supporting the importance of focus and knowledge in the pursuit of numismatics is the story behind the formation of the Eliasberg collection. Louis Eliasberg, Sr., began collecting coins about 1925. He pursued the hobby casually during the growth years of his finance business, and then in the early 1930s seriously endeavored to assemble a world-class cabinet. In 1942 he purchased the estate collection of John H. Clapp for \$100,000. This included vast sections acquired by John's father from the 1880s through the time of his death in 1906. In the 1940s, Eliasberg upgraded pieces, added rarities, and toward the end of the decade was determined to attempt what no one had ever done before: to acquire an absolutely complete collection of every date and mintmark in the federal series from 1793 onward. One by one, and with great focus and accumulative knowledge these great rarities were acquired. It is important to note, that when a great rarity was obtained it wasn't just any example of the issue; virtually all instances it was among the finest of its kind. Mr. Eliasberg's collection goal was finally achieved on November 7, 1950, when he acquired the last coin he needed -- a dazzling gem example of the unique 1873-CC No Arrows dime. Much to the delight of his heirs, Eliasberg's focus and knowledge paid off handsomely. This is nowhere better illustrated than in the following example. On December 16, 1948, Louis Eliasberg purchased the Eric Newman specimen of the 1913 Liberty nickel from Abe Kosoff for \$2,350. On the evening of May 21, 1996, this very same coin sold at public auction for \$1.35 million net to the consignors.

You may choose never to achieve the collecting status of Garrett or Eliasberg, but whatever area of Numismatics you decide to pursue, a thorough education is readily available and quite necessary. Many fine volumes are published regarding all aspects of coin collecting. Trade publications such as *Coin World*, *Numismatic News*, and *The Coin Dealer Newsletter* are excellent sources of information and include current pricing data in every issue.

In 1971, Sam Bloomfield purchased a rare 1907 Saint Gaudens, Roman Numeral Roman Finish Proof Extremely High Relief \$20 gold piece for \$55,000. When his collection was sold at auction in December 1996, that very same coin sold for \$825,000! After holding the coin for 25 years, Mr. Bloomfield realized a net profit of 1,400%. Most impressive by any standard! Profits such as this are not a matter of chance, rather thoughtful design. Mr. Bloomfield defined prime areas for procurement through intensive research. He then established an acquisition plan and never deviated from it, confining his purchases exclusively to coins of the highest quality and those of proven rarity in the marketplace. Most importantly, he was prudent, disciplined and patient!

Ironically, at the same time Mr. Bloomfield purchased the Extremely High Relief Double Eagle, most other coin buyers were busy accumulating rolls of uncirculated common coins which were at that time being highly touted as an investment. Ultimately these acquisitions fell out of favor as common so-called investments coins always do and they have virtually the same value today as they had 25 years ago, while Mr. Bloomfield's coin earned him an 1,400% profit. The point we are emphasizing is that not all coins are created equal. Common coins are subject to the whims of fickle investors. Rarity is never out of favor with collectors, and collectors are the backbone of the market. If your goal is to gain capital appreciation as well as enjoyment from your collection, follow Sam's example.

Long before there were Stocks or a Stock Market... a thriving and profitable rare coin market was in place and the buying and selling of coins was reine. Over three hundred years ago, collecting coins for enjoyment and profit gained prominence. In fact, rare coins have been actively traded since the 17 century. The legendary House of Rothschild, famed European banking family actually got their start dealing in rare coins. Meyer Rothschild, the founder of this banking empire, began by selling rare coins and medals at Frankfurt's great spring and autumn fairs. Between fairs he ran the equivalent of a rare coin business. Starting in 1771 he published the first of many printed coin catalogs, which he sent out during the next 20 years at regular intervals to potential customers all over Germany. To this day, many European banks maintain numismatic departments.

The rare coin market continues to thrive, today. Worldwide, it is estimated that there are in excess of 100 million collectors, with as many as ten million in the US alone. With a following like that is it any wonder that rare coins are recognized as the most popular collectible of all? Coin collecting is not a passing fad. In contrast, sports cards, comic books and the like, spring in and out of fashion with the changing of the seasons and have no intrinsic value whatsoever!

The words of John Paul Getty echo the sentiments of millions of people from all walks of life who share the joys of collecting. A collector realizes great satisfaction from learning about his field and then acquiring specimens unique to his interest. And there is also the exciting prospect of amassing an appreciating asset, while simultaneously enjoying the pride of ownership and sense of accomplishment associated with collecting.

Although Getty's passion was collecting, he makes clear that he also embraced it as a sound business practice. He describes, in some detail, the equal joy of buying into a market and watching the value his collectible investments climb over time. A hobby that began with the acquisition of a few Oriental figurines "for under Fifty Pounds" became a collection worth billions. Who collects rare coins, fine art and other collectibles? What are the options for collectors and investors? How do coins stack up against other investments? What are the opportunities to experience both the joys of collecting and the financial return any investor seeks? What and how should you collect? These questions and more are answered in the text to follow.

Silvano DiGenova
Professional Numismatist

INTRODUCTION

This is a book, we are pleased to be able to say, about investing in top-quality, gold, silver and copper United States rare coins. We would like to think it is the first book you will need on the subject. It is a good first step for you to take in learning about American rare coins, the number one investment diversification of our time. By the time you have finished reading our book, we hope you will know what makes rare coins such a good investment, why they have always been the best long term investment, how to get the expert advice you will need to buy and sell them properly and profitably, where rare coins should fit into your overall investment portfolio as the perfect diversification of your overall portfolio, and much, much more. You will be able to plunge into the market with more confidence, and, more importantly, with unfettered success and avoid the constant danger that arises when well intentioned investors are ill-informed. To paraphrase Dr. William F. Sharpe, in this book we will:

1. Bring good advice to those who do not have it.
2. Bring objective advice that you can trust.
3. Bring you advice that makes a difference.

The question you are probably asking yourself right now is: Why rare coins? If you are like most people, you are more familiar with stocks and bonds, treasury bills, bullion, real estate, and a host of other more common and more popular investment options. Chances are even that you have never thought about putting any of your investment money into rare coins. Why, then, should you read this book? What is the point of learning what you need to know about an asset you might never have even heard of?

The answer is simple: You are not like most people, and you are willing to consider alternative investment diversifications. And rare coins, American rare coins, are one of the best investments to be found anywhere in the world today! And for the long term, they have been for over thirty-five years that we can prove, and probably longer. Rare coins have consistently outperformed virtually all the other, better-known diversification assets, including all those mentioned above and many that were not. They are now and remain one of the best means of long term diversification. We feel they are the undisputed best option for financial diversification within a complete investment portfolio that exists and we are prepared to prove it.

Additionally, American rare coins are a superb defense against all kinds of extreme economic uncertainty. As a matter of historical fact, the immigrant Dutch Numismatist Hans Schulman himself loaded his rare coin inventory into a suitcase with his automatic pistol, and ran for his life to the United States when the Nazis invaded France in 1939. I am personally not aware of a more graphic example of surviving terror physically and financially intact.

The fact is, all rare coins have been lacking is someone to spread the word. The absence of hard information remained for many years the single most important reason why many Financial Planners - and investors - excluded rare coins from otherwise well-rounded portfolios. This circumstance is virtually unique among major investments. Stocks and bonds, bullion, etc., have never historically lacked for spokesmen. Countless experts have devoted millions of pages to them, in books, magazines and newsletters. And there have been hundreds of books written to guide the lay person - as well as the professional - through the ins and outs of financial planning and investment strategy. To date, there has not

been a real comprehensive guide to rare coin investments — a void we are going to attempt to fill herein. While for years the stock market has issued tables that track the price movements up and down on each of the stocks on the Exchange, there has been no similar way to compare the long-term relative performance of one coin versus another until recently.

With the publication of the second edition of this book, we present again the investment record of every type of business strike coin issued by the United States mint, a category representing a substantial amount of the coins on the market. With this guide, every investor with a passion to know the facts will now be able to look over the complete menu of coin issues, study their past performances, and, according to his tastes and available funds, acquire a portfolio of rare coins that should appreciate competitively with other types of investments in the years to come.

The timing of the book's publication is fortunate, as the rare coin market may be positioned for yet another period of unprecedented gains and record profits; indeed, the boom is already underway for several years, and in fact, rare coin price have risen substantially in 2006. Now more than ever, with all the exceptional investment opportunities rare coins offer for the future, investors, financial planners and other professionals need all the information they can get.

That is where this book comes in. What will you find in these pages? In the chapters that follow, we are going to show you how to intelligently and conservatively invest in rare coins. We will demonstrate why the rare coins you purchase not only belong in your well-rounded investment portfolio, but why they actually may be the most dependable portion of that portfolio. You will see how, through good times and bad, United States rare coins have outperformed all other forms of investment in the long run and how their future was never as bright as it is today. This is why rare coins make perfect sense as the diversification to your otherwise well rounded investment portfolio.

The U.S. Mint reports that there are 130 million Americans collecting State Quarters. That is one out of every three people, an unprecedented number of collectors. The mint has sold \$200 million worth of coins on its website alone and coins are the number one product category on Ebay today. The result of factors such as these is an unprecedented increase in the American public's awareness of the rare coin trade.

Chapter One presents a concise history of coins and coinage, from primitive times to the present.

In the second chapter, we will look into the advantages of rare coins; some of the things that make rare coins such a solid and profitable investment: supply, demand and quality; historical significance; their status as collectibles; bullion content; low cost and easy management; and high liquidity. Chapter Two also reviews the five major advantages of rare coin investment, including: - Investments in rare coins have favorable tax treatment from the government, since they are tax-deferred: No taxes are paid until they are sold, and then they are taxed at the low capital gains rate.- They are extremely liquid. Thousands of coin dealers, private collectors and auction houses throughout the world trade in coins on a daily basis.- There are no government registration requirements for rare coins as there are for the purchase and sale of bullion coins, as well as for stocks, bonds and other forms of regulated investments. Rare coin purchasers are thus assured of anonymity of ownership.- There is a rapidly increasing demand for rare coins coupled with an ever-decreasing supply, two elements which almost guarantee the future price appreciation of rare coins over the long

term.- Coins are easily transportable and can be stored inexpensively and safely in a safe deposit box.

Add them all up and you can begin to see the many advantages inherent in rare coin ownership. Chapter Two also provides an analysis of market cycles and delves at length into the most important aspects of rare coin investment - popularity, rarity, and supply and demand. For those who can not resist the allure of precious metals which we also love, Chapter Two also includes a look at the pros and cons of bullion investment as it relates to coins.

Chapter Three shows how to go about the actual process of investment. Here you will find the ten commandments of rare coin investment:

1. Buy the best quality you can afford
2. Diversify
3. Buy coins that you can sell
4. Seek professional help
5. Make your purchases from a reputable dealer
6. Do not overpay
7. Become as knowledgeable as you can about your investments
8. Take delivery of your merchandise
9. Carefully store and insure your portfolio
10. Buy and hold.

Chapter Four will explain grading and authenticity, rarity and the establishment of value, and how that effects rare coin value.

Chapter Five will explain planning a portfolio and the nine rules of strategic investment.

Building further upon that data, Chapter Six presents the complete universe of choice-quality United States type coins, and their investment records over a period of fifty years, from 1955 through 2005. Every type of coin issued by the United States Mint from 1793 to 1965 is listed, illustrated and annotated with dates of issue, metal content, size, weight, designer's name, investment comments and price appreciation record in fifty, thirty, twenty and ten-year intervals. Based on these results, you and your Numismatist will be able to select the coin or coins that will satisfy your investment goals. And you will not have to lose sleep over how they will do in the short term because all coins should be purchased and put away for the long haul.

The seventh chapter presents our original research, a fully documented and copyrighted study by Neil Berman and Dr. Jason Perry, Financial Economist of the Federal Reserve Bank of Boston, examining the famous original Solomon Brothers Report, which we have brought up to date, and rare coin portfolios by Silvano DiGenova and Neil Berman on the one hand, and on the other hand the complete history of rare coin investments by specific specialty area of the coin market as shown by the charts of the Collectors Universe CU3000, the original, copywrited yearly study of the Professional Coin Graders Service (PCGS), which has been compiled each year starting in 1970 by Numismatic Scholar John West Dannreuther and Numismatist David Hall, which we reproduce and use here with their permission.

The results? Viewed across the long haul and just as an example, rare coins ranked among the best investments. Over a thirty-five year period starting in 1970 coins produced an annual gain of 9.12%, the best long term investment. And from 2000 until 2005, an annual gain of 8.86%, second only to Oil, proof those coins are your best hedge against inflation and your best chance for growth of capital. The eighth chapter describes the early gold coins that comprised the

portfolios designed by Silvano DiGenova and Neil Berman, on a coin by coin, date by date basis including an exact census of all the know survivors of the coins studied by the authors from the PCGS and NGC census and carefully charted by Dr. Jason Perry.

At the outset, let us make it clear that rare coins bear little relation to gold bullion or there cousins the gold bullion coins, such as the popular American Eagle, Canadian Maple Leaf, South African Krugerrand or Mexican Fifty Pesos, except perhaps that that they are all round. In 1985, while the price of gold and silver bullion went south, prices for many rare coins advanced twenty-five to fifty percent. In addition, there is a dire shortage of top quality coins in today's hot coin market since 2000, which has only served to drive coin prices even higher.

But nothing exists in a vacuum, and you can't hide a good thing forever. So, the smart money at some pension funds and large institutions has been quietly moving into rare coins. These sophisticated professionals, faced with lack luster interest rates, and seeking to diversify into a proven investment area with solid long-term gains, have taken positions in rare coins, which have helped to fuel the hefty price gains in the rare coin market.

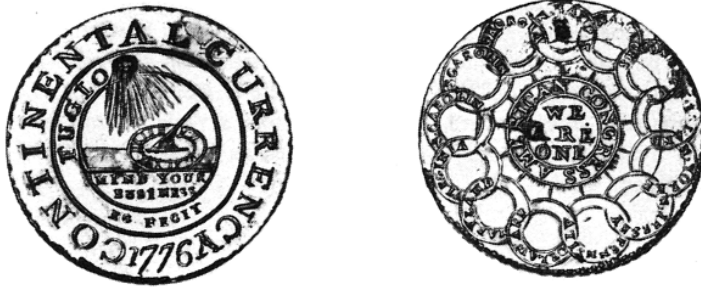
The job of selecting the coin or coins for your initial investment does not have to be an imposing one. In fact, it can be quite simple. The reason for this is that the coins are known as "type" coins, or the most common date coins of every type issued. They are the always the most frequently found coins of their kind or type. For simplicity and consistency, all of the coins listed are choice Uncirculated, the highest grade coins commonly available. No expert numismatic knowledge is required to select any of them so long as they are in pristine condition and are certified by one of the two recommended coin certification services, but more about the specifics in the body of this book. Results like these will surprise even sophisticated coin investors who have been led to believe that only the high-priced coin rarities make the best investments.

Chapter Nine continues with additional coins for investment and samples for portfolios. In Chapter Nine you will discover something else as well - something vitally important to you as an investor. While coins have traditionally done well primarily during periods of inflation, they now seem to post strong gains no matter the economic picture. This is unprecedented; but there is a reason. As you will see in this chapter, signs of impending financial disaster are all around us. And while we are both short term and long term optimists about America's financial future, the budget deficit is out of control; and, despite government forecasts to the contrary, the truth is nobody really knows where the economy is headed. In Chapter Nine, we will look at the economic waters in which all your investments will have to sink or swim, including such possible future market conditions as a devalued dollar, higher interest rates, and a crushing inflation. This way, you will be able to position, not just your rare coins, but your entire investment portfolio within a realistic, reasonably accurate context.

Are we forecasting the end of the world? No, not even close, but at times like these, investors need something on which they can depend and which is under his own physical control; an investment that has almost always improved, or held its own; an asset with a strong, solid, realistic market, and ever-increasing opportunities for growth.

That is why, at this point in time, as in the past, nothing can stop rare, top-quality, gold and silver United States coins: they are the only investment that fills the bill over time. But, as we said, you do not have to take our word for it. Before getting into the ABCs of rare coin investment, let us look at the facts...

Historic U.S. Coins



CONTINENTAL DOLLAR, 1776

With the advent of the American Revolution, the Continental Congress proposed coining a Continental Dollar. Coins were struck in pewter, brass and silver as patterns (coins meant only to test the proposed design and not meant for circulation). The obverse shows the rays of the sun striking a sundial, with a legend reading: "Continental Currency 1776; Fugio; Mind Your Business." On the reverse is the legend, "American Congress, We Are One," surrounded by an endless chain of 13 links, each inscribed with the name of one of the original colonies. The chain motif was used again later on the first U.S. Large Cent. Surviving specimens of the Continental Dollar are extremely rare.



FUGIO CENT, 1787

The Fugio Cent was the country's first federally sanctioned coin and the first coin to bear the name, United States. Similar in design to the Continental Dollar of 1776, it was also known as the Franklin Cent, as the motto: "Mind Your Business," as well as the chain design of 13 links, are believed to have been created by Benjamin Franklin. The word "Fugio" means "time flies." Most of the copper for the Fugio Cents came from the copper bands which held together the kegs of gunpowder sent to America by the French during the Revolutionary War.