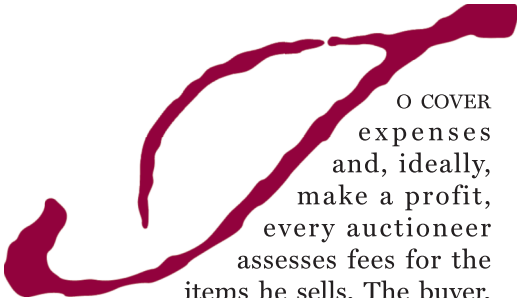


Signing on the Dotted Line

*Terms, commissions, reserves, certification fees—
all can be part of a typical auction contract.*



TO COVER expenses and, ideally, make a profit, every auctioneer assesses fees for the items he sells. The buyer, and sometimes the consignor, is charged a commission, the amount of which depends on the consignment's value to the auctioneer and, of course, what is being sold.

A buyer at a public auction usually pays 10 to 20 percent above the purchase (or “hammer”) price, depending on the auctioneer, the type of merchandise offered, and who the buyer is. This commonly is referred to as the “buyer’s premium.” The consignor also may be required to pay an additional 5- to 15-percent commission, based on the type of items he is offering for sale, the value and terms of the consignment, and how much work is involved in selling it. In the case of larger, more valuable collections, the consignor often receives the full hammer price, and no consignor’s commission is required.

The consignment terms typically outline the commission structure and any other costs and stipulations, such as money advanced to the consignor prior to the sale; the lowest price (or “reserve”) the consignor will accept for an item or group of items; and certification of the consignor’s coins. If the consignor forgoes a cash advance, the auctioneer can, and often does, lower his commission.

An item that does not sell is described as “bought in” and remains the property of the owner. However, the consignor still must pay the auctioneer a “buy back” commission to cover the

costs of listing the piece in the catalog and other related expenses. Sometimes the auctioneer offers to buy any unsold coins so the consignor is not stuck with a handful of odds and ends at the close of the sale.

If a consignment is particularly desirable (i.e., likely to bring a substantial amount of money), the auctioneer might actually pay the consignor all of the hammer price and part of his seller’s commission. For example, if the auctioneer agreed to pay the consignor

do not sell).

If the coins are to be previewed at various coin shows, the auctioneer foots the bill. In the unlikely event a coin is lost or stolen prior to the sale, the auctioneer’s insurance company will pay the consignor for his loss based on the previously agreed value.

Virtually all major auction houses will arrange to certify the consignor’s important coins (or any pieces exceeding a certain value), as encapsulated specimens tend to bring higher



102 percent of the hammer price, a coin that sold for \$150,000 ultimately would net the consignor \$153,000.

Prior to signing a contract, the consignor and the auctioneer review the coins one by one and determine an insured value for each. The seller should confirm that the auctioneer insures the consigned coins, from the time he takes physical possession of them to their delivery to the buyer (or their return to the consignor, if they

bids. The cost of certification is borne by the consignor (generally reducing the commission rate), unless other arrangements are made prior to signing the contract.

Although commission rates and sales contracts may seem cumbersome or daunting, they exist for good reason. They protect buyer, seller and auctioneer, and ensure a smooth auction experience.

berman@money.org