



ALL THAT GLITTERS: INVESTING IN GOLD AND RARE COINS

by Texas Attorney General Greg Abbott

FOR CENTURIES, GOLD HAS BEEN one of the world’s most popular investments. Long considered an investor’s “safe haven,” gold offers consumers diverse investment opportunities, including: traditional purchases of bullion gold bars or coins; electronic trades in gold futures; and investments in gold mining companies.

The glitter of gold, however, often attracts scam artists who simply want to separate investors from their money. As with all investments, consumers considering gold and gold coins should study the market carefully to avoid falling victim to high-pressure sales tactics.

Many consumers, particularly senior citizens, have been deceived into using their life’s savings and other assets to buy coins priced at least three times their fair market value. The Office of the Attorney General has received complaints from consumers who spent thousands of dollars each to purchase “rare” gold coins that sellers claimed would double or triple in value in a very short time.

According to the Federal Trade Commission, the value of bullion coins is determined primarily by their gold or silver content, rather than by rarity or condition. Bullion coins are bought and sold worldwide at prices

that change daily, depending on world markets.

Fraudulent sellers often overprice their bullion coins or mislead consumers into purchasing imitation metals created by fraudulent “mints.”

Aspiring gold and rare coin investors should carefully evaluate any investment claims. Knowledgeable coin collectors, known as numismatists, often research coins and dealers for some time before buying even a single coin. Investment gains in the gold and rare coin market are often the result of careful scrutiny of a coin’s quality, rarity, market availability and price.

Always compare grade and value with other dealers before making a selection. Investors should also review the seller’s refund policy and be sure to get all other terms of sale in writing. Consumers may contact the Attorney General or the Better Business Bureau before making a purchase to find out if there are complaints against a particular seller.

Investors should also check the grade of the purchased coins with an independent certification service. Fraudulent sellers often inflate the grade of the coins they sell, thereby inflating the price. A third-party grading service can help investors determine the quality and value of coins.

Be wary of high-pressure sales pitches where sellers insist on an immediate decision or promise high rates of return. These tactics are commonly used by con artists to coerce investors into making uninformed purchases.

Before making any investment, especially a sizable one, consumers should consult a trusted individual, such as a financial adviser or other professional who can provide a realistic outlook on various investment options and their expected rate of return. There are also several nonprofit coin dealer associations, such as the American Numismatic Association, that offer tips on selecting a reputable seller who adheres to the association’s ethics and arbitration guidelines.

Finally, all consumers should be cautious when providing financial information, including credit card numbers, to salespersons, particularly over the telephone.

Investing in gold and rare coins is much like any other consumer purchase: if it sounds too good to be true, it usually is. When investors take time to study the market and acquire coins with selected quality and proven rarity from reputable dealers, all that glitters may indeed turn out to be gold.

POINTS TO REMEMBER



INVESTING IN GOLD AND RARE COINS

- Consult an investment professional to discuss market trends and return rate expectations.
- Evaluate investment claims carefully and be cautious of high pressure sales pitches or promises of rapidly rising values.
- Compare grade and value with other dealers and get the seller’s return policy in writing.
- Check the grade of purchased coins through an independent certification service.

For more information on coin collecting, grading or other information:

American Numismatic Association
818 North Cascade Avenue
Colorado Springs, Colorado 80903-3279
(800) 367-9723

To report a fraudulent seller or other investment scam, contact the Office of the Attorney General at (800) 252-8011 or file a consumer complaint online at www.oag.state.tx.us.



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