



NOTICE OF CHANGE IN MEETING DATE: OUR NEW MEETING DATE GOING FORWARD WILL BE THE THIRD MONDAY OF EACH MONTH.

In this issue of our newsletter, we have another great article from Jeff Garrett on the subject of "Million Dollar Handshakes." **Our next meeting will be held on Monday, June 16, 2014 at 6:30 PM in the Bronte Bistro at Joseph-Beth Booksellers in Lexington Green.** As a reminder, they have asked that we not bring in outside food or drink when attending the meetings. Instead, we are welcome to stop by the bar on the way into the meeting room to purchase soft drinks, coffee, or food items.

DOOR PRIZE TO BE GIVEN AWAY!

You won't want to miss this meeting! Jeff Garrett at Mid-American Rare Coin will be donating another door-prize item to be given away. Also, Jeff has a really nice deal for any club members who would like to become members of the American Numismatic Association. Jeff will pay half of the first year's basic membership dues for any club member who wants to become a new ANA member. Several of our club members have already taken Jeff up on this deal. The ANA offers members many outstanding benefits including discounted coin insurance, life insurance, library use, on-line delivery of The Numismatist Magazine, and a great convention each summer.

MILLION DOLLAR HANDSHAKES

By Jeff Garrett



Around this time of year my bank requires an annual review of my credit line. They want my last two years of tax returns both personally and corporately. I need to provide a detailed personal financial statement and information about recent activity in my company. The information is reviewed carefully and hopefully sometime in July my credit line will be renewed. This is an annual occurrence and this is with a bank that I have been with for over thirty years! I have actually had the same checking account number for the same time period. You would think they trust me by now.

Contrast this with the credit environment at a typical coin show or auction. I can safely state that I could easily do a million dollar deal with credit involved on a handshake. No messy paper work, financial statements, or tax returns involved. My thirty years in the business counts for much more in the numismatic industry than it does with a financial institution. A coin dealer's word is one of their most valuable assets. Many rare coins deals involve large sums of capital and the parties need to know they can trust one another. The coin business is quite large but most of the long term players know one another. The same can be said for many long time collectors. I would have no problem sending a \$25,000 coin to someone I have dealt with for years.

Credit in the coin business is a very important part of the industry. When Heritage Auctions conducts a \$50,000,000 sale, much of that business will be done on terms. Years ago the standard in the industry was to get 30 days interest free to pay for auction purchases. In recent years that has been modified by most companies to 15 days interest free or 45 days for a 1% fee. The auction companies typically pay consignors in 45 days so they are picking up an extra

point in fees. Every little bit adds up when selling hundreds of millions each year at auction.

Years ago most auction houses were pretty loose with credit. This had predictable consequences and many auction houses lost considerable money when the market would decline. Bad credit from customers is one of the reasons I exited the auction business 25 years ago. From what I can tell, the auction houses have all become more sophisticated and they monitor credit much more carefully. This can be a huge task when conducting a large sale. The credit manager at Heritage has my deep admiration.



Any collector purchasing large amounts of coins needs to understand how credit in the numismatic industry works. I have seen more than a few passionate collectors purchase coins on credit cards when they felt they absolutely had to buy a certain coin. More than a few had to pay the credit cards back in installments with huge fees attached. These same collectors could probably have purchased the coins from dealers with credit terms if they had asked. It would pay for any serious collector to establish credit well in advance with dealers who specialize in the material they collect. This way they can pull the trigger with less financial pressure when that “must have” coin shows up.

Occasionally when a blockbuster auction sale is conducted, the company will suggest to the consignor that extended terms be offered to preferred customers. Although the market for rare coins is quite large, auction companies feel that by offering extended terms dealers and collectors might bid more aggressively. It is not unusual to see terms of 30, 60, 90 days offered. This means you will owe 1/3 in 30 days, another 1/3 in 60 days, and the final payment due in 90 days. Remember, that these terms are only offered to rock solid clients, and if you are interested in this sort of arrangement you should contact the company well in advance of the sale.

A few times in the past there have been major sales with absolutely no credit involved. This is usually at the request of the consignors who have no interest in having an issue with getting paid. I remember bidding in the 1982 sale of the Eliasberg Collection conducted by Bowers and Merena. The economy was on the rocks and many dealers and collectors were having financial issues. There was no credit extended and you were required to have a letter of credit from your bank just to bid. When Dave Akers sold the Pittman collection in a series of sales in the 1990's, it was on a cash and carry basis- no credit extended. Both sales did well in spite of these restrictions, but that is definitely not the norm.

Another issue that seems to come up quite often is asking a dealer to accept your check during a coin show. At every convention I have absolute strangers coming to my table to buy coins. Many want to pay by check. Our company policy is to accept personal checks if we are provided with a solid reference. Hopefully this reference will be on the bourse floor for a quick check. Luckily, our casual acceptance of checks has been quite successful over the years. So far we have not experienced a loss from bad checks. One aspect that gives me some comfort when accepting checks is that local law enforcement usually takes bad checks very seriously. Prosecutors will put someone in jail for writing a bad check. They will not however help you if you have offered any credit terms. Regardless of the amount, this would be a civil offense and your only recourse is in the courts. No fun there!

As most long term players in the numismatic industry can tell you the business is a close knit group. If someone goes bad, the word spreads quickly. Unfortunately, there are a few bad apples in the business and everyone does their best to avoid them. The coin business is forgiving however, and it's surprising how some guys have deep financial troubles and a few years later are back in the thick of it. Years ago the dollar amounts were much smaller than today. I predict that many more in the industry will begin to adopt more rigid financial controls. The auction companies have already started this process and others are sure to follow.



Collectors should work to establish themselves in the industry. This will save considerable money and provide more acquisition opportunities. Even the richest collectors can sometimes have trouble moving money around for a purchase. Most rare coin companies will work with you if you have prepared in advance. Some may even offer generous terms cost free if asked. The business is competitive and credit is just one aspect of any transaction. The next time that really cool coin shows up you might reconsider how you pay for it!