

A Pretty Penny. The rare-coin market is hot, thanks to the Internet and soaring gold prices

Courtesy of:
Nick Timiraos,
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Dec. 18th - Six years ago, New York investment adviser Robert Beckwitt was looking for an alternative to the increasingly expensive equity market. While other investors were busy scooping up real estate, Mr. Beckwitt returned to an old love -- rare coins.

One of his first big purchases: a red 1909 Lincoln penny, part of the first issue of U.S. coins to include a portrait. Also featured on this particular coin was a feature that the mint removed from subsequent issues: the initials of the portrait's sculptor.

Mr. Beckwitt paid a New Jersey coin dealer \$10,000 for his pretty penny five years ago. His investment today has grown tenfold, thanks to a hot rare-coin market fueled by hungry collectors, greater transparency in the market on the Web, and the surging price of precious metals, especially gold, which earlier this year hit a 26-year high.

Indeed, the 48-year-old Mr. Beckwitt reflects growing ranks of wealthy baby boomers whose desire for alternative assets has led them to invest in a hobby they discovered as a child. Mr. Beckwitt, who started collecting coins at the age of 8, sorting for old pennies in bowls of spare change, says he owes his interest in coin collecting to his "love for the history and the idea of finding something rare."

Eagle Matters

Among collectors and investors at large, rising gold prices and publicity generated by record-breaking coin sales have piqued interest as well. In a 2002 auction, a 1933 double-eagle gold coin sold for \$7.6 million -- a price widely acknowledged by people familiar with the market as the highest ever paid for a coin in a public auction. The 1933 double-eagle coins were never issued, and nearly all of them were melted down during the Great Depression, after President Roosevelt discontinued the gold standard.

Perhaps the biggest boost to coin investing, though, has come from the market's greater transparency -- a state owed largely to the rise of Web sites that display price histories and sell rare coins inspected and rated by coin-grading services. The two major services, the Professional Coin Grading Service of Newport Beach, Calif., a unit of Collectors Universe Inc., also of Newport Beach, and Numismatic Guaranty Corp. of Sarasota, Fla., were established in the 1980s to reduce counterfeit coins and make the trading of coins more liquid by establishing uniform standards for grading. Collectors bring their coins to the services, which rate them on a scale representing poor to mint conditions, then seal them in see-through cases that state their grade.

What the collectors do with their coins after that is up to them. But many post them on various Web sites, some run by the grading services themselves, others run by hobbyist associations and coin dealers, where collectors and investors can admire, evaluate, buy and sell the coins online.

"There's more interest in coins now than there has ever been, and it's across the board," says the President of the Professional Numismatists Guild in Fallbrook, Calif., which is composed of various coin dealers, sets standards for coin trading and works as a kind of peer-review organization.

Heritage Auction Galleries of Dallas, the largest coin-auction house in the country based on revenue, expects its sales to double to \$575 million this year from \$225 million five years ago. And nearly one-third of its sales this year will come from the Internet.

Seats of Liberty

Online registries of graded coins -- which aren't always for sale -- tap into collectors' competitive sides and help drive prices higher for coins that are for sale. There are online contests, for example, in which grading services recognize, say, the most-complete collections of certain kinds of coins. The finest collection of late-19th-century Seated Liberty and Trade Dollars on the registry maintained by Professional Coin Grading Service, for instance, belongs to Bruce Morelan, owner of an electrical contracting business in Spokane, Wash. Seated Liberty dollars depict Lady Liberty sitting; Trade Dollars were used in trade.



The 45-year-old Mr. Morelan says that posting his coins in the PCGS registry, at www.pcgs.com, is like pushing his pennies into their cardboard display cases when he was a kid. "It gives you that same great feeling of accomplishment," he says.

Mr. Morelan is perhaps better known among rare-coin collectors as the purchaser last year of a 1913 Liberty nickel, of which only five are known to exist. The Philadelphia mint is believed to have coined only five before the design changed from the Liberty Head to the Indian Head, used from 1913 until 1938.

The price to Mr. Morelan: \$4.15 million, an amount considered by market experts to

be the second-highest ever paid for a coin.

Caveat Collector

A word to the wise for newcomers: Rare coins can hold dangers for novice collectors and investors. One can run into counterfeit coins, as well as disreputable dealers pushing low-quality coins that have little resale value. Collectors can protect themselves by buying from dealers who are members of the Professional Numismatists Guild or the American Numismatic Association and by buying coins that have been certified by one of the two professional grading services. Experts also warn that grading and pricing are separate issues. Just because a coin has been certified doesn't guarantee the seller is asking a fair price.

The market presents other risks, as well, for those who don't do their homework. According to the CU3000 Rare Coin Index, which tracks the 3,000 most actively traded coins, prices are up 1.3% year to date to Dec. 1 and about 11% for the past three years. But while many coins have produced strong returns, experts warn that, like stocks -- not every coin is a buy.

Gold prices, too, have fallen since reaching a 26-year high in May of \$719.80 an ounce. But many analysts believe those prices have room to rise, based on a weakening U.S. dollar and an uncertain global political outlook; gold is regarded as a safe haven in times of economic and political uncertainty. Goldman Sachs Group Inc. forecasts an average 2007 gold price of \$785; J.P. Morgan Chase & Co. estimates next year's average price at \$655.

All bets aside, experienced collectors say that newcomers who put together collections because they have a genuine interest in coins will be more successful than those who simply seek coins for investment profits. "If I don't make a dime, I still get all the enjoyment from my sets," Mr. Morelan says.

Some collectors compare their rarest coins with expensive works of art: Both have a value that transcends market worth.

"You can't sit in the bank with a stock certificate and a magnifier and go, 'Oh, wow,'" says Jay Brahin, 52, a Chicago stockbroker who since 2002 has assembled collections of early-20th-century \$20 gold pieces. Says Mr. Brahin: "The 'coin geek' has turned into 'coin chic.' "