

# *Precious Metals*

# **BUYING GUIDE**

*How to Ride the Bull Market in Physical Bullion without Being Ripped Off*



**INDEPENDENT LIVING BULLION**

*Discreet. Cost-Effective. Beginner-Friendly. Secure.*

# Precious Metals Buying Guide

Precious metals investors who make the decision to protect their hard-earned savings from inflation and financial turmoil are quickly confronted with the next choice – what form to buy. **Independent Living Bullion** representatives get lots of questions from customers bombarded by conflicting information on TV, the Internet, or elsewhere. Here is some guidance on how to make the right decision.

Right up front, we want to remind customers that the most crucial decision is whether to buy bullion or numismatic (aka collectible or rare coin) products. If you are an investor, the answer is bullion; numismatics are for speculators and collectors, not serious investors. The Spring 2011 issue of **Precious Metals Quarterly** explained the many pitfalls of rare coins. If you missed this feature article, call **ILB** at 1-800-800-1865 or visit [www.IndependentLivingBullion.com](http://www.IndependentLivingBullion.com).

## Why You Should Avoid Numismatic Coins:

- 1) The transaction costs and premiums for buying rare coins are dramatically higher than for bullion coins, bars, and rounds. Customers usually get screwed by the huge markups (and/or buy-back discounts) in the illiquid, specialized rare-coin market. That's why **ILB** has chosen to leave this field of play to other businesses.
- 2) Numismatics are no safer from government confiscation than low-premium bullion alternatives.
- 3) There are NO tax advantages to buying collectible coins. The IRS views all precious metals, including bullion, as “collectibles” for the purposes of calculating capital gains. Purchases and sales of bullion coins, bars, and rounds are not reported to the IRS except in the rarest of circumstances.
- 4) Trying to get the best price when it is time to unload your collectible coins may entail a lengthy search for the buyer who is looking for just what you happen to have. If economic conditions get tougher, this buyer may be very difficult to find at all. Even as more and more people search for a reliable store of value in the form of gold and silver bullion, fewer may be in the market for items like rare coins that are priced higher than their intrinsic metal value.

The transaction costs for physical precious metals are revealed by the “bid/ask spread.” This spread is the difference between the premium per coin or per ounce that a customer pays to buy compared to the premium (or discount) that a customer receives when selling. As with any investment, the lower the bid/ask spread, the better.

This is where bullion really shines versus collectible coins. Reputable dealers offer spreads on bullion coins, bars, and rounds in the range of 4% - 7%, depending on the particular

product and the quantity desired. Numismatic coins generally have spreads of 30% - 40% and often higher! That means as soon as you buy a collectible coin *you should expect it to be worth 30% - 40% less than you paid for it.* No savvy investor wants to be that far upside down on day one! **ILB** representatives have taken many phone calls from customers suffering severe cases of “buyer’s remorse” after sinking their savings into these illiquid rare-coin “investments.”

## Bullion Coins, Rounds, and Bars Are the Smart, Pure Play on Precious Metals

Now that we have established why it is so important to buy bullion rather than numismatic coins for investment, the next most important consideration is to stick with the most popular bullion forms. That is why **Independent Living Bullion** offers the most widely traded and familiar bullion products. Our coins, rounds, and bars are stamped with their weight and purity. They are produced by government mints or reputable manufacturers. This could be important when it is time to sell your metal back. Here’s why:

- 1) There is always a large and active market for these popular bullion forms. Virtually any dealer in the country (especially **ILB!**) will be happy to buy an American Gold Eagle from you and pay a fair price – on the spot and without question. Alternatively, if you have an off-weight and unmarked bar, or something outsized such as a 1,000-ounce silver bar, you may have more trouble selling it as quickly and getting a fair price. Many dealers cannot easily re-sell that sort of item.
- 2) It is easy to establish fair value. The most popular products trade near their “melt value” – the value of their metal content based on the current spot market price. There is no uncertainty. When it is time to sell your metal, you can quickly and easily determine whether or not a buyer’s offer is fair.

## Bid/Ask Spreads – Popular Bullion Products

Silver – Based on a Spot Market Price of \$34.00/oz												
	Pre-1965 Dimes/Quarters				1 Oz Rounds				American Eagles			
Quantity	Buy Premium	Sell Discount	Spread	%	Buy Premium	Sell Premium	Spread	%	Buy Premium	Sell Premium	Spread	%
500 Ozs	\$0.99	-\$0.80	\$1.79	5.26%	\$1.75	\$0.00	\$1.75	5.15%	\$3.60	\$1.80	\$1.80	5.29%
2,500 Ozs	\$0.85	-\$0.80	\$1.65	4.85%	\$1.50	\$0.00	\$1.50	4.41%	\$3.25	\$1.80	\$1.45	4.26%

Gold – Based on a Spot Price of 1,750.00/oz												
	1 Oz Bars				Australian Kangaroos				American Eagles			
Quantity	Buy Premium	Sell Discount	Spread	%	Buy Premium	Sell Premium	Spread	%	Buy Premium	Sell Premium	Spread	%
10 Ozs	\$62.00	-\$10.00	\$72.00	4.11%	\$75.00	\$5.00	\$70.00	4.00%	\$95.00	\$25.00	\$70.00	4.00%

Numismatic Coin Spreads Confiscate Wealth			
1924 \$20 St. Gaudens Gold Coin (0.9675 oz) MS-63			
Buy Price	Sell Price	Spread	%
\$2,450.00	\$1,900.00	\$550.00	31.43%

Initial Investment of \$100,000, Spot Market Price = \$34.00/oz			
Ounces Purchased	Pre-1965 Dimes/Quarters Total Buy Price = \$34.85/oz	1 Oz Rounds Total Buy Price = \$35.50/oz	American Eagles Total Buy Price = \$37.25/oz
	2,869	2,817	2,684

Price per ounce includes premium shown above.

As with metals prices, premiums are subject to change.

\$100,000 Investment Liquidated, Spot Market Price = \$60.00/oz			
	Pre-1965 Dimes/Quarters Total Sell Price = \$59.20/oz	1 Oz Rounds Total Sell Price = \$60.00/oz	American Eagles Total Sell Price = \$61.80/oz
Holding in Ozs	2,869	2,817	2,684
Value	\$169,845	\$169,020	\$165,871
\$ Gain	\$69,845	\$69,020	\$65,871
% Gain	69.85%	69.02%	65.87%

Price per ounce based on sell discount/premium shown above.

The final consideration is how to choose exactly which round, bar, or bullion coin to buy. Please note that this consideration is *far less* crucial than those mentioned earlier. If you avoid paying way too much for dubious collectible coins and stick with popular bullion products, your investment will allow you to capture essentially all the gains that can be had in the gold and silver markets. That said, we believe you can best secure those gains by buying whatever option offers the lowest premium at the time of your purchase.


We expect the metal itself to produce outsized returns. So the name of the game is to acquire *as many ounces as possible* today and let those ounces go to work for you.

To illustrate, take a look above at this hypothetical scenario, based on **ILB's** sell pricing and buy-back pricing as of early November 2011.

As this example demonstrates, even though an investor can expect Silver American Eagles to be worth \$2.00-\$3.00 more per ounce more than the pre-1965 90% silver coins when it is time to sell, he would enjoy higher gains if he bought the pre-1965 coins because he would acquire more silver

ounces for his money. In an alternative scenario wherein the sell-back premiums on American Eagles rose by \$2.00, enabling one to pocket nearly \$64 per ounce (instead of just under \$62/oz.), the investor would end up with \$171,239 – surpassing the total return on junk silver. But sell-back premiums on pre-1965 “junk silver” could rise, too – markedly so if there is a run on the physical market.

To summarize, we think precious metals investors will do best by following these guidelines:

- 1) Stick with bullion coins, bars, and rounds.
- 2) Buy the popular bullion forms. Avoid un-marked, off-weight, or oversized bars and rounds.
- 3) Buy whatever offers the lowest premium in order to accumulate as many ounces as possible. Call **ILB**, or visit **www.IndependentLivingBullion.com** for live pricing and current premiums. 

**To Buy or Sell,  
Call 1-800-800-1865**

# Top Silver Products



*1-oz Silver Rounds*



*Pre-1965 90%  
U.S. Silver Coin Bags*



*100-oz Bars*



*American Eagles*



*Canadian Maple Leafs*

**Visit our Website**  
[www.IndependentLivingBullion.com](http://www.IndependentLivingBullion.com)  
**For a Complete Listing**

# Top Gold Products



*1-oz American Eagles*



*Australian Kangaroos*



*1-oz Perth Mint Gold Bars*



*1/10-oz Lady Liberty Rounds*



*South African Krugerrands*



*Canadian Maple Leafs*



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