



Peter Schiff Exposes

# CLASSIC GOLD SCAMS

AND HOW TO AVOID GETTING RIPPED OFF

- The Bait and Switch
- The Confiscation Con
- The Numismatic Hype
- The Proof Set Rip Off
- The Leverage Trap
- and much more

**If you are thinking of buying Gold or Silver coins you MUST read this Special Report before you buy. The market is filled with nasty surprises... Don't be caught off guard!**

# *About this Report*



Euro Pacific Precious Metals was founded with a purpose: to make gold- and silver-buying as simple and transparent as possible. With so many new buyers coming into the marketplace, there is ample opportunity for dishonest firms with big advertising budgets to lure and take advantage of investors who are making an otherwise smart decision – to invest a portion of their assets in physical precious metals. With a strict policy against selling complex products like numismatics, we hope that gold and silver buyers like you come to see our firm as a trustworthy ally in your pursuit of the best return on your investment.

Our CEO, Peter Schiff, has spent a quarter-century on Wall Street striving to deliver the best value to his clients. He has long recommended investors keep 5-10% of their portfolios in physical precious metals, but also heard horror stories of buyers falling in with the ‘wrong crowd’ of bullion dealers.

So, partnering with industry-veteran Michael Freedman, he decided to open his own precious metals firm with his name on the door. Peter zealously defends his record of accurate economic analysis and fair-dealing, so it’s no surprise that Euro Pacific Precious Metals has quickly gained a reputation for competitive prices and ethical business practices. And, in doing so, has become a major player in the bullion industry.

In keeping with our tradition of education and service to the everyday investor, Euro Pacific Precious Metals has issued this Special Report detailing all the tricks, traps, and scams that can befall gold and silver buyers. Our hope is that this report saves you a lot of costly trial-and-error, and proves why no asset class in history has ever out-classed plain old gold and silver bullion.

Good luck, and good gold!

## WELCOME TO GOLD-BUYING 101

As more investors add gold and silver to their portfolios to protect themselves from a declining dollar and looming inflation, hundreds of companies have sprung up offering dubious and often even dishonest programs for investing in precious metals. These firms confront investors with a bewildering array of murky products, designed mainly to separate inexperienced investors from their hard-earned money.

Using tactics such as bait-and-switch and high-pressure salesmanship, these companies take unfair advantage of the growing enthusiasm for gold and silver by selling products that are poor investments, often containing very little gold or silver, or sold at prices that are many times the value of the coins' precious metal content.

In this report, we'll expose all the most common scams so you can buy like a pro. You'll learn how, like magicians, unscrupulous gold dealers use sleight of hand and fantastic claims to confuse you and make your savings disappear. Armed with this knowledge, you'll be able to successfully – and profitably – crash proof your portfolio by buying the right kind of gold and silver at a fair price.



## WHAT'S THIS FUSS ABOUT RARE COINS?

Let's get one thing straight: very few gold dealers around today make their living selling **bullion coins**. They often advertise these coins (American Eagles, Canadian Maple Leafs, Australian Kangaroos, etc.) at low prices to attract buyers, and *sometimes* you can actually get them to sell you bullion coins at the advertised prices.

### THE BAIT-AND-SWITCH

But the reality is that these coins are just used as *bait*. Most dealers' goal is to get you on the phone, where their 'boiler room' brokers will try several arguments to get you to *switch* from bullion to **rare coins**, also known as **numismatics**.

The first and simplest claim is that rare coins are a better investment on their own merits than plain, old bullion gold. But just like buying an Armani suit is not an investment in wool, numismatics are not an investment in gold. The truth is that rare coins are a speculative (read: very risky) investment, and one that is particularly ill-suited to the next 5-10 years.

But even more sophisticated arguments should be taken with a grain of salt. When dealing with many gold dealers, you have to remember that their brokers are trained to dupe customers. Many firms will hire hundreds of junior brokers and only keep the select few who make the highest commission on each sale. Since bullion coins are a low-margin product, the brokers who sell their customers the best value coins are promptly fired. The ones who excel at deception earn hundreds of thousands of dollars – *of your money*.

Unless you are a very serious collector who has substantial knowledge of the numismatic world, here are five reasons you should avoid numismatic coins:

### 1: THE COMMISSIONS ARE EXTREME

If you're buying a numismatic coin, you will not be paying a fair price for the bullion contained in the coin. Dealers sell numismatics at prices of **30-50% or more** over the coins' bullion value, and a large chunk of that will simply go into the dealer's pocket.

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A serious collector might buy a truly rare coin for double, triple, or even many multiples of the value of the metal it contains because he values its rarity and/or beauty. But, for the average investor, numismatic coins are on par with stamps or baseball cards.

Sure, the coins' metal content will provide a floor to their value that stamps and baseball cards don't have, but the gold value is typically only a fraction of the retail price of a numismatic coin. If you pay twice the bullion value to buy a rare coin, bullion could *double* in value and you still might not be able to sell your coin for a profit. If you buy a regular bullion coin, the gold price only has to rise a few points above spot before you profit.

Firms pushing numismatics may say the spread of the coin they're selling you is only, say, 35%. That means they will buy your coin back for 35% less that you bought it for. Not so good. But consider this: with a 35% spread, the coin actually must appreciate 55% for you to break even. One firm says that this is okay, because investors should hold coins for 3-5 years. But why would you want to wait 3-5 years just to break even? With that kind of return, you might as well put the money under the mattress.

In short, if you are buying numismatic coins, chances are you're making a fast-talking salesman very rich at your expense.

## 2: THEY'RE HARD TO LIQUIDATE

Even if your rare coin does appreciate, good luck trying to sell it. While bullion coins are accepted at near spot price around the world, there is no ready

market for numismatics. You could try selling the coins back to your dealer, but chances are he'll offer much less than what you paid. eBay doesn't work because the buyer can't verify that the coin is actually rare. And it's nearly impossible to sell them to the general public, as you probably don't have the persuasive power of the fast-talking broker who sold the coins to you.

Experienced collectors do their trading at coin shows, but a novice investor is sure to get a bad deal there. A few off-hand questions and the coin trader will know that you're in over your head.

By contrast, bullion coins are easy to sell anywhere in the world. And even better, you can barter them locally for the stuff you need – food, clothes, a roof over your head – *even if the other guy isn't a coin enthusiast*. In other words, bullion is money.

One of the characteristics that makes gold and silver money is their uniformity – meaning each coin is the same as every other coin of the same weight. Diamonds, which are not uniform because they vary in clarity, color, etc., are not money. Numismatic coins, which vary in rarity, condition, date of issue, etc., are also not money.

Bullion gold coins will always have value to your fellow Americans, while paper dollars have less and less. As the dollar declines, the price of gold and silver will continue to rise, reflecting the stable purchasing power of the precious metals. What's more, in a volatile environment, bullion will carry a premium for being reliable and widely accepted money – just as the US dollar does now.

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As a matter of business policy, Euro Pacific Precious Metals does not offer numismatics, collectibles, or gimmicks. We offer only well-known, extremely liquid pure bullion gold and silver coins and bars at competitive prices.

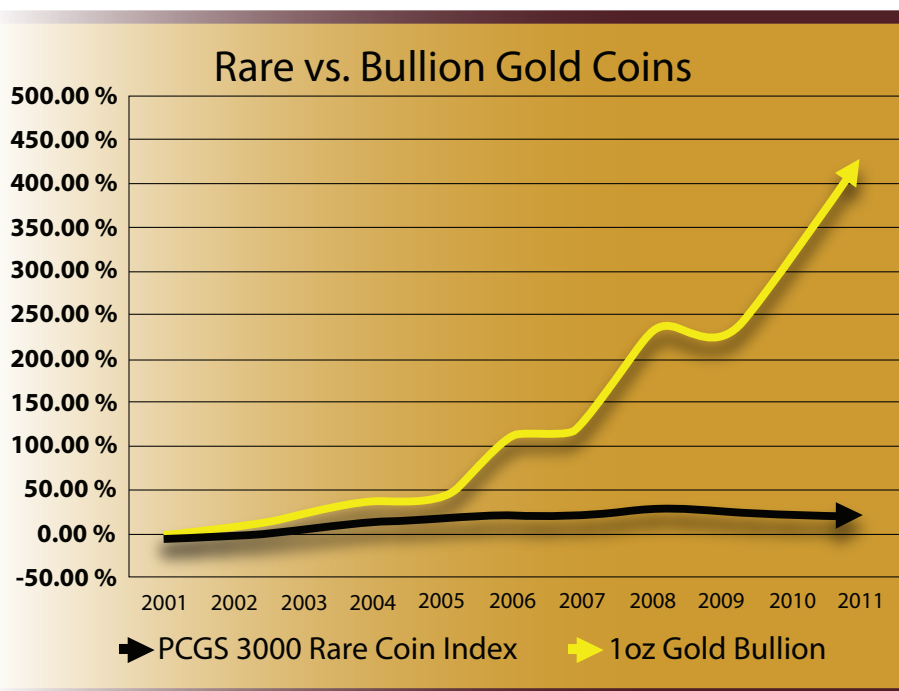
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### 3: THE CHARTS ARE COOKED

Numismatics salesmen might show you a chart comparing the performance of rare/numismatic coins against regular/bullion coins. Of course, the chart shows the numismatics performing much better. But these graphs almost always track particular rare coins which are cherry-picked with the benefit of hindsight. For every one rare coin that outperforms, there could be ten that severely underperform. Only afterwards would you know which coin you should have bought. Comparing the wide index of rare coins issued by the Professional Coin Grading Service (PCGS) against the spot price of gold bullion shows that over the past decade, rare coins have appreciated only 36% while bullion gold has appreciated 445%! Numismatics have in fact missed most of the gains of the last decade. And this comparison omits most numismatic dealers' high mark-ups – which could more than wipe out the meager gains for retail investors.



### 4: CONFISCATION IS A CON

Some unscrupulous dealers won't even pretend that numismatics are a better investment (helps avoid lawsuits for fraud), but instead tell customers that only rare coins will be exempt from a coming "gold confiscation." This is based on a little piece of history taken way out of context.

In 1933, President Roosevelt issued Executive Order 6102, prohibiting the private holding of gold and requiring US citizens to turn over their gold bullion or face a \$10,000 fine (\$167,700 in today's dollars) or 10-years imprisonment.

For private citizens, the order listed the following exemption:

*Gold coin and gold certificates in an amount not exceeding in the aggregate \$100 [about 5 troy ounces at that time] belonging to any one person; and gold coins having a recognized special value to collectors of rare and unusual coins.*

Seizing on this "rare and unusual" language, many coin dealers try to convince unsuspecting customers that regular bullion coins are not safe, but that *their* rare coins would be exempt from a Roosevelt-style confiscation.

The reality is that almost all coins sold as "numismatic" by these dealers are really quite ordinary coins sold at high mark-ups to make them extra profits. If we were in 1933, the vast majority of these coins would absolutely not fall under the

definition of "rare and unusual."

As mentioned above, true numismatics are extremely rare or one-of-a-kind coins that collectors purchase for their historical and aesthetic qualities. These coins might retail for \$25,000 or more, while only containing \$1,400 worth of gold. Just like all art isn't museum art, all old coins are not numismatic. But even if you were buying a genuine rare coin to avoid confiscation, you would be wasting your money – because there isn't likely to be another confiscation.

In 1933, when Roosevelt issued his infamous order, the United States was still on a gold standard, meaning

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every 20.67 paper dollars could have been “redeemed by the bearer on demand” for a troy ounce of gold. Since Roosevelt had many public works projects to finance and wanted to lower real wages to drive employment, he confiscated gold and then raised the official gold price to \$35/oz. Thus, Americans instantly saw a 40% drop in value for the dollars they held.

It's important to note that confiscation was necessary to Roosevelt's plan *because we were under a gold standard*. Gold at that time was widely held

throughout the population. If Roosevelt had devalued the dollar without confiscation, then whatever savings Americans held in gold would have been immune from this hidden tax. Furthermore, many Americans likely would have redeemed whatever paper dollars they held in fear of another devaluation. This could have wrecked the dollar's viability as a currency.

These rationales no longer apply. In the aftermath of Roosevelt's and Nixon's dismantling of the gold standard, gold is no longer currency (though it is still money). Most Americans hold their savings in dollars and it is the only *legal tender*, meaning it must be accepted in payment of all debts. Thus, President Obama and his buddy Bernanke don't need to confiscate gold to devalue the dollar and finance excessive spending. In fact, the Fed has more than doubled the monetary base since the financial crisis started!

The bottom line is that unscrupulous dealers use the threat of confiscation as a scare tactic to get you to buy gold coins at mark-ups well above the spot value of the metal they contain.

### 5: NUMISMATICS ARE NOT CRASH-PROOF

Many people assume that the crash our firm's founder Peter Schiff wrote about in his original book, “Crash Proof,” was the credit crunch of October '08. They are mistaken. Though he did accurately forecast the economic events of 2008, his ultimate prediction was that these events would set into motion a larger crash to follow. That crash, the one he has been warning about for a decade, is a collapse of the international US dollar standard.

This is the crisis for which the smart money is preparing. The People's Bank of China, Reserve Bank of India, Goldman Sachs, Barclays Capital, John Paulson, Jim Rogers, and countless other big names are all protecting themselves from a global monetary breakdown by buying gold. But are they doing it with numismatics? Among the big players, the answer is universally no.

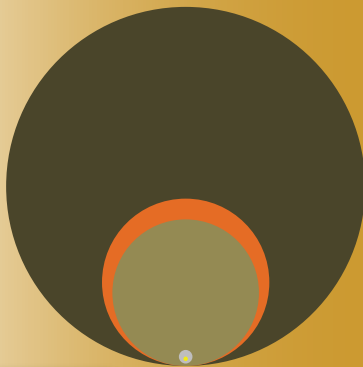
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### HISTORICAL NOTE

Even in the heat of Roosevelt's confiscation scheme, government troops did not break into people's homes. The singular prosecution under the order took place when a New York lawyer tried to withdraw 5,000 troy ounces from Chase Bank, and he wasn't even convicted! Ironically, all the gold actually collected by the Treasury was willfully surrendered in a wave of misguided patriotism, while many “law-breakers” simply kept their gold.

Gold has been prized throughout history for its high value-to-weight, making it easy to conceal and trade under tough political conditions. Consider: you could store enough gold to care for a small family for six months (approx. 9 ounces) on the inside of a belt buckle.

### Volume-to-Value Ratio



Smaller = Better

● Liquor ● Copper ● 9mm Ammo ● Silver ● Gold

## THERE'S A DIFFERENCE BETWEEN OLD AND RARE

Even if the economy recovered and reached new highs, most numismatic investors face another insurmountable hurdle: the coins they purchased are not actually rare. The firms pushing these coins tend to stock old coins like turn-of-the-century French Roosters, Swiss Helvetias, and British Sovereigns. But just because a coin is *old* doesn't mean it's *rare*.

While these coins may be beautiful, they are about as common as a can of Coke. Some firms have even coined new names for these coins... *semi-numismatics*. Issued during their respective countries' heydays, they were produced by the bucketload and shipped around the world – and a number of them are still produced today. In other words, there is no reason you should be paying any more for them than the value of their weight in metal.

Actually, the mark-up should be less because these coins are less well-recognized, and therefore less tradable, than the more popular American Gold Eagle, South African Krugerrand, and Canadian Maple Leaf. Many of these old coins were produced in irregular weights or purities. The standard today is a coin containing one troy ounce of gold and a purity above 90%. The popular coins mentioned above all meet these criteria; many old coins don't.

## THE MOST COMMON BULLION COINS [WHAT YOU WANT TO BUY]

### American Gold Eagle



- Mint: United States Mint
- Composition: 91.67% Gold, 3% Silver, 5.33% Copper
- Years of Minting: 1986 - Present
- Denominations: 1 oz, ½ oz, ¼ oz, 1/10 oz.

### American Silver Eagle

- Mint: United States Mint
- Composition: 99.9% Silver, 0.1% Copper
- Years of Minting: 1986 - Present
- Denominations: 1 oz. only



### Canadian Gold Maple Leaf



- Mint: Royal Canadian Mint
- Composition: 99.99% Gold
- Years of Minting: 1979 - Present
- Denominations: 1 oz, ½ oz, ¼ oz, 1/10 oz, 1/20 oz.

### Canadian Silver Maple Leaf

- Mint: Royal Canadian Mint
- Composition: 99.99% Silver
- Years of Minting: 1988 - Present
- Denominations: 1 oz. only



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If we enter into depression conditions, numismatics may actually drop in value while the gold price rises. As mentioned above, numismatic coins depend on the demand of collectors. Collectors are folks with plenty of discretionary income. When inflation is eating away savings and the economy is contracting, who are these mystery millionaires that are going to buy your stash of St. Gaudens' Double Eagles?

Chances are many collectors will also be liquidating their collections as they lose their jobs and their investments go south.

So, even if the stars align and numismatics manage to outperform bullion, you may find that you don't own any truly numismatic coins – only a bunch of bullion coins sold to you at rare-coin mark-ups.

## NUMISMATICS ARE FOOLS' GOLD

In short: the idea of numismatic coins as investments should be put to rest, once and for all.

Gold is a commodity. Bullion coins are pre-measured units of this commodity, stamped with a design as a quick signal of authenticity. Gold is also history's most reliable form of money, which makes it a good commodity to own when the world's paper money system is in upheaval.

The only people who should be buying numismatics are serious and knowledgeable collectors – those who appreciate the coins for their aesthetic value and take pleasure in owning them, and hope they may eventually see a financial reward. Casual investors, hoping to protect their wealth against recession, inflation and sovereign default, should avoid buying numismatic coins.





## WHAT'S THE STORY WITH COLLECTIBLE COINS?

What's worse than buying a rare coin that's not so rare? Buying a collectible coin that no one wants to collect! Rare coins usually carry at least some value above their bullion content, but coins marketed as "collectible" range from being major ripoffs to virtually worthless.

### PROOF SETS – THEY'RE ALL PACKAGING

A common collectible product sold to novice coin buyers is the "proof set." Many of these sets contain only legal tender coinage, which doesn't contain any precious metal content at all. Buying a package of uncirculated US coins from 1986 will leave you with an asset worth about 91¢. As before, the pitch is often that these coins have collectible value, but they really have little. Perhaps they may have some value in 100 years, but even that is questionable.

Once you get into buying proof sets of coins, you have moved far away from any investment objective. This is more the realm of buying Beanie Babies in the hope

that they'll appreciate. We all remember how that one turned out.

If a dealer does happen to sell proof sets of genuine bullion coins, they will surely charge a huge mark-up for packaging. The point again is that these coins are generally worth only their weight in gold or silver. They might glimmer, feature an eagle in flight, or come in a thick plastic case, but they are only worth as much as the metal they contain.

In the worst, and most common, case with proof sets, the metal they contain is mostly aluminum, zinc, or another base metal. In that case, the coins are worth virtually nothing.

### PLAYING ON YOUR HEARTSTRINGS WITH COMMEMORATIVES

Commemorative coins are the worst of the collectible bunch. They are constantly being pitched on TV commercials and infomercials, right after the plastic

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solar-powered fan that's supposed to keep your car cool and before the magic rag that can soak up a 2-liter bottle of soda from the carpet. And just like those products that sound too good to be true, commemoratives are marketed as gold or silver coins at a fraction of the cost of a bullion coin. How do they manage to sell a gold coin for \$19.99, plus shipping and handling? Because it is only *clad* in gold – most of the coin is a base metal.

While these companies are legally obligated to mention that the coins are clad, they will do whatever they can to distract you from that fact. The most common and successful way to do this is to try to give the coin great sentimental value. Thus, we see commemoratives made from gold or silver “recovered from the vaults beneath the Twin Towers after 9/11.” They might bear the image of the towers or the USS New York, the warship built from Ground Zero steel. This is all part of a strategy to distract you from the fact that the coins are essentially worthless. In fact, one such company recently lost a court case brought by New York State for \$2 million in damages for fraud and false advertising.

While a few customers may simply wish to commemorate a historic event with a pretty trinket, these companies are betting that you will be suckered into thinking that these coins have the same value as their surface metal. After all, a zinc coin doesn't look that much different than a silver one. Why bother cladding it at all if not to associate the coin with the real value of precious metals?

Official mints seldom issue commemorative coins made of pure gold or silver. When they do, the coins carry large mark-ups that make them risky investments. And you will never see them advertised. Actual commemorative coin collectors (there are very few) know when the United States Mint is releasing a coin and what it's worth; they don't jump for the shiny coin on TV – even if it shows the bombing of Pearl Harbor or the first man on the Moon. Those moments will still be significant even if you don't waste your money “commemorating” them with high-priced paperweights posing as precious metal coins.

#### COMMEMORATIVE COIN SAMPLE AD



The advertising for this “9/11 commemorative coin” talks about it being made from silver recovered from the vaults underneath Ground Zero – but the coins are only clad or covered in gold and silver. The inside is a base metal like steel or tungsten. Also, the ads claim the coins are “legal tender dollars,” but fail to mention that the “dollar” in question is the currency of the small African state of Liberia, not the currency of the United States.

## WHAT ELSE SHOULD I WATCH OUT FOR?

There are so many tricks and traps out there that we couldn't fit them all in this report. The best advice is to find a trustworthy dealer that just sells bullion coins at competitive prices. But here are a few more ways unscrupulous dealers will try to part you from your hard-earned dough.

### “INVESTMENT GRADE” DOESN'T PASS

Genuine rare coin traders rely on services like the American Coin Club Grading Service or Professional Coin Grading Service to certify the condition of their coins along the 70-point Sheldon Scale. A brilliant uncirculated 1800 US Silver Dollar is going to be worth more than the same coin showing lots of wear-and-tear. Certification is an expert's judgment on how well the coin has been kept. The highest grade is MS-70, or Mint State 70, which means the coin is flawless.

Grading becomes very important when collectors want to appraise the exact value of a rare, old coin worth tens of thousands of dollars. It's *not* important when you're buying brand new bullion coins – and here's where the scam comes in.

Many coin dealers are selling brand new, 2011 bullion coins with an MS-70 rating at multiple times the price of an ungraded coin. Our research uncovered one company selling 2011 American Silver Eagles with an MS70 grade for \$129. Euro Pacific Precious Metals sold the exact same coin, ungraded, for \$36! By definition, a 2011 new coin is almost always brilliant and uncirculated. It comes straight from the mint – untouched by human hands! So, how can anyone justify charging an extra \$100 for certification?

They may claim that only these certified coins are “investment grade.” That's malarkey. All new coins are shiny and clean, just like new cars. It's only when you have a 1969 Corvette in mint condition that the collectible value goes up. Most new bullion coins will never have rarity value because they are so common.

That is a good thing, because you want to own coins that are easily recognized and accepted by a large market of potential buyers. After all, we're not buying gold and silver hoping to strike it rich in 50 years – but rather to protect our families from a turbulent economy ahead. When it comes time to sell, you want it to be quick, easy, and profitable.

What makes the whole scam even more ridiculous is that coin grading by a reputable service like the ACCGS costs \$9 *per coin*, no matter the coin's value. Why pay some dealer an extra \$100 or more for a coin that you could have graded yourself for \$9? Of course, you don't want to have the coin graded at all because the certification serves no purpose and will eat into your investment return.

### THE FINANCIAL ADVISOR DOUBLE DIP

One company we found in our research was using financial advisors to sell their silver bullion at prices up to 17% above spot! These advisors would recommend the purchase to their clients; then, they would get a huge commission on the sales. Even though the products sold were bullion coins, the deal was not competitive because of the high mark-ups.

This practice might actually be illegal. This is because financial advisors have a “fiduciary responsibility” to their clients to get them the best deal on purchases. In our book, having clients pay significantly more for the same coin that could have been purchased from a reputable company for far less does not constitute a “good deal.”

Aside from perhaps a referral, you should not have to go through a stockbroker, financial advisor, or other intermediary to get your precious metals. Just find a reputable dealer and cut out the middle man.

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## THE PRICE PROTECTION RACKET

Another ruse we've seen is an offer to "protect" or "guarantee" your purchase price in case gold and silver drop right after you buy. Those of us who have been around awhile know there are no free lunches in this world – and certainly not in the world of investing – and this case is no different.

The way these companies are able to offer rebates and price guarantees is that they're charging huge commissions on the initial sale. You'll notice that price protection is not offered on low-margin bullion coins, only on high-margin numismatics.

Honest bullion dealers are in a very low-margin business. They don't offer a lot of perks and guarantees because they're focused on delivering what you should want: the most gold and silver at the lowest price.



## IF GOLD IS GOING UP, SHOULDN'T I MULTIPLY MY RETURN WITH LEVERAGE?

A new craze among our competitors is to push gold buyers into "leveraged accounts." In one of these accounts, the dealer lends you money to buy gold, on the assumption that gold will go up faster than the rate of interest on the loan. In other words, if you have \$5K, they'll loan you another \$20K in credit to make a \$25K total purchase of gold bullion.

The sales pitch is that since we all know gold is going up, you might as well maximize your returns by leveraging up. But the fine print could leave your wallet empty and your head spinning.

### SHORT-TERM VS LONG-TERM TRENDS

The first danger that is often glossed over is what happens if gold goes through a short-term correction. We all know that gold can be volatile in the short term. If gold drops in price, you'll likely be asked to send

in more cash for a *margin call*. If you do, you could end up putting up a lot of extra funds to maintain your existing investment rather than using the dip to purchase additional bullion at a discount. If you don't, the dealer will sell your gold at wholesale prices to cover the debt.

Here's an easy example of the risks of leverage: You have \$5,000 to invest, but the company convinces you to borrow another \$20,000. The total value of the gold you control now equals \$25,000. The gold price drops by 15%. Your gold portfolio is now worth \$21,250. The gold company will probably require you to send in another \$2,000, since their \$20,000 loan is in some jeopardy. If you can't come up with the money, they will sell out your gold, take back their loan, and send you the balance of \$1,250. So, instead of taking a paper loss of \$750 on your original \$5,000 investment, you have taken a real loss of \$3,750.



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## LEVERAGED ACCOUNTS WILL NICKEL-AND-DIME YOU

Unfortunately, the leverage ripoff doesn't end with margin calls. Expect to pay a commission on the entire value of the purchase. If your original goal was to invest \$5K, and assuming the company charges a 3% commission, you would have paid \$150. Quite fair. But instead, if you have to pay 3% commission on the whole \$25K, that's actually 15% of the \$5K you invested, or \$750!

Then, there is interest on the \$20K loan, which may run you 8% per year, adding an additional \$1,600 cost in the first year of holding. With the commissions, this amounts to a staggering 47% of your original \$5K investment!

Tack on leasing fees, transaction fees, administration fees, storage fees, delivery fees... with many of these accounts, it is nearly impossible to come out ahead.

## THE HOUSE ALWAYS WINS

Even if it weren't for the rampant shady practices of firms offering these accounts or the disadvantages of not holding your own gold, leverage still adds a huge element of market risk that is inappropriate for most gold buyers. That's probably why the Commodities Futures Trading Commission issued a [fraud alert](#) on these dealers.

There is no quicker route to bankruptcy than getting involved in leverage. You risk losing many times the amount of your original investment, and could be roped into a truly desperate situation.



## BUT THESE COMPANIES ADVERTISE EVERYWHERE AND ARE ENDORSED BY MAJOR CELEBRITIES!

The real tragedy of the physical precious metals industry right now is that the less scrupulous a dealer is, the more likely you are to do business with them. That's because these firms are raking in record profits at the expense of *you*, their customers, and using them to fund sweeping TV, radio, and print advertising campaigns – and to pay well-respected radio and television hosts to endorse their products. That way, you become familiar with their brand name, and then someone who shares your political or cultural viewpoint tells you the company is trustworthy. Well, it's time for a reality check.

## TRUSTED ADVICE OR PAID ENDORSEMENT?

You're watching some radio or TV host you truly admire when the show cuts to commercial. Then, you hear that same reassuring voice urging you to call a "leading" gold company to put away some savings. Once you're on the phone, the salesman uses that endorsement as evidence that the murky products he's pushing are legitimate.

Unfortunately, just because a company is endorsed by a well-respected figure does not mean that it is

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trustworthy. Radio and TV hosts who “endorse” gold dealers are often just paid spokesmen.

Most of the time, these celebrities aren’t checking out the companies they endorse to make sure their listeners are getting a good deal. As most come from a journalistic or political background, they aren’t well-



qualified to judge a good deal from a bad one – they just don’t have the experience and financial know-how.

## CONFLICT OF INTEREST

For many celebrity hosts, accepting advertising dollars from these questionable gold dealers presents a real conflict of interest. If these dishonest companies weren’t raking in big profits on unsuspecting customers, then they wouldn’t have enough money to bankroll the radio and TV shows. If you were in that position, could you imagine the pressure to ‘look the other way’ when you realize customers are being grossly overcharged?

## A SILENT EPIDEMIC

We think there is little public outrage because precious metals are in a bull market. Customers are buying,

then watching the gold price go up, and assuming they’re making a profit. Yet, widely sold products like numismatic coins do not directly follow the gold price, often carry huge mark-ups, and they have much poorer liquidity. So, these customers may be in for a rude awakening when they actually try to sell. This is especially the case if the gold market turns south and many people are trying to sell at once.

Do you remember any exposés on the housing market when it was going up? Media outlets weren’t warning people that cheaply built subdivisions in the Nevada desert might be worth nothing in a couple of years. In the hysteria, they assumed all housing was a good investment. The same holds true for gold. Bullion is equivalent to a one-bedroom apartment in a doorman building in Manhattan and numismatics are like those Sunbelt ranch houses that sold for almost the same price. One kept its value, the other never had the value to justify the price.

If you are among the many that bought gold from a celebrity-endorsed company and you think you’re ahead because the price of gold is way up, do yourself a favor and call the company today pretending that you want to sell your coins. You’ll likely be horrified to discover how much money you’ve lost.

You can’t fix the past, but you can buy smarter in the future.



## HOW DO I BUY THE RIGHT WAY?

Buying gold and silver the right way is actually very simple. Most of the challenge is not being pressured into products you don't understand. Armed with the knowledge of how a purchase is supposed to happen, you'll be able to avoid the common pitfalls. It's like driving a car: once you learn how it's done, it becomes second-nature.

### A TYPICAL TRANSACTION

The three keys facets of a gold or silver transaction are the *spot price*, the *premium* and the *mark-up*.

The *spot price* is what major institutional buyers and bullion banks are paying at commodities exchanges in places like New York, London, and Hong Kong. These trades are mostly futures contracts, where the buyer doesn't take physical delivery.

Next in line are the huge, multibillion-dollar physical bullion dealers who can buy directly from the various national mints worldwide at prices a little above spot. There are only a handful of these dealers in the US, and none of them sell to individual investors.

These dealers add on a small profit and overhead margin, which is called the premium, and sell to large gold retailers, such as Euro Pacific Precious Metals. Premiums vary according to market conditions, supply and demand, product type, and the outlook for gold.

Once purchased, gold retailers sell the coins to gold investors at a *mark-up*, which covers their overhead and profit. If the dealer pays a *premium* of 3.5% above spot for a gold coin and sells for 5.5% above spot, the mark-up is 2%. In current market conditions, buyers should pay less than 6% above spot for gold bullion coins. Expect to pay more for well-known coin types

(an American Gold Eagle vs. a gold coin struck by an unknown private mint) or less liquid products (a 1/10 troy oz coin vs. the typical 1 troy oz coin).

### TEST YOUR DEALER

There are a few tests you can use when on the phone with a coin salesman to find out if his firm is honest:

#### 1: Are you clear about the product being offered?

It's important, before any purchase, to take some time to familiarize yourself with the most common gold and silver coins. This list isn't long: American Eagles, Canadian Maple Leafs, South African Krugerrands, Austrian Philharmonics, Australian Kangaroos, and a few others. These are widely produced, 1-ounce gold coins that are not rare, numismatic, collectible, commemorative, or "special" in any way. They're just a standard unit of the metal you want to buy. If the guy on the phone is leading you to a product you've never heard of, or claims that his coin is somehow "better" than the usual suspects, hang up and look elsewhere.

#### 2: Do you understand the price offered and all associated fees?

Before you make a purchase, any reputable dealer will be able to tell you the current price above spot and any associated fees or taxes. They should be able to give you a total dollar amount for your order before the order is processed. The point is to deal with a firm with a good reputation that is honest, reliable, and doesn't pressure you. As with any business transaction, you should only deal with a firm you trust. If you can't get a straight answer on the price of the product you want, hang up and look elsewhere.

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As a matter of business policy, Euro Pacific Precious Metals does not offer numismatics, collectibles, or gimmicks. We offer only well-known, extremely liquid pure bullion gold and silver coins and bars at competitive prices.

For more information about our prices and products,  
Call 1-888-GOLD-160  
or **CLICK HERE** to request a callback.





(cont'd)

**3: Is the dealer willing to buy back what they're trying to sell you, and at what price?**

This is a really key test of a scammer versus a legitimate dealer. Scammers sell products that either have no value or have a value much lower than what they're asking. This means that they will either not want to buy the product back at all or they'll only buy it back for substantially less than the sale price. A reputable dealer makes a few percentage points on a transaction, and will happily buy any coins back from you just below his cost, meaning the amount he pays for the same coin from wholesalers. If you buy a coin and want to sell it back the next day, you should only take a loss of a few percentage points. If the "spread," or difference between what the dealer sells for and what they buy for, seems large – or especially if they won't buy back at all – hang up and look elsewhere.

**4: Is the broker trying to *help* you or *sell* you on your purchase?**

The final test is more common sense than anything else. When you call a dealer, the person who answers the phone should be a precious metals specialist who is there to answer your questions and guide you through the ordering process. You wouldn't walk in a hardware store looking for a wrench and let the shopkeeper talk you into buying a 3-foot tall flowerpot, would you? The same goes for buying precious metals. If you're talking to someone who is pushing you to buy anything you didn't call up to order, do yourself a favor – hang up and look elsewhere!

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## BUYING WITH CONFIDENCE

Gold still has a long bull market ahead of it. It's still not too late for Americans to dump their dollars for a real store of value. Every day, the news brings more stories of busted budgets, growing inflation, and increasing taxes and regulation. When the world's creditor nations turn their backs on the greenback, all those trillions of dollars printed over the last couple of decades will come flooding home. Precious metals are the ark that will carry you through the flood. In this day and age, there is no excuse for not holding some percentage of your portfolio in physical gold and silver.

As with any young market, it will take time for gold and silver buyers to learn how to get a good deal.

We hope this report is a shortcut in that process, so that you don't have to learn the hard way what not to do. Armed with this knowledge, you should be confident in telling the reputable dealers from the dishonest ones.

When it's based on honesty and fair dealing, the relationship between a gold investor and his dealer can last a lifetime. Of course, we at Euro Pacific Precious Metals hope to become your gold and silver dealer of choice for many years to come. If you'd like more information about our products and prices, please call 1-888-GOLD-160 or visit [www.europacmetals.com](http://www.europacmetals.com).



Join the community of smarter gold buyers on **facebook®** by **CLICKING HERE**