



Is it Worthy? Who Really Knows the Value of a Rare Coin?

Collectible coins and currency are on many shoppers' lists this holiday season. In all price ranges, too. Thanks in part, for this unbridled enthusiasm in the field of numismatics, can be attributed to the unprecedented media coverage directed at the hobby over the past couple years. Not to mention the flurry of TV commercials recently launched by the U.S. Mint, appropriately themed "The numismatist on your gift list."

Most of the coins and pieces of paper money which will find their way under the Christmas tree or next to the Hanukkah menorah will not be the break-the-bank variety. Yet, some fortunate numismatists, perhaps in the Bill Gates or the Oprah Winfrey families, just might be surprised by an extremely valuable coin or two presented to them by a generous relative.

In the case of the less expensive category of numismatic fare, the concern over price versus value is not a major concern. This is not to say that purchasers of low-priced hobby items in the under-\$100 range, for instance, welcome getting ripped off. After all, it's only human nature to desire good deals during shopping experiences. No one would argue this point. But it understandably requires significantly more contemplation to decide if a coin priced at say, \$50,000, offers good value, than it does to decide if a \$50 coin is worth the money. Either way, the purchaser doesn't want to overpay. But, the risk of this occurring obviously increases as costs rise.

Yet, before we even reach the point of decision when purchasing collectibles such as coins, we might ask how the values are determined in the first place. How are prices established and who is involved in this process? First, it must be pointed out that the dynamics involved are complicated and cannot be capsulized or put into a nutshell. As tangible as these collectible assets might appear, evaluating them requires many intangible considerations. Coins and other collectibles are not, for instance, similar to

staples of life such as food and clothing. College marketing students, for example, quickly learn the fundamentals involved in producing, pricing, and promoting consumer goods. Established guidelines used to bring products to market are universally employed by businesses around the globe. It is a relatively simple task to calculate the costs of raw materials, manufacturing, and marketing, and add on a standard mark-up to determine the retail price of most consumer goods. But with coins, it's not so straightforward.

In the first place, with the exception of modern gold, silver, and platinum issues tied to the spot price of precious metals, the cost of raw materials isn't factored into the price of most coins. And obviously, there are no manufacturing costs involved, since the coins are already in existence. There are, however, marketing costs factored into the prices of rare coins, which can fluctuate from one seller to another. And, of course, acquisition costs are part of the equation, unless the seller received his coin or coins as a gift, that is. Yet, long before sellers determine what a fair rate of return would be for their holdings, price histories of their particular coins are usually reviewed. But what do these price histories reveal?

Well, in simplest terms, price histories are just what the term implies: a compilation of prices which collectors have paid in the past for the coins in question. Extending as far back in time as existing pricing data allows, we can trace the earliest prices paid for these coins. At one point in history even the rarest coins traded for prices very close to their face values. As unfathomable as this might seem to collectors in the early years of the twenty-first century, who have observed coins selling for hundreds of thousands or even millions of dollars, these mega-rarities once traded for fractions of the prices they sell for today.

Yet, regardless of whether a rare coin once sold for a mere double or triple its face value, or if it brings \$1 million in 2007, someone, somewhere, had to set the price, and someone else—the buyer—had to agree with that price. But what criteria does the one who sets the price use in his evaluation of a coin? If we could crack this code we could perhaps remove much of the mystery surrounding the prices of rare coins.

Unfortunately, there are no set rules governing the dynamics of coin pricing. If there were, then buyers and sellers might possibly always agree, and price resistance would vanish.

Let's examine the price history of one of the classic rarities in U.S. numismatics, the 1913 V nickel, to illustrate several ambiguities inherent in evaluating rare coins.

We are told that at least one employee at the Philadelphia Mint in late 1912 or early 1913 (perhaps Storekeeper-Clerk Samuel W. Brown or Chief Engraver Charles E. Barber, or both), arranged to have five 1913 V nickels struck, even though 1912 was the last year of issue for this design. Subsequently, in December of 1919, Samuel W. Brown, who had retired from the mint six years earlier, placed a series of ads offering to pay \$500 for a 1913 V nickel. Of course, at that time he alone (perhaps there were co-conspirators) knew of the existence of these coins. To the rest of the collecting community the only nickels dated 1913 displayed the Indian and the bison. A few months later, Brown upped his offer to \$600 per piece, and later that same year (1920) he exhibited one of his 1913 V nickels at a national coin convention.

Though not a single example of these mysterious coins had ever traded hands (at least to anyone's knowledge), Brown had elevated their value from five cents to six hundred dollars? Their perceived value anyway. Yet even this value was not etched in stone. For in 1923 and 1924, a Philadelphia coin dealer named Augustus Wagner advertised the five nickels for sale, but apparently did not sell them for his reported asking price of between \$400 and \$500 apiece. At this time, another coin dealer, named Stephen K. Nagy, reported to have been involved with the nickels from the beginning, sold all five of them to Edward H. R. Green, the boorish, freewheeling son of the "Witch of Wall Street," Hetty Green. Mr. Green (or Col. Green to some people) died in 1936 and noted collector Eric P. Newman subsequently purchased his five celebrated nickels in 1941 for an approximate average price of \$400 apiece.

Did Mr. Newman pay a fair price for the nickels? No one could have known for sure since the coins had not exchanged hands often enough to gauge their market value. During the next few years Newman's purchase prices for the nickels proved to be bargains, as one of the highest quality specimens traded for \$900 in 1942, escalating to \$3,750 in 1947. Another piece, considered to be inferior in quality compared to the finest specimens, sold for \$1,000 (or \$2,450 depending on the source) less than a year after Newman purchased it, and then for \$3,750 around 1945.

These early transactions paled in stature compared with sales yet to transpire over the next six decades. After a rather lackluster period from 1945 through the mid 1950s, in which the price level for 1913 nickels struggled to break the \$4,000 barrier, market exuberance catapulted the value first to \$25,000, and then to the \$40,000 to \$50,000 mark by 1961.

Collectors apparently had difficulty in assimilating this sudden surge in value, however, as one of the more publicized examples failed to meet the consignor's reserve price of \$50,000 at an auction held in Los Angeles in March 1961. But, who really knew if this reserve price was too steep? It's not as if someone could have looked up the price of 1913 V nickels in a coin values guide similar perhaps to the Kelly Blue Book for automobiles. Oh, there were price guides for coins to be sure; but none of them in 1961 ventured so much as an estimate as to how much a 1913 V nickel was worth. The only citations found in either of the two most popular price guides of that era informed readers that only five 1913 V nickels existed. So it was left up to numismatic experts and advanced collectors to determine the values of recognized rarities such as 1913 V nickels.

Six years after the unsuccessful auction attempt to sell one of the higher condition-rated 1913 V nickels, Nebraska coin dealer Aubrey Bebee chunked down \$46,000 to purchase the poorest quality specimen. Two years later, in 1969, Bebee rejected an offer of \$75,000 for his nickel. Three years after that, in 1972, the specimen which had failed to bring \$50,000 in the 1961 auction, gained notoriety for being the first coin to ever sell for \$100,000. Five years later, in 1977, this same piece sold for \$200,000 and subsequently fetched \$350,000 in 1985, \$962,500 in 1993, \$1.84 million in 2002, and a staggering \$3 million in 2004.

Considering that ninety-one years earlier, the aggregate value of all 1913 V nickels in existence was twenty-five cents, the prices paid by collectors to own just one example

over the past nine decades are incomprehensible, to say the least. I think it's fair to say that no one, at any point along the way, could have predicted what these coins would eventually sell for. Although, credit must be given to World-Wide Coin Investments, Ltd., of Atlanta Georgia, the company that purchased the \$100,000–specimen in 1972, for having prophesied way back then that 1913 V nickels would eventually bring \$1 million. World-Wide Coin was just a little off in its projection of when this would occur, however, as it suggested that the million-dollar mark would be reached by 1980, when in fact, this did not happen until 1996 (It came close in 1993 with the \$962,500 price realized).

Along the way, two 1913 V nickels were forever removed from the market; when the Norweb family donated their prized specimen to the Smithsonian Institution in 1978, and Aubrey and Adeline Bebee presented their piece, purchased for \$46,000 in 1967, to the American Numismatic Association in 1989. The whereabouts of a third example, known as the Walton specimen, remained unknown for decades. And then, in 2003, in response to a massive media blitz focused on 1913 V nickels, the heirs brought this specimen out of hiding, triggering a fireworks explosion of publicity when it was displayed with the other four specimens at an ANA convention in Baltimore. As far as anyone knew, this was the first time the five nickels had been together in one place since 1942. Although hounded by auction companies, the heirs of this heretofore-missing specimen announced that it was not for sale. Even if it was, who could tell the heirs unequivocally what their coin was worth?

Throughout the long history of evaluating rare coins this has always been a challenge (Please keep in mind that we are talking here about truly rare coins, not those common issues passed off as rarities by home shopping networks, and by deceitful telemarketers). An incisive case in point can be illustrated by continuing the saga of 1913 V nickels.

During the latter half of 2006, the collector community buzzed with eager anticipation over the announcement that the finest known example of a 1913 V nickel would appear in an auction in early January 2007. This piece, reverently referred to for decades as the Eliasberg specimen, held the distinction of being the first coin to ever sell for \$1 million, when an auction buyer paid \$1.485 million for it in 1996. Within seven years it traded hands a couple times, more than doubling its value from 1996. Then, in 2005, it set yet another price record when Washington-state businessman Bruce Morelan acquired it for \$4.15 million. After a year of ownership, Morelan felt it was time to pass it on to the next collector (He had previously owned the specimen which had failed to meet the consigner's reserve of \$50,000 in 1961. Morelan paid \$1.84 million in 2002 for that one.)

The question was, what kind of reserve would Morelan place on his prestigious consignment? Of foremost consideration was the \$4.15 million investment he had in the coin. Knowing that by the time he received payment from the auction company he would have owned the nickel for one and a half years, he needed to calculate the time value of his money. At a simple six percent rate of interest over a period of eighteen months, \$4.15 million would earn approximately \$375,000, which would bring the break-even total to \$4.525 million. Then, of course, Mr. Morelan expected to earn a profit above that amount, and in the rapidly evolving bull market in rare coins, this seemed like a no-brainer. A reserve price of \$5 million was set, and no doubt the

auction company (Stack's) afforded Morelan other special-client comps for the privilege of handling such an illustrious coin.

No doubt, Morelan and Stack's had their sights set on a much higher price realized anyway. The five-million-dollar reserve would serve only as a catalyst for loftier bids to transpire. It was not as if there were no precedents for numismatic items exceeding the \$5-million barrier. After all, a 1933 \$20 gold piece had sold for \$7.59 million in 2002 and there were rumblings that certain coins could possibly bring \$10 million to \$15 million if offered on the market.

In some ways, the pre-sale hype focused on Mr. Morelan's nickel, was reminiscent of the auctioneer's publicity campaign for the 1913 V nickel that did not meet the consignor's \$50,000 reserve back in 1961. In that sale, the cataloguer declared that from all inclinations, the nickel would in all probability exceed the \$50,000 mark. But, as you are now aware, the coin was not destined to break that barrier at that time.

With cameras rolling and news reporters standing by, Morelan's nickel hit the auction block. Euphoria suddenly dissipated into disenchantment as the auctioneer closed the bidding, with not one person willing to raise his paddle for the \$5 million reserve price (the total price would have actually been \$5.75 million after the auction company's 15 % commission was factored in). Once again, the coin market, as represented this time by auction participants, did not agree on the price asked for an unquestionable rarity. Would someone have paid \$4.5 million (plus the buyer's fee) for the nickel? Probably. How about \$4.75 million? Maybe. But why not \$5 million? Who knows? Who in that crowd of numismatic experts attending this auction could have emphatically declared that Morelan's 1913 V nickel was not worth \$5 million, or \$5.75 million, or even \$6 million?

These same questions are applicable for any rare coins, not just those of the million-dollar variety. Time after time, collectors have rejected a rare coin based on price resistance, only to regret their decisions later on when the coin is no longer available, or when the coin's price rises high above the original asking price. This is not meant to imply that collectors should remove all restraints when faced with purchasing decisions. The 1913 V nickel offered at auction in 1961, for example, might not have been worth \$100,000 at the time, but certainly \$50,000 or even \$60,000 seems reasonable, especially for well-heeled collectors who might have been interested. Of course, we have the advantage of hindsight when evaluating coin prices from the past which often makes us seem like experts, at least in our own minds.

Yet, regardless of what we might learn from evaluating price histories, there is one essential lesson that can be taught from reviewing collector experiences from the past. Ownership is key. In other words, those collectors that owned the choice rarities that we all drool over today, are the ones that reaped the dual rewards of pride of ownership and profiting from their passion. But ownership often requires stepping out and paying in excess of what everyone else is willing to pay. To reiterate, this only applies to the rarest, most desirable coins, the coins that are only offered infrequently, the ones that every collector would love to own. You need to make sure that you know which coins this refers to before you follow this advice.

Noted collectors from the past knew what these coins were and only the most resolute ones acquired them. Still, even the most successful numismatists have experienced lock-lobe at times, refusing to pay another dollar for a rarity which they so desperately desired. In the event that this happens and the collector gets a second chance, usually the mistake is not repeated, and he gladly pays whatever the cost.

The truth is, no one really knows what a truly rare coin is worth. You can speculate, you can perform mathematical analysis, you can compare price histories, you can consult an expert, and you can refer to price guides. Yet, regardless of which method you employ, in the end you will never get a clearer answer to the question regarding the value of a rare coin than this: A rare coin is worth whatever price a seller and a buyer agree on. What might seem like exorbitant prices today might cause collectors ten years from now to turn green with envy.

In light of all the choices from every category of collectibles which are available to hobbyists, few seem to offer more value than rare coins and paper money. Stamps, art, old comic books, old movie posters, old LPs, old dolls, old baseball cards, Old West memorabilia, old bottles, old firearms, and old casino chips all attract serious enthusiasts. Yet none of these fields appear to have the following that rare coins do. This trend seems destined to continue for as long as people have a passion to collect things and have money to purchase them.

This is one of the primary reasons why press releases about the sales of expensive coins will always find sufficient space in headlines, both in print and online, and will always receive adequate coverage on TV news broadcasts. Bruce Morelan is no stranger to such publicity. Witness for example the sensational coverage of his firm's (Legend Numismatics) recent brokering of a \$30,000,000 rare coin deal.

And, whatever became of his 1913 V nickel which failed to meet his reserve price in the January 2007 auction? Apparently, a Southern California collector, who may or may not have participated in the bidding, could not get the coin out of his mind and wound up paying \$5 million for it three months after the auction in a private sale. So Morelan managed to sell the second 1913 V nickel pedigreed to him, recover the interest on his investment capital, and still earn a tidy little short-term profit. Curious observers will be eagerly waiting to see if he might buy one of his 1913 V nickels back in the future. And, the new owner of the rarest nickel in the world will be waiting to see if perhaps the next stop for the coin might be at the \$10-million level.

Meanwhile, all of us bystanders will be trying to figure out what this coin is really worth. But will anyone other than its owner ever know its true value?