The Sophisticated Investor's Guide to Investing In Precious Metals

by David Beahm

Introduction

The allure of gold and other precious metals is strong. Gold is the oldest precious metal known to man. For thousands of years, gold and silver have been recognized as currencies without geographical borders, a store of value and a means to build wealth. From the ancient world of Croesus to the legendary dynasties of the Renaissance, to the American gold rush in the 19th century, man has acknowledged the intrinsic value associated with gold.

Owning gold and other precious metals makes as much sense today as it did a thousand years ago; perhaps even more so given the changes that have occurred on governmental and monetary-policy levels. Are you concerned about the volatility in the stock market? You aren't alone. This book shows you how owning physical gold acts a significant portfolio diversifier. Owning physical gold can help you protect the value of your assets and minimize portfolio losses during equity bear markets. We look at the other precious metals: silver and platinum. Silver is sometimes considered the poor cousin to gold due to its less expensive price – yet it offers dual appeal to investors as both a precious and an industrial metal. Diversification in tangible assets makes sense for all investors for a small portion of their portfolio, in order to preserve and grow wealth. Just as stock market investors diversify between sectors, tangible-asset investors have options too. You will learn why it is important to own gold bullion as well as other tangible assets such as rare U.S. coins. Rare coins offer investors the greatest and fastest level of price appreciation over the long term.

Throughout ancient history, gold and silver were prized for their intrinsic value. They remain hard physical assets, which have become even more valuable in our modern society. Now let's dive in.

There are many reasons to invest in physical gold and silver. Gold is a traditional hedge against inflation or rising prices. History shows that during inflationary periods, gold has often climbed significantly in value. Gold is a store of value, and can preserve your future purchasing power if the value of the U.S. dollar declines.

Unlike our nation's money supply, whereas the Federal Reserve can increase the amount of paper money in circulation in response to monetary policy shifts, gold has a limited supply. Investors around the globe today value gold because it has a finite supply, and is the subject of growing demand from both individual investors and central banks.

In addition to all these reasons to buy and own gold, this chapter will focus on gold's value and its role as a portfolio diversifier. Most financial advisors agree that diversification is one of the more important factors that help investors achieve their long-term financial goals with the minimum amount of risk.

Why diversification matters

While we've all heard the word diversification, but it is useful to define it again here. Diversification is a method of spreading your investments around a number of asset classes so that your total exposure to any one type of asset is limited.

An important component of successful diversification is the development of a portfolio that includes assets that are weakly, or inversely, correlated. That simply means that when one asset class goes down, the other will be unaffected, or go up. If you invest everything in just one asset class, when the cycle turns you could suffer extensive portfolio losses.

Examples of asset classes include U.S. equities, treasury or corporate bonds, short-term investments such as money-market funds and certificates of deposit (CDs), real estate, and tangible assets including physical gold and silver.

Successful diversification spreads your investments across non-correlated asset classes. This can help reduce the impact of market volatility on your portfolio, minimize portfolio losses, and help you sleep easier at night.

Gold is a non-correlated asset.

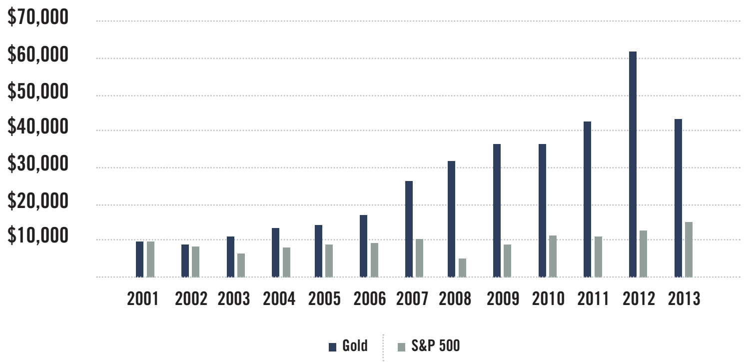
Typically, gold is not positively correlated to other major asset classes such as stocks and bonds. That, in and of itself, gives it an important role in portfolio diversification.

> *The long-term correlation from 1975 to 2015 between gold and the S&P 500 is 0.006 or 0.6%, according to the World Gold Council. That means that historically, gold has reduced portfolio volatility.*

Investors who seek to create a properly diversified portfolio need to include assets that are non-correlated, or those that will rise when others fall (inversely correlated). Gold tends to increase in value during periods of overall financial market stress, and an attractive feature of gold within a portfolio is therefore its low or negative correlation to stocks. Typically during severe equity downturns, the price of gold has often risen substantially.

Swift stock declines see sharp gold gains.

During periods of severe stock market stress, gold has usually traded significantly higher. When the S&P 500 has collapsed by more than 4.4% in a week, or the equivalent of declining by more than two standard deviations, the correlation between stocks and gold drops to –15%, according to research by the World Gold Council.



When stocks fall quickly and sharply, gold tends to increase in value, and even faster as investors turn to the precious metals as a safe haven.

The unique factor pertaining to gold and precious metals is that they can also climb during periods of rising stock prices. The year 2016 is a classic example of when both stock and gold prices gained in tandem. In 2016, the S&P 500 gained 9.4%, while the price of gold climbed by 8.5%. The reason is that the price of gold climbs for many reasons, including fiat currency risk, safe-haven investment flows, and its role as an inflation hedge.

How much should you allocate to gold?

How much should you consider investing in gold? Holding as much as 10% of your precious metals portfolio in gold has improved long-run performance returns, according to research from the World Gold Council. It helps investors manage risk and smooth returns, especially during periods of stock-market volatility or downturns.

Many portfolio managers today are advising clients to hold up to 20% of their portfolio in precious metals, given the massive waves of uncertainty in today's political and economic environment. Every investor has different levels of risk tolerance, and so the actual level of allocation is a matter of personal preference.

As an investment, gold is considered a safe harbor that offers individuals the opportunity to preserve and grow wealth, especially when other asset classes aren't performing as well. Gold acts as an insurance policy, a hedge against equity-market declines, and a vehicle to protect and grow wealth. This paid off for gold investors after the 2008 global financial crisis, when gold rose from $700 to $1,900.

Investing in physical gold is very easy, and any investor can do it, and should do it. Gold is the world's first form of money, and may be the only currency that can't be manipulated by a government printing press. One major reason investors look to precious metals and rare coins as an asset class is because they will always maintain an intrinsic value. Unlike currency or securities that only hold value hypothetically, bullion and coins are something physical that holds a certain intrinsic worth.

Here's how you can get started.

Investors have a number of choices, including physical bullion and bars, coins – including rare or numismatic coins – and gold mining stocks or exchange-traded funds (ETFs). Physical ownership of gold rather than paper investments is the purest and best way to directly invest in gold and silver. The next section explains why.

Paper assets don't always track gold prices.

ETFs and mining stocks do not always follow the price of gold. There are outside forces at play that can move the price of paper investments at different rates and in different directions than those of the spot price of gold. For example, gold mining stocks can be impacted negatively by workforce strikes, political strife in the countries where minors operate, poor company management, and accounting issues. Gold could be performing strongly, and a mining company's stock may not reflect the commodity's performance.

ETFs have their own set of unique issues, including management fees, marketing fees, and storage and insurance fees. Investors putting money into ETFs also do not take actual possession of the gold they've invested in.

Physical gold does not have these downsides. When you take physical ownership of gold in bullion or in coin form, you have a tangible asset that you can touch and feel, and whose value moves directly with the spot gold price. Another advantage to physical gold and silver ownership is simplified wealth transfer. Many trust attorneys and retirement-planning professionals recommend bullion and rare coins as an efficient and discreet method of transferring wealth to the next generation.

Building your precious metals portfolio

Many financial advisors recommend an allocation of 10–20% of your portfolio to tangible assets, and I agree with this.

Starting point

The most popular gold coin is the 1-ounce Gold American Eagle, which is .99999 fine, and guaranteed for weight, content and purity by the United States government. While it carries a slightly higher premium than other gold coins, such as the Chinese Panda, Canadian Maple Leaf and South African Krugerrand, it also returns a higher buy-back price when an investor is ready to sell the gold American Eagle.

Each gold bullion coin carries a small premium over the spot price of gold – usually 3–4% – to cover its manufacture and handling, but that premium is a part of the return investors receive when they sell.

Portfolio tip #1: ***Consider allocating 30–40% of your precious metals portfolio to gold bullion coins or investment-grade gold.***

Investment-grade gold coins are common-date pre-1933 U.S. gold coins. These gold coins offer the same benefits as bullion, but with higher profit potential. This conservative investment offers the highest short-term returns. One-ounce gold bullion coins minted by the U.S. Mint move dollar-for-dollar with the spot price of gold.

Recommended coins: American Eagle, $20 Saint-Gaudens Double Eagle

Portfolio tip #2: ***Consider allocating 15%–20% of your precious metals portfolio to mint-state gold.***

Mint-state gold coins offer investors a more aggressive investment with fast growth potential and high returns over the medium term. U.S. gold coins minted between 1890 and 1933 bridge the gap between bullion or investment-grade coins and rare coins, and are called "mint state". These coins were minted prior to 1933 for the sole purpose of monetary transactions, and were used in circulation.

Recommended coins: $20 Liberty, $10 Indian Eagle

Portfolio tip #3: ***Consider allocating 30–40% of your precious metals portfolio to rare coins.***

This aggressive investment has historically produced the highest long-term investor returns. Very limited supply means demand can catapult prices at any time.

Recommended coins: 1915 $50 Panama-Pacific Octagonal, 1879 Flowing Hair $4 Stella

We will discuss rare coins in depth in Chapters 4 and 5. Rare coins can play an important diversification role within a tangible asset allocation.

Strategies for accumulating gold

Now that we've talked about ***what*** to buy, the next step is to consider ***when*** to buy. The best path to wealth-building is to create a written plan. Consider these three questions, which can help guide your strategy:

1. What are you long-term financial goals?
2. What is your risk tolerance?
3. What is your time horizon?

Strategy #1: Use dollar-cost averaging.

This is an easy and regular method for individual investors to build a physical portfolio of gold coins. Dollar cost averaging is commonly used in the stock market, and is a smart strategy to protect oneself against market fluctuations. Buying a set dollar amount of gold or silver on a regular schedule directs the focus on accumulation of tangible assets up to a desired allocation level.

This is an investment approach designed for you to invest money as you receive it; for example, through your monthly income flow. You designate a specific amount to invest in gold each month, and consistently buy that amount on a set basis. Smaller monthly purchases could include bullion fractional coins, which can fit any budget. One example to consider is a 1/10 oz. Gold American Eagle, which traded at $143.69 in March 2017.

Strategy #2: Use the dip-buying approach.

This strategy requires more active involvement, and can involve risk. It can be difficult to "buy bottoms", but for the interested active investor it can offer the opportunity to improve purchase-price points.

Here is how that works: The dip-buying approach seeks to enter a market on price pullbacks, as with the goal of "buying low". During an uptrend or a bull market, the price of any investment does not go in a straight line. Savvy buyers can use price charts to identify price pullbacks, which can offer buying opportunities.

How can you keep track of prices?

Some tangible-investment firms offer clients the opportunity to receive an email or text alert when a precious metal spot price goes below a price point they choose. Another option is to work with a portfolio manager who can contact you immediately once gold or silver hits your desired entry point.

No, don't bury it in your backyard.

Now that you've bought your gold, where do you store it? There are several options:

- **Personal safe.** Many people choose to store their gold and silver in a fireproof home or business safe. Having physical possession of your asset and having the peace of mind that no one but you can get to it makes it worth the relatively small cost.
- **Safe deposit box.** If you choose this option, consider taking out an insurance policy, as safe deposit boxes are not covered by the FDIC. Another consideration is that access to safe deposit boxes is limited during bank hours; and holdings can be frozen by the IRS. Keeping gold in a home safe or in a safe deposit box is easy for most people, as many investors already own or pay for these types of security services. Riders on insurance policies are usually inexpensive compared to the price of the policy.
- **Domestic storage facility.** For investors who are purchasing large quantities of silver bars, a domestic storage facility could be a better option. These are highly secure, with no government reporting requirements.
- **International storage facility.** This is a more expensive option, but is a good choice for large quantities of bulk silver, and for investors who seek privacy and safety. Consider the International Depository Services (IDS) of Canada, a precious-metals depository in Toronto. Assets are stored here in an international personal custody account, which is off depository balance sheets and beyond the reach of the U.S. government.
- **Off-shore storage.** The Cayman Islands' precious metals storage facility is an IRA-approved facility. Independently owned and operated, this non-financial institution is the closest offshore storage option for North American investors seeking to internationalize their hard assets.

Closing thoughts

Gold and silver bullion in physical form is an appropriate asset for a small portion of any properly diversified investment portfolio. The long-term investment value of high-end rare and ultra-rare coins has been proven. Serious investors don't need a wide variety of products to build a solid portfolio. I hope your interest is just getting piqued. In the next chapter we will discuss other precious metals, including silver and platinum.

In addition to gold, two other popular precious metals are silver and platinum. Silver and platinum have what is known as a dual demand-base. While there are some industrial uses for gold, the primary demand driver for the yellow metal is investment demand. Silver and platinum have the added benefit of significant industrial as well as investment demand.

Silver

Silver mining has its origins about 5,000 years ago, with the first mines in modern-day Turkey. By 1200 BC, silver mining in Greece's Laurium mines exploded as the metal was used to mint popular trading coins known as drachmas. Hundreds of years later, the Spanish conquest of the New World led to massive mining endeavors in South America between 1500 and 1800. Today, Mexico, Peru, China, Russia, Australia, Chile, the United States and Canada remain as top silver producers.

Silver is often thought of as the poor cousin of gold. For some, silver's lower price point offers an attractive entry level for budget-conscious investors. As an example, in April 2017, silver traded at $18.30 an ounce *versus* gold at $1,253.00 an ounce. An investment in silver delivers many of the same portfolio diversification properties as gold, but at a less expensive price. Typically – but not always – gold and silver tend to trend in the same direction. There will be times when silver outpaces gold, and *vice versa*. Industrial demand can play a role in that relationship.

Wide array of industrial applications

Almost 50% of total silver demand comes from industry. The unique mix of properties of silver, including its strength, malleability and conductivity, make it an indispensable manufacturing input across a variety of industries. Silver is used in a variety of day-to-day electronic components, including cell phones, plasma televisions, desktop computers and laptops. The white metal is also used in automobiles, water purification systems, solar panels, medical devices and the ever-growing nanotechnology space.

Global silver production rose in the decade between 2005 and 2015, according to HSBC research. However, production fell in 2016, and is forecast to decline in 2017 and also in 2018. The production downturn comes at a time of both rising investment and rising industrial demand, which will underpin silver prices in the years ahead.

The gold/silver ratio

The gold/silver ratio is one way investors measure the relative value of these two metals. The ratio can also act as an effective timing mechanism to signal strong long-term entry points for precious metals purchases. Here's how that works:

The gold/silver ratio is a simple calculation: divide the price of an ounce of gold, by the price of an ounce of silver:

Spot gold	=	*$1,253.00 an ounce*
Spot silver	=	*$18.30 an ounce*
Gold/silver ratio	=	*68*

The gold/silver ratio offers valuable insights to determine whether one metal is over- or undervalued *versus* the other one. Historically, there have been only a few occasions when the gold/silver ratio traded above 80. Readings above 80 signal that silver is severely undervalued, and are a strong buy signal for the metal. Even a reading of 68 is still historically high, which means that right now silver prices offer investors long-term value. On the lower extreme, a very low gold/silver ratio under 50 signals that gold is cheap by historical measures.

Investor cheat sheet:

Gold silver/ratio 65 or greater means silver is a relative bargain.

Gold silver/ratio 50 or lower means gold is a relative bargain.

Platinum

Platinum is another precious metal that benefits from both industrial and investment demand, and also has a long history of being used in coins for currency. Platinum – and also palladium (another precious metal) – are widely used in industrial applications, including automobile manufacturing. Both of these metals exhibit qualities such as durability, resistance to corrosion, and catalytic properties that make them heavily used in industry.

Platinum is a key component in the automatic catalytic converters that are built into the exhaust systems of most cars. Automobile demand is forecast to climb in the years ahead – especially from the developing world, as more and more citizens there climb into the middle class and can afford to buy cars. South Africa and Russia are two of the world's major producers of platinum, but Canada and the United States are also home to platinum mines.

Investing in these metals

Investors can diversify their tangible assets portfolio with diversification across metals types through purchases of a mix of gold, silver and platinum coins, bars and bullion. Silver bullion coins include the popular 1 ounce American Silver Eagle coins, the 2 ounce British Silver Queen's Beast Griffin coin, or the 1 ounce Canadian Silver Maple coin. For investors who want to increase their portfolio diversification in larger amounts, 10 ounce silver bars and 100 ounce silver bars are good choices. Platinum bullion U.S. Eagles, produced by the U.S. Mint, are also available in a variety of denominations.

Chapter 4. Getting Started with Rare Coins

There are many ways to diversify a portfolio with tangible assets. Rare coins offer investors an opportunity for more significant price appreciation over a longer-term time horizon. Coins have been the most popular form of money in existence for over 2,500 years, which creates many choices for investors in the rare-coin arena.

A little history

Coin investing began as “coin collecting” among wealthy Europeans during the European Renaissance. By the late 1590s, coin collecting had become extremely popular among the nobility, and one of the first-known coin auctions was held in 1598 in Holland. Fast-forward several hundred years to the 1980s, when investment interest in rare coins, specifically U.S. rare coins, began to grow, and the emphasis changed from *collecting* to *investing*.

Historically, collectors had purchased rare coins for their historical significance and beauty, but as these collections fetched significantly higher values, investors began turning to rare coins as a new type of asset class for capital appreciation, diversification, non-correlation to stocks, and as a hedge against inflation.

The building blocks

Investors today have a variety of coins to choose from, including bullion coins, which are silver, gold and platinum coins produced by the U.S. and other national mints. Bullion coins can act as a base for a tangible assets portfolio. From there, investors can expand their holdings to include rare coins. As mentioned in Chapter 2, diversifying 30 to 40% of your tangible assets allocation to rare coins has historically produced the highest long-term investment returns. Here is some information to get you started.

What is a rare coin? There are different meanings for different people. For our purposes here, a numismatic or rare coin is typically one that trades for more than the intrinsic value of the metal it is made from. There are many examples, but here are just a few:

- **The 1913 Liberty Nickel** is rare – only a handful are known to be in existence. In 2004, a Proof 64 1913 Liberty Nickel sold for $2,955,000.
- **Stella $4** gold coins were limited-mintage coins made in only two years: 1879 and 1880. An investor purchased a 1879 Proof 64 1879 Flowing Hair Stella coin in 1997 for $35,000, and sold it in 2013 for $224,000.

Independent third-party grading

The advent of third-party grading and authentication in the late 1970s greatly enhanced the ability of investors to invest, and deal confidently, in the rare-coin sector. Third-party grading is a service, provided for a fee, that provides an independent and impartial determination of a coin’s grade and authenticity. The grader is neither a buyer nor a seller, and has no vested interest in the coin’s market value. In the mid-1980s, two groups formed that remain the industry’s benchmark graders today: the Professional Coin Grading Service (PCGS), and the Numismatic Guaranty Corporation of America (NGC).

Here are a few key terms used in grading of coins today:

- **Proof (PF).** This refers to the method of manufacture.
  Proof coins can be rated 65 (the highest) to 60 (the lowest).
- **Mint State (MS).** This term, or Uncirculated (UNC), refers to coins showing no trace of wear.
  Mint-state coins can be rated as high as 70 (the highest) to as low as 60.
- **Choice Very Fine (VF).** This refers to coins with light even wear, but with all lettering and design features sharp. The range of Choice ratings ranges from 55 to 30, the higher number representing the best-condition coin.

Historical price appreciation

The appeal of rare coins to investors is mainly their impressive historical price appreciation, which has outpaced the level of the underlying precious metal. Penn State University Professor Raymond Lombra conducted an independent study on the investment performance of U.S. rare coins from January 1979 to December 2016. He found that coins rated MS-65 nearly doubled the performance return of gold over that time.

Average annual % returns 1979–2016

• Stocks	12.6%
• Treasury Bonds	8.0%
• Gold Bullion	5.2%
• Coins (all types – MS65)	11.0%
• Coins (all types – MS63-65)	9.3%

Rare coins *and* gold performed well through a variety of business and market cycles. Professor Lombra found that annual gold returns were positive in 12 of the past 15 years, and rare coin returns were positive in **13** of the last 15 years. He concluded that over the long run, including rare U.S. coins within an existing portfolio could improve investment performance.

Key Date coins

The last concept we will discuss in this chapter is Key Date coins. Typically a Key Date coin is one that is highly sought after because of the scarcity of that specific type of coin, or a special factor that makes it unique. Within every single coin series, there will be one coin that is considered “best in class” or the Key Date of that series.

One example of a unique Key Date coin is the 1937 Buffalo Nickel minted at the Denver Mint. Excessive die polishing resulted in the Buffalo appearing to have only three legs. Before Denver Mint officials noticed the problem, several thousand were released into circulation. Today, that is a popular Key Date coin. Another example is the 1955 Doubled Die Lincoln Penny. At the Philadelphia Mint that year, one of the dies was misaligned on the second blow, and caused a mirrored image, which has created a unique factor highly sought after by investors.

In the next chapter, we will show investors how to get started investing in rare coins. We will discuss good choices for first-time rare-coin buyers, and how to increase the value of an investment through building sets.

Chapter 5. How to Invest in Rare Coins

Investing in tangible assets is a smart portfolio-diversification tool that is appropriate for every investor. For those investors who have a long time horizon of at least 5 to 7 years, allocating a portion of their tangible assets to rare coins makes sense. Historically, the rare-coin sector has delivered the highest long-term returns to investors.

As we mentioned in Chapter 2, a tangible asset investment can include several components. For hypothetical purposes, let's assume Investor Bob allocates his portfolio to 60% stocks, 20% bonds, and 20% tangible assets. How does he decide where to invest the tangible assets exposure?

Here is a proven tangible asset diversification strategy. For the 20% tangible asset allocation of your precious metals portfolio, consider

- **30–40%** allocated to gold bullion coins or investment grade gold;
- **15%–20%** allocated to mint-state gold;
- **30–40%** allocated to rare coins.

We are going to focus on the rare-coin allocation in this chapter. This is a more aggressive investment, which has historically produced the highest long-term investor returns. Breaking down rare coins from around the world, we are going to focus on the U.S. rare-coin sector. Typically, U.S. coins minted prior to the 1930s are considered to be the most popular and lucrative choices for investors.

Getting started

Rare coins are classified by four major criteria:

1. The value of the coin's precious metal content;
2. Its rarity or collector value;
3. Its demand;
4. Its eye appeal – and state of preservation.

So how do you choose what coin to purchase?

In real estate, the mantra for successful investing is *location, location, location*. In rare-coin investing, the mantra is *rarity, rarity, rarity*!

In order to earn the best return on your rare-coin investment, choose the rarest coin that you can afford. That could be a $2,000 coin or a $20,000 coin – you can purchase a very nice rare coin for just a few thousand dollars. It is the rarity factor that will maintain its strong long-term demand and price appreciation. Be choosy, and go for quality over quantity.

Building sets

There are two basic forms of collections: by "type" and by "series". A **type set** is composed of all the coins sharing a single, specific characteristic such as design, designer, or denomination. A **series set** includes one coin of a particular type from each date and mint.

Investors are encouraged to acquire rare coins with a collector's mentality. If you build your rare-coin portfolio in a meaningful way, it can increase the value of your total sum, in addition to bringing you greater personal enjoyment as you learn more about the time period and individual pieces. Many set collections have been sold as a whole for more than the total value of the individual coins.

Here is one set-building strategy that collectors have used for generations:

The six-piece Double Eagle U.S. Gold set

This is a set that can fit anyone's budget, and includes two of the most recognized and collected gold coin types ever struck: the Liberty and the Saint-Gaudens.

These coins tell the story of American history from the California Gold Rush to the Great Depression.

1. **Liberty Double Eagle Type I "Twenty D"**: minted between 1849 and 1866 at the Philadelphia, New Orleans, and San Francisco mints.
2. **Liberty Double Eagle Type II "With Motto"**: minted between 1866 and 1876 in Philadelphia, San Francisco and Carson City.
3. **Liberty Double Eagle Type III "Twenty Dollars"**: minted between 1877 and 1907 in Philadelphia, San Francisco, Carson City and Denver.
4. **High Relief Saint-Gaudens Double Eagle**: minted in 1907 in Philadelphia.
5. **Saint Gaudens Double Eagle "No Motto"**: minted from 1907–1908 in Philadelphia and Denver.
6. **Saint Gaudens Double Eagle "With Motto"**: minted from 1908–1933 in Philadelphia, Denver and San Francisco.

There are individual nuances and a rich history attached to each one of these coins. President Theodore Roosevelt decided that American needed a new, more classical design on its gold coinage, so he retained Augustus Saint-Gaudens, a prominent artist at the time, to design a large $20 gold coin. The coins he created comprise the last three in the above six-piece series, and are widely considered to be the most beautiful U.S. coins ever minted.

Bankers complained that the first version, "High Relief", minted in 1907, did not stack well, so the design relief was eventually lowered to facilitate mass production.

Also, in 1907 the motto "In God We Trust" was removed from the gold dollar. President Roosevelt, a deeply religious man, had concerns that the coins could be used in ungodly ways, including for gambling or liquor. After a public outcry ensued, the motto was restored on the 1908 version of the coin.

This six-piece set is a fantastic starting point for any rare-coin investor. Start off with what you can afford. Some of the mintages in this set are ultra-rare, while others are much more common, which makes the acquisition within reach for any budget.

Legacy coins

Investors purchase rare coins for many reasons, including portfolio diversification, price appreciation potential, a hedge against inflation, and also to simply own a legacy coin that represents a significant piece of history.

If you own a 1799 dollar, you could spend hours wondering about who touched it, and for what types of purchases? Who used it during the era tin which George Washington was alive? Each and every rare coin represents a unique touch point in U.S. history.

The coins tell the story of what was unfolding in that year in history. It also represents an era when money was "hard", and backed by physical metal. That is not the case with today's paper money, where the Federal Reserve can literally flip on the printing press switch to print more dollars. Legacy coins often become family heirlooms, and are passed down from generation to generation as prized possessions.

In the next chapter we will offer some action steps on getting started with your tangible asset acquisitions.

You now understand the importance of diversifying your stock portfolio with a non-correlated asset such as physical gold. Investing in tangible assets is appropriate for all investors, and something that everyone can easily, and should, do. Here are some steps to consider as you get started on this important path to preserve, and grow, your wealth.

Investing in tangible assets should take place within a larger holistic financial picture. Always make sure that your primary financial and investment needs are covered, including an emergency fund, before you make new investments.

Take the time to become educated about coins. Do some research on the current price of gold and silver. Precious-metals prices have climbed significantly since the Global Financial Crisis hit in 2008.

How high can gold rise?

Of course, no one really knows. The $2,000-an-ounce level is conceivable by 2018. There are some in the financial world who forecast the potential for significantly higher gold prices toward the $5,000, and even $10,000, an ounce level. Those estimates may be outliers on the upside, but the long-term historical trend points in one direction, and that is upward for gold prices. One of the key factors that will keep the gold price uptrend in place is high demand coupled with limited supply. Gold demand is outpacing supply, and in addition, production levels have declined in recent years, and large-scale discoveries of gold are becoming rarer.

Do your homework to find a well-established and reputable dealer. Here are 10 questions to ask before you choose a dealer:

1. How long has your company been in business?
2. What independent third parties have recommended you?
3. What are the qualifications of your staff numismatists?
4. What if I am not satisfied with the coins that you send me?
5. Are you an authorized dealer of the major independent grading firms?
6. How do I know I'm going to get my coins?
7. How will my coins be delivered to me?
8. How quickly will I receive my coins?
9. What kinds of extras do you offer clients?
10. How does your buyback policy work?

Map out a plan with the help of a reputable dealer. Serious investors don't need a large variety of products to build a solid portfolio. Remember the larger diversification strategy, which includes gold bullion, mint-state gold, and rare coins. Many first-time investors choose to start with gold bullion coins like the American Eagle.

Remember what Professor Ray Lombra found in his study:

- Portfolios that contain at least some gold or rare coins outperform those that don't.
- Rare coins deliver higher average annual returns than gold bullion does.
- Rare coins provide an excellent hedge against inflation.

Despite the recent lack of inflation, rare coins have increased in value in nine of the last ten years up to 2016. Moving ahead, there are signs we are going to experience significant inflation again. With inflation comes higher gold prices and higher rare-coin values, which means that now is an excellent time to begin building your tangible assets portfolio.

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