

# The Atlantic GOLD & SILVER CENTRE

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## \$20 for \$20 and other schemes !

Written by David Ford

### Coins from the Mint ?

If you are interested in coins, as opposed to bullion, have seen the adverts in Canada Post outlets, or visited [www.mint.ca](http://www.mint.ca), you will know that the Royal Canadian Mint has an endless program for producing 'special edition', 'limited edition', 'limited mintage' coins, in every imaginable shape, size & colour !

These fall into several categories...

- Decorated with rainbows, flowers, wildlife, dinosaurs, superheroes.
- Depictions of 'historical' figures, 'epic' journeys, 'important' anniversaries
- To commemorate Weddings, Births, Marriages, Anniversaries
- Famous sports personalities or racing events

In fact, whatever you are interested in, there is probably a coin for you.

"Well.." you may say, "Isn't it good that the Mint is catering for all tastes and offering something for everyone ?"

The answer is "Yes", and "No", because whilst the variety is good, there is a major problem with all of the mints' limited production offerings, and its this...

**The Royal Canadian Mint is an internationally reputable and trusted crown corporation. The uninformed general public, blindly trusting this reputation, think that whatever they buy from the Mint will be a good 'investment'.**

Unfortunately, nothing could be farther from the truth, and it is usually dealers like us who have to break the bad news to people, when they come in hoping to cash-in on their 'investment' several years down the line.

### \$20 for \$20 silver

The coins which have most captured the public's interest started with the \$20 for \$20 silver collection. The mint proudly offered the public a coin with a face value of \$20 for the fantastic price of just \$20 (plus shipping).

#### Current Offerings from the RCM



"Radiant Rainbow"  
1 oz of silver for \$99.95



"Love Crazy"  
1oz Silver for \$114.95



"Centennial of Parliament Buildings Fire"  
14K coin \$599.95+tax  
**Effective rate= \$3012/oz**

Many believed that ...

- 1) their investment was backstopped by the \$20 face value of the coin (i.e. it could not fall in value)
- 2) Should silver appreciate in value, the coin would be worth more.

Again, unfortunately, on both counts this is not necessarily the whole story, for the following reasons.

### Face Value Silver Coins from the RCM



Tyrannosaurus Rex

**\$20**



Hare

**\$50**



Canada's Rugged  
Mountains

**\$200**

Despite the official face-value & legal tender status of the coins, merchants and banks have the right to refuse to accept money which they are suspicious or unsure of. We have had several customers come into our stores saying that they bought the \$20 silver coins (sometimes from another dealer for over \$20) and that their bank did not want to accept them. You can be sure no grocery store teller is going to take them, and even we (knowing the actual value) will definitely not pay \$20 for them. In theory, the mint will take them back for \$20, but by then you will have paid shipping both ways, and even they say they don't have to accept more than 1 in exchange for other goods/cash !

**The silver content of these coins is 7.96 grams – ¼ of a troy ounce of silver. With silver trading at almost exactly \$20/oz at the time of writing, this means you would have to buy 4 of them – total cost \$80, to get an ounce of silver !**

**Even though other coins such as Silver Maples have a premium over the spot price – making an ounce today cost \$23.50, the cost of buying 4 x \$20 coins still represents a mark up of over 280 % !**

**This means that the price of silver must appreciate 4x before there is any chance of showing a profit ! i.e. Silver must rise to over \$80/oz for you to make a profit. However, if you bought a Silver Maple, the price would only need to rise to \$23.50 for you to make a profit, and if it hit \$80, you would have made a 240% return !!**

The story gets even worse ! The mint have decided to capitalize on the popularity of these coins, and are now offering, \$50 for \$50, \$100 for \$100, and \$200 for \$200. The \$200 coin contains 2oz Silver, and with today's value of \$20/oz (\$40 for 2oz) this is a markup of 400% !!!

Perhaps you are saying these are collectable coins, so may have numismatic value. With mintages in the 25,000 – 300,000 mark, these coins are NOT rare. Professional collectors looking for truly rare coins do not buy these items. With the mint determined to churn out ever more of these coins each year, you can be sure they will become less collectable, not more !

### 14K and 22K gold coins

Another favorite of the mint is to produce gold coins – again based on a variety of 'historical' excuses – in compositions of 14K and 22K. The laws regarding sale of precious metals in Canada state that any gold coins less than 99.5% pure, and any silver coins less than 99.9% pure are subject to HST. Not only is this one of the most asinine and cynical tax grabs, but it actually discriminates against products sold by the Mint itself ! Gold

bullion coins have been produced in 22K for investment since the 1800's, with the British Gold Sovereign being a widely held investment both in Europe and worldwide. In the 1970's a popular larger 22K coin introduced was the 1oz Gold Krugerrand. Yet for some reason, Canada decided to make these coins taxable, only favoring 99.5% pure coins – of which just the Canadian Gold Maple was made. These are not retail items, they are investments. You would not expect to pay sales tax on mutual funds, why should you pay it on your precious metals investment ?

Gold is a very soft metal, and pure gold is far too soft for coinage – which is why most gold coins are 22K, not 24K. If you have owned Gold Maples, you will know they must be cared for otherwise they get badly scuffed and scratched, affecting the resale value. This has been a constant complaint from dealers since the coins introduction.

Despite these tax laws, the mint produces dozens of new gold coins every year, and again it's the uninformed public who are the buyers. They have been accustomed to paying sales tax on most items, so do not think twice when the mint charges them an additional 15% tax on their 'investment'. This is in addition to the already high markup for these coins.

The effect of HST on the resale value makes these coins even less valuable. There is simply no demand from true investors. Who would pay 15% tax on a 14K coin, when you can purchase pure bullion coins at a few % over the spot rate ? The lack of demand means we buy these 14K & 22K at only around 80% of the spot price. This means Joe Public, thinking he was getting a good investment from the mint, would actually be down at least 35% from the moment he bought the coin. For him to make money, the price would have to go up 35% - whereas if he had bought a pure gold bar or coin, he would only need the price to rise a few percent before he showed a profit.

### What about other mints ?

We've highlighted the problem using offerings from the Royal Canadian Mint, but almost every other mint is involved in the same scheme. National mints, such as the US Mint, Perth Mint (Australia), The Royal Mint (UK) and private mints such as Franklin Mint all produce dozens of 'collectable' coins and bars every year. If you are aware they what you are buying is NOT an investment, but an expensive shiny trinket, then good for you. The problem is that many people buying these products are under the impression that it is an investment – and us as dealers are usually the ones to break the bad news to them.

#### Pure Gold Offerings from the RCM



5oz Pure Gold Orca  
\$12,000

**Effective Rate = \$2400/oz**



1/4 oz Pure Gold Fifa  
Women's World Cup  
\$699.95

**Effective Rate =  
\$2799.80/oz**

## What should you do ?

Here are a few simple rules when buying gold or silver.

- 1) If a coin is marketed as 'special edition', 'limited mintage' or similar, you can be sure it will be over-priced.
- 2) Any coin with cartoon characters, colour pictures, gemstones or in a 'presentation' case is not a serious investment.
- 3) Any coin you can buy for the face value means it is probably worth significantly less than the face value.
- 4) Any coin which is NOT pure gold or silver will be difficult to sell due to lack of demand.

Instead you should be looking for the most possible pure metal, at the cheapest price over the spot rate, in an easy to re-sell format & size.

Our best sellers are in fact RCM products, but from their line of bullion, not collectables. So we sell 1oz Silver Maple coins in both Gold & Silver. 10oz & 100oz RCM Silver bars. 1oz, 5oz & 1kg RCM gold bars. For variety, we also stock products by other reputable mints, such as Sunshine Minting, Johnson Matthey, the US Mint. However, these are ALL pure products which do not attract sales tax. They are produced in bulk for the lowest possible cost, and do not carry 'collectable' or 'special edition' premiums.

Our premise at The Atlantic Gold & Silver Centre has always been to provide 'Investment Grade' silver and gold, meaning we only sell good quality, highly liquid investments from well recognized international mints, and we will always buy back anything we sell. If you buy anything else – it is 'Caveat Emptor' !!

**(At the time of writing, Silver is trading at CAD\$20.01 and Gold at CAD\$1624.50)**

*Author David Ford is the founder, owner and President of The Atlantic Gold & Silver Centre. He is experienced in commodities & future trading, banking and insurance. He has been actively investing in gold and silver bullion since 2000.*