

You may recall my conversation with Van Simmons, published here two years ago this month. Van is one of the more interesting people I've met in the investment world. As President of David Hall Rare Coins, Van heads what is probably the largest rare coin company in the country.

But Van is far more than just one of the world's experts in rare coins. He is also the most knowledgeable person I've met in the field of collectibles. Visit his home in Southern California and you'll find every wall decorated with fascinating artifacts, from antique fly-fishing rods and golf clubs to 18th century flint-lock rifles. It doesn't take long when talking to Van to become intrigued with the idea of owning some of the pieces of history that he collects and markets.

I recently visited Van at his home, and whether you're a collector now or not, you'll should find his musing on the collectibles markets interesting and potentially profitable.

**JP: Van, bring me up to date. What's the latest rage in collectibles?**

VS: Well, the really interesting markets are the ones in their infancy. Right now, the two things that seem to be catching on are rare records and cigar box labels.

**JP: Cigar box labels?**

VS: I'm spending \$10,000 tonight on cigar box labels, so don't laugh at me. Cigar box labels are really booming. And you don't have to be rich. You can buy really great cigar box labels for \$20. I showed three of them to one of the girls who works for me yesterday and she thought it was the most fun thing she'd ever seen that was really a collectible.

The reason I like them is that they were printed from a process known as "stone lithography." This process hasn't been used since around 1915. The really beautiful labels were printed using up to 24 hand-carved different stones, then filled with crayon and then printed with ink. Most were embossed, and the ones with gold on them are 24K gold.

**JP: Hey, for \$20 even I could afford a few. But are there serious collectors out there?**

VS: Let me give you an example of the demand. I'm meeting a guy tonight with a huge collection that he wants some help promoting. I said to him, "well, how many cigar labels do you have?" He said, "A lot." I said, what's a lot? He goes, "A lot. I am sure I have bought ever major collection in the world. I own them all." So I persisted, "How many are there?" He goes, "Well, I weighed my truck with them and my truck without them. I have 16,000 pounds of cigar box labels."

**JP:: Eight tons? Good grief! He'll flood the market.**

VS: He wants to take cigar box labels and promote them into the next generation. He doesn't care if it takes thirty years to sell them. He's a multi-billionaire who owns a company on the New York Stock Exchange. He spent \$4,500,000 buying the best collections around. He feels right now that he could flip the deal for probably \$10,000,000.

**JP: You mentioned the market for old phonograph records? That makes sense, as they're not making them anymore. Is that market growing?**

VS: I started an auction company for records a year and a half ago and we have an auction every four months. Our first auction was \$5,400. Our next auction was \$8,000. And they've grown ever since. Our last two auctions brought in over \$250,000 each. It's amazing .

As an example of what's happening, someone called and said, "There's a rumor that you guys aren't really selling these records, it's just promotional baloney. Do you guys sell real records?"

So the girl answering the phone says, "Of course, they're real. We're selling really rare records and getting really high prices."

Still suspicious, this guy says, "Who do you get in blues? Name some of the people." So our girl said, "Well, we get Muddy Waters, Lava Johnson, Bo Diddly and this guy and that guy..."

The fellow responds, "I need to bid on some of these records. Send me a catalogue and give me a bidder number." She asks for his name and he says, "This is Bo Diddly." She laughed, and she says, "No, really, what's your name?" He replies, "This is Bo Diddly. I never saved any of my records and none of my friends ever saved any of their records. If you can really sell me records that I did on my first press and stuff like that, I'll buy them all." The next few weeks several other famous singers called and asked for bidder numbers.

**JP: Incredible! So, you're getting this big following of recording artists who never bothered to save their own**

**records.**

VS: The funny part is some of these guys call back after the auction and ask, “What’s wrong? I’m pretty famous but my record only brought \$20.”

We explain that nobody collects their records right now, it’s just starting to move. “You’ve got to realize that it sold for 60 cents originally, so \$20 is pretty good.” And \$20 in the record market is a pretty good record. Really rare ones sell for \$5,000-\$10,000.

An example is the Beatles “Butcher” cover. In 1966 they came out with an album cover called the Butcher Club. The Beatles are sitting there and they’ve got naked baby dolls with pieces of meat and blood and stuff. They only made a few of them. They decided it wasn’t going to work and so they took each album and pasted a new label over it.

Now collectors are peeling off the new label, exposing the original one. A peeled version is less valuable. If they peel off correctly, they’re worth \$700, \$800, or \$900. We had a mint un-peeled version, still factory-sealed, and I think it went for \$8,500.

Isn’t that funny?

**JP: It’s not so funny when I think of all the old records I threw away. I assume you’re collecting records yourself?**

VS: Of course, I love to collect. In collecting records, as in everything, I “cross-collect.” For instance, I bought a Marilyn Monroe album with a big photograph of her inside, plus it’s got her on the cover. Demand comes from record collectors as well as collectors of Marilyn Monroe memorabilia. I buy Beatles albums and records because there are people who collect Beatles memorabilia plus record collectors. I buy Beach Boys stuff for the same reason.

**JP: What other collectibles are hot?**

VS: Well, I just passed on a pocket knife two months ago. It sold for \$100,000. And I just saw Bowie knife sell July 4 for \$250,000 and another knife for \$335,000.

The same thing is happening in the rare gun market. The really high end stuff, old Winchesters and old Colts, have taken off. Guns that I used to buy ten years ago for \$5,000 are now \$25,000. People want to buy the guns that won the West.

In fact, Americana is booming. I just bought a cigar store Indian that was made in the late 1700’s or early 1800’s. The artist or the Indian chief who was making this particular type of Indian died in a battle in 1813 up in the Niagara Falls area. I paid \$20,000 for that cigar store Indian because it fit my cross-collecting strategy perfectly. One, it’s a great piece of Americana history, second it’s a great piece of cowboy-and-Indian memorabilia, and third, the cigar business happens to be booming right now. A brand new cigar store Indian will cost \$2,000-\$3,000, but this one is actually two centuries old.

Moreover, most cigar store Indians sat outside stores, they were shot at by cowboys, peed on by dogs, run into with bicycles, and had nose and arms and cigars and tobacco broken off by kids. So many of them were burned, eaten by termites or otherwise destroyed. This one sat inside and it’s in virtually perfect condition.

**JP: Where it the world did you find it?**

VS: I bought it from a guy whose grandfather collected them. I’ve got a Chicago Sun newspaper article from 1943 about his grandfather’s collection, and it’s got a picture of this guy at about age 7 standing next to this particular Indian. The fellow I bought it from still had all the original paperwork. His grandfather bought it back in the 1920’s, so it’s been in one family since then.

**JP: That is neat.**

VS: I thought it was pretty neat, too.

But anyway, the collectibles arena has been very hot.

As a rule, people like things that are connected to the history of the United States.

I was up in Beverly Hills at a place called Spirit of America that a friend of mine owns, and I’m looking at little children’s Indian vests and things like that, that five years ago would have been \$200-\$1,000, and this guy has got them for

\$5,000-\$6,000 to \$25,000. I was just amazed.

Interest in Americana is one of the reasons coins are so popular. Almost every coin was made or redesigned for a specific reason. For example, they took the arrows off the dime because they took a little bit of the silver out of the coin, then put the arrows back, then took them off again because they took a little more out. There are historical reasons that they made changes in coins and new designs.

**JP: What's going on in the coin markets in light of the falling gold price?**

VS: The more common gold coins have moved down a little bit because of the falling gold price, but the really rare coins have gone up.

An 1804 silver dollar sold to a friend of mine at auction for \$1,815,000. He sold it the same day for a little over \$2,000,000. I said, "\$2,000,000 for that coin that seems like a lot." He said, "I think I could have gotten \$4,000,000 for it. My buyer didn't care what it went for, he just wanted it."

As another instance, a couple years ago the "Stella," a \$4 gold piece made in 1879 and 1880, was selling for \$55,000-\$60,000. Now they're about \$85,000, but I can't even find them right now. I could probably sell five, six, or seven of them today.

In 1879 they made an experimental coin called the Quintuple Stella (actually it's a \$20 gold piece). They only made a few of these in proof gold. I've had one of these for one day and I'm getting calls about it. "I heard you bought the Quintuple Stella, what do you want for it? I want to buy it." I have a couple people interested in the coin at \$275,000.

**JP: What's happened to the market over the past two years?**

VS: Through 1995 and 96 coin prices edged up about 15 to 20 percent a year.

However, with gold dropping there's a kind of a pricing inaccuracy in the market right now. I mentioned that 1804 silver dollar that just sold recently for \$2,000,000? Well, the King of Siam set, which is the most famous coin set in the world, had an 1804 silver dollar in it along with four or five other coins. The set only sold for \$1,800,000, which priced the 1804 dollar probably at \$600,000-\$700,000. Yet a similar coin just sold for \$2,000,000.

The collectibles market as a whole is extremely hot, and coins will be the hottest. If we move into any form of inflation that will scare people out of the dollar, it will explode. Even in these recent couple of weeks where the dollar has been sliding, we're getting more and more interest. People are saying, well I've been riding the dollar for the last eight months because it's been going up but now I'm getting afraid of it and I want to start buying coins.

A lot of the MS65 coins are really inexpensive right now. They're selling for about 20 cents on the dollar of what their 1989 highs were.

With gold in a slump, some of the gold coins have come way down, but there aren't many sellers at these low prices. If five years ago, you wanted to buy an MS65 ten-dollar Indian gold piece, it would probably have been \$16,000-\$17,000 and I could have gotten four or five of them for you without much trouble. Today if you wanted to buy them, while the price would be around \$5,000, I could probably get one, and another two or three weeks later I could get another one. But in 1979 or 1980 when gold was \$800 or \$850 an ounce, the report showed that only 3% of the American public even owned any gold or had an interest in owning gold. At these lower gold prices it's probably closer to 1% or less. As the price of gold moves up, or as we move into an inflationary period, you're going to see people moving towards coins.

**JP: I know you specialize in American coins. What's available in less expensive coins?**

VS: You can buy really high grade coins for as low as \$29. For example, you can buy an MS65 buffalo nickel or an MS65 mercury dime for \$29. These are truly great US coins. The buffalo nickel with the Indian on the front and the buffalo on the back is arguably one of the most desired designs. Both of them were selling for \$150 to \$170 two years ago, so they are way down in value. Arguably the nation's most gorgeous US silver coin is the MS65 walking liberty half dollars and they are currently selling at about \$80.

**JP: On your honor as a coin dealer, does the big plunge in coin prices since 1989 signal a buying opportunity, or does the slump have further to go?**

VS: The coin market has a pretty clear cut four- to five-year cycle. They go up for four to five years and then down

for four to five years. We're just coming out of four years of a bear market and a year and a half with coins going up slightly. The drop in gold has caused prices to stall a little bit, but only in the more common coins. The rarer coins have continued to go up in the last five or six years. I mentioned the 1804 silver dollar that recently traded for \$2,000,000? Well, a similar coin traded hands a couple years ago for \$600,000.

The 1913 Liberty nickel is an example of a truly rare coin and the market for true rarities has continued to go up in spite of the coin market coming down. A 1913 Liberty nickel sold around 1983 for \$315,000. That coin resold in 1992 for \$935,000. Another of the same coin recently sold for \$1,400,000.

**JP: Big money seems to be looking for havens from overpriced stocks and bonds. Is there any correlation between the coin market and either the stock market or the economy over time?**

VS: Coin prices tend to go down when the economy slows down. In 1990 the coin market had been going up and up. This attracted the institutions. Kidder Peabody, Lehman and Merrill Lynch were all doing or considering rare coin funds. When the economy started to slow down, they started to sell their coins, driving prices down. When the economy and stock market picked up in 1991, investors continued to move out of their coins as apparently they felt they could make more money in stocks. This meant more coins on the market and lower prices. Coin prices bottomed at the end of 1994 and started to edge back up. In 1995 a \$10 Indian or a \$10 Liberty MS65 was around \$4,200. Today, in mint state, MS65, they're around \$5,200-\$5,300.

**JP: Finally, let's talk grades. My impression is that not all MS65 \$20 Liberty's, for example, are equal.**

VS: They aren't. It depends on who graded the coin. In almost all cases, PCGS (Professional Coin Grading Service) graded coins sell for higher prices than equivalent grades that have been graded by other coin-grading services.

When somebody calls and asks the price of a \$20 Liberty MS65, I'll say, "Graded by PCGS, \$3,900." And they'll ask, "What about graded by another company?" "Well by the other company, I can sell you one for \$3,100."

If your readers are shopping prices, they have to make sure that they are getting prices quoted on PCGS coins. PCGS has the most rigid grading standards and therefore coins graded by them sell for more money.

**JP: It seems to me that if someone could get another \$800, he'd be a fool not to send a coin to PCGS to get it graded.**

VS: The problem is that PCGS might downgrade the coin. If the dealer had a \$20 Liberty graded MS65 in a sealed holder from another company, for example, he would send it to PCGS and try to get it graded by PCGS as MS65. PCGS will leave it in the holder of the other grading service. If they believe that it's MS65, then they'll put it in a PCGS holder and give it the grade. Presto, the value jumps to \$3,900. If they don't think it makes the grade, it just get shipped back in the original holder.

The truth is, most coins valued at over five hundred dollars have probably been looked at by PCGS. If a coin is still in another company's holder, it probably doesn't meet PCGS standards. The point is, you're not really getting a deal at buying a MS65 by another grading service for \$3,100 because what you're probably buying is a coin that PCGS didn't grade MS65. If PCGS grades it MS64, which is just the next grade lower, that's a \$1,100 or \$1,200 coin.

So it's a pretty dramatic difference. Most of the coin houses are selling coins graded by other coin grading services and acting like you're getting a really great deal because you're saving a couple hundred dollars over the PCGS price. But you're really not saving anything. There are no free lunches in the coin market.

There's a weekly price sheet called the *Certified Coin Dealer Newsletter* that shows average wholesale cost. In almost every case the coins graded by other companies trade for less money from PCGS, I mean they actually publish the differences.

**JP: Can you name your top five or six choices for rare coins right now?**

VS: The first would be the MS65 \$20 Liberty gold piece. As of the August population report, PCGS had graded 1,307 of these in the MS65 grade. The coin sells for around \$3,900. On the other hand, they've graded almost 15,000 of the MS65 St. Gaudens. So the \$20 Liberty is about 10 or 12 times rarer than a St. Gaudens, yet it only sells for about triple the price.

There's another reason I like the \$20 Liberty. In 1989, the \$10 Liberty, the \$10 Indian, the \$5 Liberty and the \$20 Liberty were all \$18,500 apiece. Today the \$5 Liberty, \$10 Liberty and \$10 Indian are currently \$5,300 to \$5,400 each, while the \$20 Liberty is only about \$3,900. It has way overcorrected in price.

My second choice would be the 1921 Peace Dollar, which in MS65 is currently around \$1,800. It's the only year the US government made a silver high-relief coin, so it's different from all of the other Peace Dollars.

Third choice would be the MS65 twenty-cent piece, a coin that was only made for four of years, 1875 to 1878. These are currently \$4,950, down from around \$20,000 to \$22,000 in 1989.

**JP: OK, there are the top three. Any more favorites right now?**

VS: I like the Type III gold dollar coins, which were struck from 1856 to 1889. In Proof 65 these coins are currently around \$10,000. They are small gold coins, a little smaller than a dime, so they are a great, concentrated store of wealth.

Actually, all of the gold dollars in the gold commemorative series are selling at huge discounts. The 1903 Jefferson, which was around \$10,500, is currently around \$1,895. A 1916 McKinley is \$1,895, it was around \$11,000. A 1917 McKinley which was around \$11,000 is now about \$2,650.

One last one is the Oregon Commemorative series, a very widely-traded series. You can buy MS65 Oregon's that used to trade at \$850 to \$900 starting at \$195. There are several different dates and several different mint marks, but the start at \$195 and they're very popular coins.

Let me give you one other one. The proof Walking-Liberty half dollars were made from 1936 to 1942. They are considered the most beautiful silver coins the country had ever struck.. The 1940, 41 and 42s used to be around \$1,850, but are currently in the \$375 range.

**JP: I remember them well. We used to use them every day.**

Van, thanks very much for taking the time to share your expertise.

VS: My pleasure Jack. Any time.

For a complimentary copy of Van Simmons' and David Hall's book, *The Mercenary's Guide to the Rare Coin Market*, plus a free subscription to their newsletter, write to Mr. Van Simmons, David Hall's Rare Coins, 1936 E. Deere Ave., Suite 102, Santa Ana, CA 92705. Or, call (800) 359-4255.