PETER SCHIFF EXPOSES

CLASSIC GOLD SCAMS

AND HOW TO AVOID GETTING RIPPED OFF

If you are thinking of buying gold or silver coins, you MUST read this before you buy. The market is filled with tricks and traps ...

DON'T BE CAUGHT OFF GUARD!

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

. . . and much more!

Peter Schiff
Chairman

SchiffGOLD

About This Report

Our Chairman, Peter Schiff, has spent decades 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 heard countless stories of clients falling in with the 'wrong crowd' of bullion dealers. Four years ago, partnering with industry-veteran Michael Freedman, Peter decided to open his own precious metals firm. Peter is known worldwide for his record of accurate economic analysis and fair dealing, so it's no surprise that SchiffGold has gained a reputation for low prices and ethical business practices.

SchiffGold 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. ●

Welcome to Gold-Buying 101

As more investors add gold and silver to their portfolios to protect themselves from a collapsing dollar and looming inflation, many 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 questionable products, designed mainly to separate inexperienced buyers 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 an experienced investor. 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. ●

GLOSSARY

Bullion: Precious metals officially recognized by international markets in the form of bars or coins. The London Bullion Market Association requires gold bullion bars to be at least 99.5% pure and gold bullion coins to be 99.9% pure.

Historic Coin: This term is generally used in the metals industry to refer to pre-1933 gold coins.

Karat: The purity measure of a precious metal. Pure gold is 24-karat. Commonly available gold is often 22-karat to make it stronger.

Liquidity: How easily an asset can be bought and sold in the marketplace. Higher liquidity means the seller doesn't have to wait for the right buyer or take large discounts on the selling price. For example, a '69 Corvette is very valuable but not liquid (few available buyers), while a 2010 Toyota Camry is less valuable but much more liquid.

Markup: The difference between a dealer's wholesale cost and retail price. If a dealer pays 3% over the spot price of the metal for a coin and sells the coin for a 5% premium over the spot price, the markup is 2 percentage points.

Premium: The cost of a product over and above the spot price of its metal content. If the spot price of gold is $1,000/ounce, and a 1-ounce coin is selling for $1,050, the premium is $50 or 5%.

Mint State (MS): A measure of the condition of numismatic coins, ranging in quality from MS-61 to MS-70.

Numismatic: In the metals industry, numismatics refers to coins that are valued based upon their rarity, condition, or mint date, rather than just their metal content.

Obverse: The front of a coin.

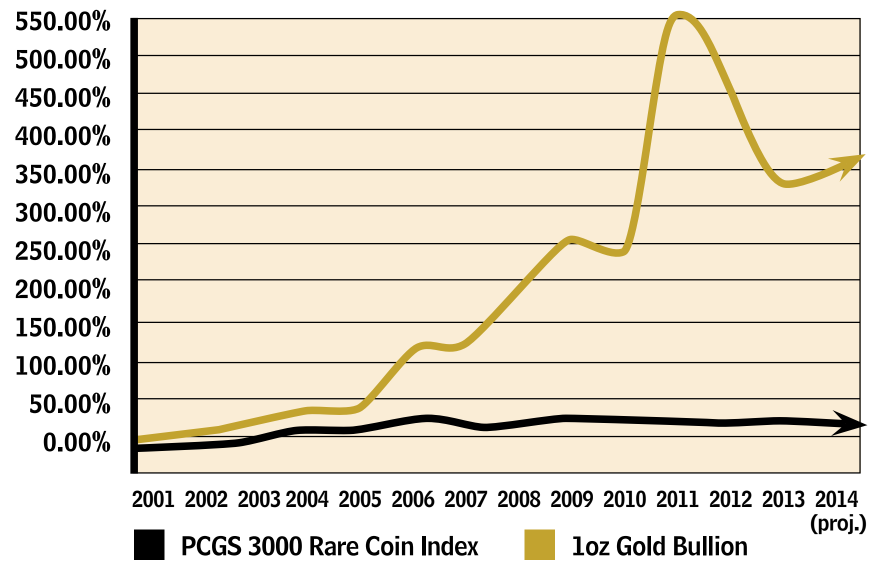
Reverse: The back of a coin.

Spot Price: The price at which an ounce of precious metal can be bought or sold for physical delivery by a large institution on a major bullion exchange. This is used as a basis for wholesale and retail prices.

Troy Ounce: The standard imperial (English) measurement of precious metals. Bullion products are almost always measured in troy ounces. A troy ounce weighs about 31.1 metric grams.

The Bait-and-Switch

Rare vs. Bullion Gold Coins



The Professional Coin Grading Service releases an index of the price of 3000 rare coins. Comparing the PCGS index since 2001 to the spot price of gold shows that while rare coins have appreciated, they've largely missed on the major bull run up. Since 2001, rare coins appreciated some 36% while gold appreciated more than 350%.

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

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 to get you to switch from bullion to numismatic coins, which they might call "rare," "historic," or "limited edition."

Unless you are a very serious collector who has substantial knowledge of the numismatic world, here are four 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.

2. They're Hard to Liquidate

Even if your numismatic coins do rise in value, good luck trying to sell them. 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 or at coin shows, but chances are they'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.

3. The Charts are Cooked

Numismatics salesmen might show you a chart comparing the performance of 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 that 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 numismatics have in fact missed most of the gains of the last decade.

4. Confiscation is a Con

Many unscrupulous dealers tell customers that only numismatic 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) and/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 "unique" numismatic coins would be exempt from a Roosevelt-style confiscation.

However, 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 of gold 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.

Buy Gold for Gold

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. ●

What's the Story With Collectible Coins?

If there's anything worse than buying overpriced numismatic coins, it's buying a collectible coin that no one wants to collect. Numismatic coins usually carry at least some value above their bullion content, but coins marketed as "collectible" range from being major ripoffs to virtually worthless.

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!

Proof Sets — They're All in the 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 assets worth about 91¢.

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.

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. 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 actually composed of 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 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 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. ●

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, 1/2 oz, 1/4 oz, 1/10 oz

Canadian Gold Maple Leaf

Mint: Royal Canadian Mint
Composition: 99.99% Gold
Years of Minting: 1979 - Present
Denominations: 1 oz, 1/2 oz, 1/4 oz, 1/10 oz, 1/20 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 Silver Maple Leaf

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

What Else Should I Watch Out For?

We've covered the big scams already, but those unscrupulous gold dealers have other tricks up their sleeves. Watch out for these other ways they'll try to separate you from your hard-earned dough.

Investment-Grade" Doesn't Pass

Coin collectors 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 at all* important when you're buying brand new bullion coins – and here's where the scam comes in.

Many coin dealers are selling brand-new, 2014 bullion coins with an MS-70 rating at multiple times the price of the same 2014, brand-new ungraded coin. Our research uncovered one company selling 2014 American Silver Eagles with an MS-70 grade for $99.95. SchiffGold sold the exact same coin, ungraded, for less than $24! By definition, a 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 $75 for certification? ▶

SCHIFFGOLD BULLION PREMIUMS FOR RARE COINS

At SchiffGold, our mission is completely opposite from bait-and-switch gold dealers: we want to educate our customers so they don't get swindled by our competitors. Generally, that means explaining the merits of bullion coins over numismatics.

However, some customers prefer to have beautiful historic coins among their holdings.

The key is to understand what you're buying and pay the lowest premiums possible.

SchiffGold now offers un-graded selections of the most popular pre-1933 gold coins at premiums far below our competitors. We apply the exact same markup structure to historic coins as we do to our bullion products. These coins carry higher markups from the wholesalers (the "historic premium"), but our proportion stays the same.

For clients interested in such coins, we can offer beautiful historic coins like the $20 Saint-Gaudens (pictured at right) and the $5 Indian Head for premiums 60% below our competitors!

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.

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 $75 or more for a coin that you could have graded yourself for $9? Of course, you don't need to have the coin graded at all because the certification serves no purpose and will eat into your investment return.

This is why the pre-1933 coins we sell come ungraded. We want to give our clients the opportunity to buy a piece of history without any unnecessary costs or fees.

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 sale, which is in addition to the markup on the coin. Even though the products sold were bullion coins, the deal was not competitive because of the high markups plus the commission paid to the advisor. This practice might actually be illegal because financial advisors have a fiduciary responsibility to their clients to get them the best deal on purchases.

We don't think overpaying for bullion coins fits the definition of 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 middleman.

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 – 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. We don't offer a lot of perks and guarantees because we'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 dealers 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.

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 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 celebrities to endorse their products.

That way, you become familiar with their brand name, and then someone who shares your views 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 they're pushing are legitimate.

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

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 key 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 wholesalers who can buy directly from the various national mints worldwide at prices a little above spot. There are only a handful of these wholesalers 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 SchiffGold. 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 *markup*, 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 dealer markup is 2 percentage points. In current market conditions, buyers should pay less than 7% 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, collectible, commemorative, or "special" in any way. 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.

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.

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 at about the price he pays for the same coin from wholesalers.

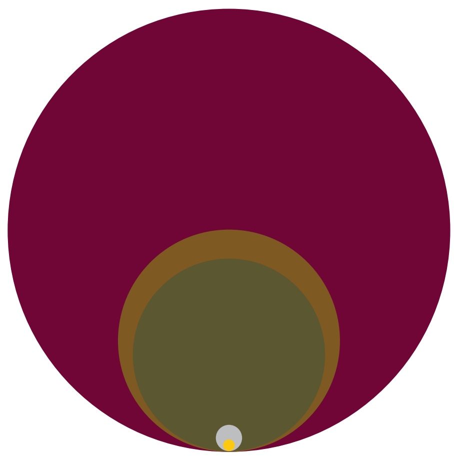
If you buy a coin and want to sell it back the next day, you should take a loss of only a few percentage points. If the *spread*, or difference between what the dealer sells for and what they buy for, seems large – or especially if they won't buy back at all – hang up and look elsewhere. •

Buying With Confidence

Despite the recent correction, 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, rising 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.

Volume-to-Value Ratio

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.



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 SchiffGoldhope 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:

CALL 1-888-GOLD-160

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