



In this issue of our newsletter, we have another great article from Jeff Garrett on the subject of “CAC Examined.” Our next meeting will be held on Monday, March 18, 2019 at 6:30 PM at our new location at the Embassy Suites at Lexington Green, 245 Lexington Green Circle. As a reminder, they have asked that we not bring in outside food or drink when attending the meetings. Instead, there are several convenient locations within the facility to purchase soft drinks, coffee, or food items.

DOOR PRIZE TO BE GIVEN AWAY!

You won't want to miss this meeting! Jeff Garrett at Mid-American Rare Coin will be donating another door-prize item to be given away. Also, Jeff had a really nice deal for any club members who would like to become members of the American Numismatic Association. Jeff will pay 100% of the first year's basic membership dues (the online version of The Numismatist, a \$28.00 value) for any club member who wants to become an ANA member for the first time. The ANA offers members many outstanding benefits including discounted coin insurance, life insurance, library use, on-line delivery of The Numismatist Magazine, and a great numismatic convention each summer.

CAC EXAMINED

By Jeff Garrett

Quite often new clients, and sometimes long term clients, will seek my advice on numismatic collecting strategy. They are very interested in developing a sound and hopefully long term path for being a successful collector. Most love

numismatics for its history, beauty, and comradery. But nearly all hope that their substantial investment in numismatics is profitable in the end.

This concern is quite understandable in light of the fact that many invest a substantial portion of their net worth in a hobby. A long term collection of rare coins is much more costly than most other hobbies. You have never seen a collection of antique lunch boxes or vintage fishing flies sell for tens of millions of dollars as happens with regularity in numismatics.

I carefully consider the gravity of the situation when being asked for advice from someone who I know is preparing to spend a lot of their money on rare coins. For some, this could mean a few hundred dollars each month, and for others it means hundreds of thousands of dollars per year. The advice is particularly important to most because they plan to collect actively for the next five, ten, or twenty years. Any mistake now can have serious long term consequences.

One of the most frequently asked questions from clients is about buying CAC coins. CAC stands for Certified Acceptance Corporation. CAC is a third party service that was formed by John Albanese (one of the original founders of PCGS and NGC) that certifies with a small sticker, if any NGC or PCGS coin meets his standards for a coin of any given grade. According to the CAC website:

WHAT THE CAC STICKER MEANS

-VERIFIED. Your coin has been verified as meeting the standard for strict quality within its grade.

-GUARANTEED. CAC Stands behind our verification by making markets in most actively traded coins.

Many in the dealer community loudly tout the advantages of buying only CAC certified coins. They see CAC as a solution to the issue of evolving grading standards by NGC and PCGS over the last few decades. The rare coin market has become much more “sight seen” oriented in the last several years, with exceptional coins bringing much higher prices at public auction. This has created

a very multi-tiered pricing structure for many coins. One only needs to review the auction records of any major sale to see this in action.

For the average collector, this can be either the exact solution they are looking for, or a major dilemma. The major dilemma is deciding if the price premium required to purchase CAC coins will be the correct decision in the long run. The issue is somewhat similar to investing in a managed stock investment account. The 1-2 % fees might seem minor, but over ten or twenty years can have a major impact on your investment returns.

I personally buy and sell a lot of CAC coins each year. Many clients love the fact that the coins they are buying have been screened for another layer of quality control, and they do not mind paying the premium. Many other clients however balk at the prices for CAC coins, and would rather selectively purchase more non-CAC coins with the limited funds they have.

The decision about buying CAC or non-CAC coins is up to every collector, but for clarity the following should be considered:

CAC COST MORE

One of the most collected and invested areas of the rare coin market is common date United States golds coins struck before 1933. These coins are sometimes referred to as “generic gold.” According to a recent study by Maurice Rosen of the Rosen Advisory, the average CAC cost premium for MS63, MS64, and MS65 eight piece gold sets in 2018 was 39.7%.

A study of auction records in recent years would turn up similar results of many other series. Some series or individual coins trade for smaller premiums, and this should be carefully studied for the area of the market you have chosen.

Bottom line, your limited funds will not go as far when only buying CAC coins.

LIMITED SUPPLY

The number of CAC coins available for any given issue is much lower than for non-CAC coins. This creates demand pressure among collectors who only buy CAC

coins. As more coins become certified by CAC, the price premiums will probably drop for some series. This has been the case with some generic gold issues over the last several years.

CONFLICTS OF INTEREST

John Albanese is one of the most highly respected dealers in the country, but CAC is a grading company and a rare coin business. The potential for conflicts of interest are unavoidable regardless of intent. If a huge number of coins are submitted for verification when CAC is bidding on them, the natural reaction would be for conservative results. CAC also has access to purchase some of the best coins in the country before they enter the market. To my knowledge, NGC and PCGS do not buy coins from submitters.

LONG TERM SUCCESSION PLANS

John Albanese is an amazing dealer, grader and business man. Like many of us however, he is nearing retirement age. What will be the plans of the next generation of owners of CAC - this scenario has played out several times with many major and storied numismatic companies and grading services in recent years. Will there be the same standards and market making at CAC twenty years from now?

QUALITY COINS

There is no doubt that the average CAC is nicer than coins in the lower end of the grading scale for a given grade. In my experience, CAC is strict (sometimes frustratingly so) and coins you buy now will be solid for the grade. The important factor is determining the proper price for extra assurance of quality.

SUMMARY

The decision to buy CAC coins or non-CAC coins depends a lot in my opinion on your willingness to study and understand grading. For those who have no interest in learning about grading, or lack the ability to learn, buying CAC makes much more sense.

There are a lot of very nice coins on the market for every series that are solid for the grade and priced more attractively. Unfortunately, there are also low end coins for the grade in the market, and collectors should know the difference. This is why I have often recommended collectors to focus on one series and to learn everything they can, including grading. Numismatic knowledge is essential to be a successful collector, and grading is among the most important issues. Hopefully the above information can help you make an informed decision when it comes to CAC coins.