THE TEN COMMANDMENTS OF BUYING SILVER AND GOLD

Everything You Need to Know

By Michael S. Hyatt

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ABOUT THE AUTHOR

Michael S. Hyatt is a publisher and best-selling author. His first book, *The Millennium Bug: How to Survive the Coming Chaos* (Regnery, 1998), sold out of thirteen printings in the three months following publication, earning it a spot on *The New York Times* “Business Best Sellers” list where it remained for seven consecutive months. The book was also on *CBA Marketplace’s* “Christian Clothbound Best Sellers List” where it remained for four months.

His novel, *Y2K: The Day the World Shut Down* (Word, 1998), appeared on *CBA Marketplace’s* “Christian Paperback Fiction Best Sellers List,” where it remained for three months. His most recent book, *Invasion of Privacy* (Regnery, 2001) was Amazon’s #1 best-selling book on privacy for over a year. Amazon readers gave it a four-and-a-half star rating.

His ability to discuss complex technical matters in plain English, and offer practical, innovative solutions has made him a much sought-after media guest and keynote speaker. He has appeared on all three major television networks, as well as CNN, C-SPAN, MSNBC, Fox, and NPR. He has also been a guest on more than 700 radio shows, including interviews with Mitch Albom, Darrell Ankarlo, Jim Bohannon, Neal Boortz, Peter Boyles, David Brudnoy, Tony Brown, Rick Dees, Jack

Diamond, James Dobson, Warren Duffy, Bob Grant, Roger Hedgecock, G. Gordon Liddy, Marlin Maddoux, Oliver North, and Janet Parshall.

He has also testified before Congress on the topics of emergency preparedness and disaster recovery. He has received extensive training in the use of firearms, including Level III certifications in Urban Rifle, Combat Shotgun, and Tactical Handgun. He has also received training in executive protection, search and rescue, and counter-terrorism.

Professionally, Michael has worked in the publishing industry for nearly 23 years. Currently, he serves as Executive Vice President and Group Publisher of Thomas Nelson Publishers, the country's ninth largest book publisher. In this capacity he oversees Thomas Nelson Books, WND Books, Tommy Nelson Books (the children's division) Rutledge Hill Press, and Cool Springs Press.

He has been married to his wife, Gail, for twenty-four years. He has five daughters, ages 11–22 and lives on a secluded, self-sufficient farm outside of Nashville, Tennessee.

SECTION ONE

THE TEN COMMANDMENTS OF BUYING SILVER AND GOLD

Through four and a half millennia of human history, mankind has valued gold and silver. The gold *aureus* or silver *drachma* minted in 100 B.C. have retained value until today. Shares in the *Trans-Imperial Tax Farming Corporation* haven't. Sure, the purchasing power of both metals rises and falls throughout history, but it still transmits wealth across time. Therefore, it is my contention that there is no safer place to put your money than in these precious metals. With that in mind, let me offer "The Ten Commandments of Buying Silver and Gold."

COMMANDMENT #1: REMEMBER YOUR PURPOSE

Your primary goal in acquiring silver and gold is *asset protection* not *growth*. I happen to believe that silver and gold will grow in value significantly over the next two years, but that is not my primary goal in buying either of them. My objective is to protect some of what little wealth I have from the ravages of an uncertain economy. I know of no better way to do this than through the vehicle of silver and gold. If these two precious metals don't rise in value, I won't be disappointed. I will simply be grateful that I was able to protect some of my assets.

COMMANDMENT #2: BUY AT THE LOWEST PRICE PER OUNCE

I recommend you buy the most gold and silver you can for your money. Look for the *lowest cost per ounce,* consistent with liquidity and divisibility. To figure the cost per ounce merely divide the cost of the coin by its content. If a British sovereign (a type of gold coin) containing 0.2354 troy ounce of fine gold costs $90, then its cost per ounce is $90 divided by 0.2354 or $382.32 per ounce. Compare this price to the "spot price" of gold or silver.

The spot price is the market benchmark, the price per ounce for 100 ounces of gold or 5,000 ounces of silver for immediate delivery in New York. However, since you probably can't take immediate delivery in New York, you will have to pay a *premium* over the spot metal value to cover minting, commissions, and distribution costs. All things being equal, you want to buy the coins with the lowest possible premium. Remember my "Axiom of Premiums": *over the long haul, all premiums disappear.*

COMMANDMENT #3: FOCUS ON COINS

Liquidity refers to how easy it will be to trade metal under the worst possible circumstances. The question you should be asking is, what form of gold and silver will people want most in tough times—or even a crisis?

Historically, coinage was a great technological advance. Instead of having to test every piece of metal for purity and weight, mints stamped pieces with a guaranteed weight and purity. Everyone could be sure they got what they paid for. Coins still offer this security today.

But not all coins have the same liquidity in a crisis. Although there's nothing wrong with foreign gold or silver coins (they were legal tender in this country until 1854), if you live in America you should generally prefer coins minted in the U.S. unless you can buy foreign gold coins at an attractive price per ounce. Why? Because unsophisticated vendors or investors will likely trust and accept domestic coins before they accept foreign ones.

The most recognized form of silver is pre-1965 U.S. dimes, quarters, and halves. They are 90 percent silver and sometimes called "junk silver." Virtually everyone knows what they look like, and if they doubt they are silver, they can check the date on the face. The amount of silver every coin contains can be precisely known.

These silver coins are currently traded in bags of $1,000 face value (i.e., ten thousand dimes, four thousand quarters, or two thousand halves.) A $1,000 face value bag weighs fifty-five pounds, has the volume of about a gallon and a half of milk, and contains 715 troy ounces of pure silver. With *spot silver* around $5.00 an ounce (at this writing), a $1,000 *face value* bag of 90 percent coin costs about $3,575 (715 ounces x $5.00).

Recognizability is the same reason I recommend the currently minted American Eagle half-, quarter-, and tenth-ounce gold coins. They plainly say on their face that they are United States coin, and plainly state how much gold they contain. However, they do carry high premiums. But since the premium on sovereigns, twenty francs, fractional Krugerrands, and all the other alternatives have risen so high since the summer of 1997, you have few options. If you want fractionals, you just have to swallow hard and pay the price. Remember, you are buying future flexibility in the number of transactions you can perform.

COMMANDMENT #4: AVOID NUMISMATICS

A "numismatic" is an old or rare coin that trades at a handsome premium because of its value to collectors. Many sophisticated investors have made a good deal of money from these coins, even when silver and gold were not performing well. However, they are sometimes sold by unscrupulous coin dealers to amateur investors who pay more than they should for them. I strongly suggest that you stay away from these kinds of coins, unless you have a large portfolio (more than $1 million), you know what you are doing, and you have a coin dealer you trust with your life.

In an emergency like a war or the civil disruptions caused by widespread terrorism, all values tend to sink to their lowest common denominator. For example, suppose the city is on fire and you're standing on the curb. A man in a Geo Metro screeches to a halt in front of you. "Get in, and I'll take you to safety!" he yells.

How likely are you to look down your nose and sneer, "No, thank you, I'll wait for a Lincoln town car"? Not very, because the only thing that matters is bottom line *transportation*. The same applies to the value of gold and silver coins in a crisis.

Nobody will care about their “collectible” value. They’ll ask only one question: How much gold or silver does it contain?

Unfortunately, I have met many people who have suffered at the hands of numismatic sales people. Much to their chagrin, they discovered too late that the coins they bought were worth much less than they were told. They were also given additional reasons why they should buy numismatics; I’ll deal with these later in this report. Regardless, the best defense is to know what you want and refuse to buy something you don’t want or need.

COMMANDMENT #5: BUY SILVER FIRST, THEN GOLD

There are a number of reasons why I recommend that such a large portion of your portfolio be in silver. The primary one is because I believe silver will be more useful in the kinds of day-to-day transactions you will likely be making in a crisis economy. Gold is valuable, of course, but, in a crisis, it is often *too valuable* for run-of-the-mill purchases like groceries or household goods.

Moreover, silver may actually rise in value more quickly than gold. The current gold to silver ratio (at the time of this writing) is currently at about 56:1. That means that it takes about fifty-six ounces of silver to buy one ounce of gold. Historically, however, a ratio above 16:1 is an anomaly. From 1873 to 1939, the ratio trended upward to 100:1. However, each time it fell, it moved toward 16:1. From 1939 to 1968, it trended downward, again bottoming below 16:1. In the mid-1970s it turned down again, bottomed below 16:1, then turned up into 1991. Since 1991 the ratio has continued to move down, meaning that the value of silver is moving up relative to gold. If history is any indication, my guess is that silver may shoot up in the next few years.

The other reason silver may rise in value faster than gold is the *monetary demand*. Increased monetary demand is historically what drives the ratio up; absence of monetary demand is what drives it down. Based on my conversations with coin dealers, there is every reason to believe that there is a movement toward the *private remonitization* of silver. Until recent times, silver has always served as mankind's daily "monetary workhorse." If this holds true for the future, then we can expect the price of silver to rise more quickly than gold.

COMMANDMENT #6: BUY SMALL COINS FIRST, THEN LARGE COINS

Divisibility means that you want pieces small enough to trade. You don't want to go shopping for a loaf of bread with a 400-ounce bar of gold. It's much easier to offer several small coins that to try and divide one large one.

When it comes to silver, this means that you need to start with dimes, move to quarters, and then finally fifty-cent pieces. With dimes, there are fourteen transactions to an ounce. This decreases as the denominations increase (e.g., there are roughly six transactions to the ounce with quarters and three transactions to the ounce with fifty cent pieces).

Because the fractional gold coins carry a larger minting premium than the one-ounce coins, save yourself a little money by buying one-ounce coins *after* you have a reasonable stock of fractional coins.

COMMANDMENT #7: KNOW YOUR DEALER

I don't know of any more important advice to give you than this. I have had contact with many people who did business with the wrong dealer and lived to regret it. The best way to avoid this happening to you is to get a recommendation from a friend you trust. However, since you may not have many friends that have purchased silver and gold, this may not be that easy. Therefore, I want to get you started. One coin dealer I can recommend without qualification is Franklin Sanders. He is knowledgeable, experienced, and honest. I have literally sent thousands of my readers to him and never had a *single* complaint. (Just for the record: I don't receive any financial compensation from him; I'm just a happy customer.)

You can reach Franklin at:

The Moneychanger
P.O. 178
Westpoint, Tennessee 38486

Voice: (888) 218-9226
Fax (931) 766-1128

E-mail: moneychanger@compuserve.com
Website: <www.the-moneychanger.com>

Note: If you call him, please be patient. He is very busy, and sometimes it takes a few days for him to get back to you.

COMMANDMENT #8: PROTECT YOUR PRIVACY

Because they are concerned about the government seizing gold, many investors are worried about the "paper trail" of their purchase. Face it: in America today, you have almost *zero* financial privacy. Government agencies can go to your bank and get your every financial record *without ever informing you*. Does the person who sees your Visa or MasterCard or checking statement know everything about your finances? Of course he does. About the only way you can buy gold and silver and preserve anonymity is to send the money overseas and buy it there. But then you have the problem that you are in the U.S., perhaps facing martial law because of widespread terrorism, while your gold and silver lies useless in Switzerland or the Caymans. That's not much help.

Also, forget buying with cash. Every gold and silver dealer is scared to death that the government will set him up on money laundering charges. If you walk into his shop, as a stranger, and offer to buy six or eight thousand dollars worth of gold or silver for cash he will escort you to the nearest exit. Can you blame him?

So forget about the paper trail. Just take whatever precautions you need to take to secure your family's survival, buy what you need, and trust God to protect you.

However, just because you can't keep the government from knowing about your silver and gold purchases does not mean that everyone else has to know. The last thing you want to do is become a *target* for criminals. To avoid this, do not tell anyone, including your children, that you are buying silver and gold. Many people operate under the assumption that “keeping a secret” means you can only tell one person at a time. If that person happens to be the *wrong* person, you could be putting yourself or your family at risk. As a former Navy friend of mine is fond of saying, “Loose lips sink ships.” Thus, the best policy is to stay tight lipped—no exceptions!

In addition, don’t make the stupid mistake I made when I ordered my first bag of silver. I had the bag shipped by UPS to my front door. Worse, the return address on the shipping label had the name of the coin dealer! The best thing to do is have your coins sent to a mail drop. The clerk may figure out what’s in the box, but he won’t know where you live, if you are careful to avoid disclosing it. You should also have the coin dealer omit the name of his or her company on the return address or use an alias. Any decent coin dealer should be using this as part of their standard operating procedure.

COMMANDMENT #9: ALWAYS TAKE DELIVERY

This commandment is, I hope, self-explanatory given the nature of the tough times ahead. If all you have is a silver or gold certificate, then, once again, all you are holding is a “promise to pay.” It is a piece of paper, which, in a crisis will likely be worth nothing. You want to own your assets, and you want to have them under your *exclusive* control. Therefore, take delivery. *Do not* put them in a safety deposit box or in any other place which may prove inaccessible when you need them.

COMMANDMENT #10: KEEP YOUR VALUABLES SAFE

Obviously, you will want to store your valuables in a place that is known to you but unknown and inaccessible to others, especially thieves and burglars. Here are a few ideas of where you can stash your cash and other valuables:

- Inside empty cassette or CD covers
- Inside empty video covers with your video collection
- An empty box of cereal in your cupboard
- Bottom of a tool box
- Behind some books in a bookcase
- Inside a spare tire in your car
- In an envelope stapled to the back of your bed's headboard
- Under the files in a packed file cabinet
- Shoe box in your closet
- A kitchen cabinet with a false back
- Scarf box under the couch
- Taped to the inside of your piano
- Inside a guitar case
- At the bottom of a dried herb jar
- Hollowed out books on the shelf with your other books
- A Zip-loc bag submerged in a toilet tank
- A Zip-lock bag buried in a flower or plant pot
- Behind pictures in frames
- An envelope taped to the bottom of a china cabinet or free-standing shelf
- In a box of tampons
- Inside porcelain knick-knacks or statuary
- In a coffee can buried in a garden
- In hollow plastic broom handles
- In Zip-lock bag placed inside the clean-out drawer of a chimney
- In an empty vitamin or herb bottle, placed with your real ones
- In a coffee can in the garage with nails on top of the cash
- Behind a suspended ceiling
- Inside a thermos or Tupperware container
- Under the corner of a carpet under a piece of heavy furniture
- Behind the knee board of your piano
- Inside old sneakers or other shoes

- Inside a board game
- Inside stuffed animals or toys
- Inside the back of a wall clock
- The kick plate under your bathroom cabinet
- Under the insulation in the attic
- Inside socks in your dresser
- Inside gloves in the closet
- In a box of Christmas decorations stored in the garage or attic
- Inside a buried PVC pipe with closed ends
- Wrapped in some fabric inside a box of sewing supplies
- Inside an empty paint can and stored with your other paint cans
- Inside a return air vent
- Inside a false electrical outlet
- Behind a mirror
- Inside the breast pocket of a suit or coat
- Inside some luggage stored with your other luggage
- Inside a pillow
- Inside a curtain valance, especially the puffy kind
- Inside a hollow core door
- Inside a hot water bottle—or enema bag!
- In a sleeping bag stored with other camping equipment
- On top of a kitchen cupboard or free-standing cabinet
- Under the microwave
- In a a fake milk carton or soda bottle in the refrigerator
- In a bag of charcoal
- Inside a First Aid kit
- Inside a child’s toy chest
- In an envelope taped under a coffee table
- Inside a photo album
- Inside a recipe box
- In a fake box of laundry detergent
- Inside an empty mayonnaise bottle that has the inside painted white
- Under a dog house
- Under a wooden step going to the basement or garage

SUMMARY OF THE TEN COMMANDMENTS

For your convenience, her are the ten commandments summarized:

1. Remember your purpose.
2. Buy at the lowest price per ounce.
3. Focus on coins.
4. Avoid “numismatics” (i.e., rare coins).
5. Acquire silver first, then gold.
6. Buy small coins first, then large coins.
7. Know your dealer.
8. Protect your privacy.
9. Always take delivery.
10. Keep your valuables safe.

SECTION TWO

RECOMMENDED SILVER AND GOLD PORTFOLIOS

Here are five portfolio suggestions, and some principles you must keep in mind. Don't let anyone smooth talk you into buying something you'll regret—when it's too late to correct your mistake.

Amount to Invest	*Recommendation*
$1,000 to $4,999 to invest	Put all in U.S. 90 percent silver coins (junk silver).
$5,000 to $24,999 to invest	Put half in U.S. 90 percent silver coin, half in gold quarter- or tenth-ounce American Eagles.
$25,000 to $74,999 to invest	Buy three bags ($1,000 face value) of U.S. 90 percent silver, $10,000 worth of quarter- or tenth- ounce American Eagles, and the balance in one ounce Krugerrands or American Eagles.
More than $75,000 to invest	Buy eight bags of U.S. 90 percent silver, $10,000 worth of quarter- or tenth-ounce American Eagles, $5,000 worth of platinum coins (American

Amount to Invest	*Recommendation*
	Eagles, Nobles, Maple Leaves), and the balance in Krugerrands, American Eagles, or 100 Coronas. If you have a good deal more than $75,000 to invest, simply do multiples of this portfolio.
More than $1,000,000 to invest	Buy silver and gold, as in the previous portfolio, but also consider investing in other hard assets (e.g., collectibles—including numismatic coins—gems, art, etc.)

SECTION THREE

SOME THOUGHTS ON NUMISMATICS

When you begin shopping for gold and silver, many coin dealers will try to convince you to buy numismatic or rare coins. Many gold and silver dealers specialize in numismatics and only use bullion coins as a "loss leader." There intention is to "upsell" you on the coins that pay the biggest commissions.

Generally speaking, they base their recommendation on three arguments:

1. Numismatics are exempt from government confiscation.
2. Numismatics have no reporting requirements.
3. Numismatics are better investments.

I want to dismantle these arguments one at a time, so that you can keep from being sold something you don't want and likely don't need. To be forewarned is to be forearmed.

THE MYTH OF GOVERNMENT CONFISCATION

Dealers will often tell prospective customers that numismatic coins are exempt from government confiscation, thus implying (and sometimes stating) that non-numismatics coins are subject to it. This argument is based on the federal government's gold seizure in 1933–1934. The stories conjure up a picture of jack-booted storm-troopers pounding on doors and dragging hapless gold owners out of their houses to beat and kick them around their front yards while they ransack their houses for hidden gold.

Salesmen often state that the federal law exempts coins "having a recognized special value to collectors of rare and unusual coins."* According to the argument, because government exempted numismatics then, they must exempt them now. But what obligates a tyrant to be *consistent?* (And make no mistake about it, government confiscation of private property *is* a tyrannical act.) No, if they played by the rules (i.e., the Constitution) they wouldn't be stealing your gold. If the government chose to seize gold and silver again, nothing would obligate them to follow the 1933 precedent.

Numismatic dealers may tell you that "the law defines a numismatic coin as one with a premium of 15 percent or more over its gold value." That's also not true. No

* Presidential Executive Order of 5 April 1933, § 2(b).

such law or regulation exists. A regulation was *proposed* in the *Federal Register*,† but, as far as I can tell, it was never adopted.

By statute, the only coins defined as "numismatic" are American Eagle gold and silver coins minted since 1985 and other currently minted *commemorative* coins. No statute or regulation defines U.S. $20 gold pieces (or any other U.S. gold or silver coin) minted before 1934 as "numismatic."

But there's a more important reason why government confiscation is highly unlikely: *because the monetary system today is not based on the gold standard.*

In 1933, gold formed the basis of the monetary system. It was the primary monetary reserve and probably accounted for about 35 percent of all American bank reserves. When the banks were threatened by the loss of gold (people withdrawing their gold from banks in the Depression-induced panic), the government moved to protect the banks. They seized the monetary base—gold—in order to re-liquefy the banks. But the law that authorized the 1933 seizure has been *repealed*.

Today, what forms the basis of our monetary system? Debt, primarily *government debt*. Therefore, a threat to the banks, or a systemic threat to the monetary system or the financial system, will not have anything to do with *gold* disappearing from the

† Vol. 49, No. 3, 5 January 1984.

banking system, but rather a disappearance of the present basis of the monetary system—debt.

What could cause the debt to evaporate? Markets would refuse to buy government debt, and its value would sink. Bank credit, another part of the monetary system, is backed by private debt. If enough companies default on their private debt, then bank assets will shrink, and the money supply will shrink with them.

If the government wanted to keep the banks liquid in a financial or banking crisis today, seizing gold would have zero effect. Rather, they would need to shore up debt, especially the debt of the federal government and of banks. Possible steps would include a moratorium on payment of federal government debt—for example, no payment of bond premium and/or interest, and a moratorium on withdrawals from banks. (You could only withdraw, say, $500 a week. That happened in 1984 in Ohio and Maryland when the savings and loan crisis erupted.) To protect the debt underlying the bank credit portion of the monetary system, a moratorium on bankruptcies and scaling down of interest and principal payments might be decreed.

Finally, there is one other large untapped pool of assets the government might use to shore up the banking system—*your pension funds*. Pension funds could be "frozen" or, in effect, seized. They wouldn't call it a seizure, of course, but they would still slow down payouts and forbid complete withdrawals, even with penalties.

Therefore, the idea that the government will again seize gold *for the same reasons that it seized gold in 1933* is highly unlikely. It would undoubtedly boomerang on them because it would cause a panic out of paper money and bank deposits, making the problem of cash withdrawals worse. A seizure would only confirm public suspicions about the banks' soundness and create a black market in gold, thus raising its price.

THE MYTH OF REPORTING REQUIREMENTS

Dealers may tell you that "U.S. $20 gold pieces are exempt from reporting when you buy or sell them," but this means nothing. Everything is exempt from reporting when you buy it, unless you pay more than $10,000 in cash. Even then it's not your gold or silver purchase that must be reported, only the cash transaction.

Contrary to the scare stories, *very few things are reportable when you sell*. Under 26 CFR 1.6045-1 and *Rev. Proc. 92–103,* dealers need only report customer sales of 25 or more (*but not fewer*) Krugerrands, Maple Leaves, or Mexican Onzas, five bag lots ($5,000 face value) of U.S. 90 percent silver coin, kilo gold bars, 100 ounce gold bars, 1,000 ounce silver bars, or 50 ounce or 100 ounce of platinum. If you buy in lots smaller than these, the dealer reports nothing.

THE MYTH OF THE BETTER INVESTMENT

There's no question that, over the past decade and a half, numismatics have paid to investors a vastly higher rate of return than simple gold or silver bullion. In some cases, they have outperformed the stock market. Conversely, at this writing, gold and silver bullion are trading at near twenty-year lows. Wouldn't it make sense then, if you are going to invest in silver and gold, to invest in the form that promises the highest rate of return?

In most cases, the answer is "no" and the rationale is simple: your goal in a crisis is to *protect* your assets rather than to *grow* them. It is my contention that, in a crisis, the value of numismatics will not only cease to grow, they could actually collapse to the lowest common denominator: their *melt-down value.* (See Command #3 above.)

Although your primary goal should be asset protection, I do think it is possible that silver and gold may rise dramatically over the next several years. Why? Because of the return of monetary demand.

The reason why the price of both silver and gold are so low (as of this writing) is *because of the withdrawal of monetary demand.* For the past 166 years, the entire money supply has been increasingly diluted by *money substitutes* in the form of government, bank, and even private credit. Gold and silver have been marginalized, pushed aside and reduced in importance as components of the money supply.

But a monetary crisis—a financial panic in Asia or Russia or war or widespread terrorism-induced bank panic—effectively destroys the substitutes, bringing gold and silver back to center stage in the monetary system. To the extent this happens, the value of silver and gold increases.

What can make this happen? A private remonetization of gold and silver. What we saw in silver and gold in the late 1970s was precisely that. People weren't buying ten or 20 Krugerrands to hang around their necks. They weren't buying silver bags because they were collectors. It was pure monetary demand. They were afraid that the monetary system might collapse. With the real threat of terrorism today, and the likelihood of war in the Middle East, this sort of monetary demand for gold and silver could occur again.

SECTION FOUR

THE MECHANICS OF BUYING SLVER AND GOLD

The purpose of this section is to walk you through the process of actually making your first silver or gold purchase. It's really much easier than you think. But like anything else, the first time is the most difficult. You're going to feel a little uncomfortable. That's okay. Just follow these simple instructions and you'll successfully get through the process.

1. Check the spot prices of silver and/or gold as a point of reference. You can do this at <www.kitco.com/gold.live.html>. For example, let's say that today I want to buy a bag of silver ($1,000 face value). In checking the spot price, I see that it is selling at $5.17 an ounce.

2. Determine the melt-down value of the metal. A bag of silver contains 715 troy ounces of silver. So, multiply $5.17 by 715 to get $3,696.55. This is the melt-down value of the silver in the bag. However, it does not include costs related to minting, distribution, and commissions. It also does not reflect the market demand of silver in coin form. The difference between the melt-down value and the price you pay is the premium. You want to pay the lowest premium possible.

3. Get at least two quotes, preferable three. Prices vary depending on a given dealer's current inventory and access to outside inventory. Let's say I call two dealers for quotes. I ask, "What is a bag of junk silver selling for today?" One dealer tells me $5,750; another says $5,920. Obviously, the first dealer has the lowest premium. If the price difference is modest, go with the dealer you like doing business with.

4. "Test the waters" by placing a small initial order. Don't spend your life savings with a dealer you don't know. You will learn a good deal the first time you do this, so order the smallest amount possible and make sure that you are comfortable moving forward with larger amounts.

5. Lock in the price and then send a bank wire or money order. Most dealers will allow you to lock in the price with a fax, but you must send a money order or bank wire immediately. (Call your bank for information on how to do this.) When the dealer gets the money in hand, he will ship the coins to you.

6. Have the coins delivered to a mail drop—not your home. In the interest of privacy, you don't want the coins delivered to your home. The best way to do this is to use a mail drop (e.g., "Mailboxes, Etc."). Typically, you will have to pay a monthly fee, but it is cheap insurance.

7. Make sure the dealer does not put the name of his company on the return address. This will be a dead giveaway of what's in the box to anyone who cares to notice. Most dealers will do this as a matter of course. But the first dealer I ordered from didn't do it, so it's a good idea to ask.