Investing in stamps — a sound decision

My own family doctor is a keen stamp collector, and when I visit him for treatment, he is always delighted to point out that in some ways he is better at investing than I am at looking after my own health!

There is no doubt that, on the whole, rare stamps have proved to be a fine investment. In many ways they are the soundest of the collectables or 'hard assets'.

Just after the Second World War one could have bought a mint stamp of the West Indian Virgin Islands, the 'missing virgin' one shilling, for less than £200. Today one could sell it for more than £40 000 (about R70 000).

This is a typical example of the astonishing profits that have been made by investors in rare stamps; profits that are entirely free of tax, unless you buy and sell stamps frequently enough to be classified for tax purposes as a dealer.

Obviously a single example is dangerous as an indicator of investment returns. However, a recent exercise by Personal Finance, calculated to take into account the difference between dealers' buying and selling prices, showed an average rate of return for a range of rare stamps of various countries of more than 27 per cent a year over the 1970-80 period.

This is an excellent figure, especially as it does not reflect unusually high current peaks in market values, as do most analyses at the moment of returns on share portfolios, or share-linked investments such as retirement annuity funds, endowment policies and unit trusts.

Despite this high-performance history, you may be suspicious of investing in stamps because their value seems artificial... because they are 'really worthless little bits of paper'. However, 'real value' is determined by what people are prepared to pay for an asset. Of course a rare stamp has no practical value, any more than a gold coin or a diamond — one of these can be eaten, worn for warmth or used for shelter. But it does meet the criteria required for a store of value — it is scarce, it holds its value, and it is easily traded.

With any investment asset, there is a downside risk. In the short term, rare stamps bought at absurdly high prices have been known to lose two-thirds of their value within a year.

A collection of rare stamps bought steadily at reasonable prices over a long period should prove to be an excellent investment under any circumstances.

Many factors have combined to make stamps the prince of all collectables. Among them are these:
- A track record going back more than a century, covering periods of prosperity, depression, war and peace, and involving many countries. This creates investor confidence, which is important in sustaining demand for (and therefore the market values of) rare stamps.
- However, the market as a whole is not dominated by investors but by collectors... tens of millions of them, in all parts of the world. This mass market 'base' is as important in making an active market for rare stamps as popular cars like VWs are in creating demand for thoroughbred cars like BMWs.
- The market is broad and deep, international, and highly competitive, with many thousands of dealers and auction houses. This means that stamps are almost as easily traded as shares.
- Stamps are easily and precisely classified in price catalogues that are regularly updated and sold to the public. This means that it is comparatively easy for an investor to watch market trends and get an approximate indication of the value of his collection.
- Rare stamps are not easily forged or faked. Most forgeries are easily detected by experts.
- They are highly portable, easily hideable and freely convertible stores of value. This makes them most attractive to those who want to achieve capital gains without paying tax on them, pass on wealth to heirs without estate duty being levied on it, or move money across international borders anonymously and in breach of exchange controls.

Of course, there are some disadvantages, as there are to all hard assets.

There are relatively large margins between buying and selling prices compared with those charged for dealings in financial assets such as shares and trust units. Auction houses charge commissions in the 15 to 20 per cent range. Dealers will usually buy at 25 to 33 per cent below their selling prices.
To avoid burning your fingers, you either have to develop the specialized knowledge to know what to buy or sell, when to do so, and at what prices; or you have to rely on a dealer whose judgement and honesty you trust; or a combination of both.

Stamps are fragile and easily damaged or destroyed by bugs, damp or fire. They also pose a security risk: They're as vulnerable to theft as cash or bearer bonds, and almost as impossible to trace once they've been stolen.

Several factors determine market values of stamps. Here is a short list.

**Country of origin**: there is a strong demand for stamps of countries, such as Britain and the US, where there are large collecting communities. Rarity, of course.

**Popularity**: the British Penny Blacks are not rare, as 68 million of them were issued, but because they were the world's first postage stamps there is a tremendous collector demand for them.

**Fashion**: many island countries of the Commonwealth are fashionable now.

**Condition**: tears, thin spots, pinholes, abrasions of the surface, stains, pulled (missing perforations, gum damage, off-centre positioning and so on), all lessen value.

**Aesthetic qualities**: Beautiful stamps are generally more attractive to collectors than ugly ones, just as with antiques any many other collectibles.

You should not start investing in stamps without learning something about them first.

Look around stamp shops, talk to the dealers and study the stamps they recommend as investment-grade material. Ask them to explain about condition. Read some books on philately. Browse through the catalogues and attend some auctions, if you can, to develop a feel for values.

Talk to other collectors and investors and ask them to recommend dealers. One way to test the reliability of a dealer is to return a stamp because you're dissatisfied with it — a good dealer will take it back and refund your money without argument.

Finally, start collecting in a small way, and build up as you get a feel for it.

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**Forthcoming medical events**

You are invited to attend the third General Practice Congress to be held at Sun City, Bophuthatswana (9 to 12 August 1982 inclusive). The main theme at this Congress will be "FAMILY IN CRISIS," but other topics of interest to Primary Care Practitioners will be included.

As with the two previously highly successful and well attended Congresses GP's will be able to learn from each other and have the opportunity to discuss matters of mutual interest.

If you wish to attend, it is of vital importance that you complete an INTENTION FORM and return it to the SA Academy of Family Practice/Primary Care, PO Box 23195, Joubertpark 2044 (intention forms are available from this office). The form is not binding on you, but is required to facilitate booking arrangements at Sun City.

Further details regarding accommodation, registration and programme will be forwarded to you at a later date, if you reply now. If you wish to present a paper (on any topic) at the Congress, please inform us as soon as possible.

Any correspondence on this subject should be forwarded to PO Box 32395, Joubert Park 2044.

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**Product News**

**Augmentin introduced in the United Kingdom**

A unique new antibiotic, Augmentin, has been heralded by Beecham Pharmaceuticals as "A British First in Antibiotic Research".

As reported in "Scrip" (September 16 1981) Augmentin is a combination of amoxycillin and potassium clavulunate, a beta-lactamase inhibitor.

By inhibiting beta-lactamase activity, the antibiotic embraces a larger spectrum and includes organisms which have developed resistance to treatment and organisms which formerly were beyond the scope of penicillins.

Augmentin is stated to be effective against infections of the respiratory system, urinary tract and skin and soft tissue.

In the treatment of acute and chronic bronchitis, bronchial pneumonia, tonsillitis, cystitis, sinusitis, and post-operative wound infections.

Augmentin is said to offer advantages over existing treatment. First it has a wider spectrum than any other available oral penicillin or cephalosporin currently available, secondly, it gives doctors a high first time success rate.

Augmentin will be introduced progressively into more than 150 countries where Beecham currently markets prescription medicines.

For further information circle No 205.

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