

A very large expense for metal detecting clubs is the purchase of prizes for their club hunts and raffles. Usually these purchases are for large quantities of silver coins, silver rounds / bars and a smaller amount of gold coins or nuggets. One solution that can reduce this expense and potentially provide for more coins is to set up a program to purchase silver and gold coins, rounds / bars, and nuggets from the club's membership.

If the club has been in existence for some time and has conducted many hunts and raffles, the membership will probably have a good amount of silver and gold coins in their possession. There are members that win coins at hunts and raffles who want to immediately turn these coin winnings into cash. So the opportunity may exist for the club to buy their coin winnings.

These two situations offer the club an opportunity to setup a coin purchase program that will:

- Provide club members a trustworthy outlet for selling their coins and other valuable prizes.
- Provide the club a source of coins for their events that can be a bit cheaper than purchasing the coins from a coin dealer.

The final result of such a coin purchase program is that club members can turn their coins rapidly in to cash, get a fair market price for their coins and help the club obtain coin prizes for their future events. The club saves on dealer coin mark up cost, may get the coins at a slight discount, and if their state has a sales tax the club does not pay sales tax on the coin purchase.

The following are Attributes of a Club Coin Purchase Program that need to be Defined:

- Establish a Team of Club Members to Manage and Implement the Program
- Determine the Type of Coins to be Purchased
- Determine the Discount Percentage of the Coins to be Purchased
- Identify the Coin's Precious Metal Content and Formulas to use to Implement Purchase Program
- Setup a Process for Members to Sell their Coins
- Establish Coin Inventory Levels
- Establish Accountability Standards

Establish a Team of Club Members to Manage and Implement the Program

The program should be made up of at least two club members; three would be better. To have three members manage the program will provide for better checks and balances on handing the coin purchasing and inventory of the coins. The coin program functions are:

- Coin Buyer
- Coin Inventory Manager
- Manager and Creator of the Member Seller List

Determine the Type of Coins to be Purchased

This type of club coin purchase program should only be setup to purchase coins that have **no** numismatic value. Coins that have **no** numismatic value can be purchase at spot metal prices. So the club's program team will need to stay abreast of spot metal prices to make the program beneficial for all.

The Coin Purchase Program Objective should be to purchase **only scrap value coins** from the club's membership. (No proof sets, coin sets, or graded coins, would be purchased)

- All Silver coins pre 1965 (this means 1964 and older)
- Silver rounds / bars must be .999% silver
- Gold Coins to be 1/10 ounce or less. (Priority order maybe given to 2 Peso, 2 1/2 Peso, and 1/10 ounce gold coin; these coins should be .999%)

Determine the Discount Percentage of the Coins to be Purchased

It will be very important that the club establish guidelines for the coin purchase program and establish a discount price agreeable to all in the club. The club will buy coins based on this discount percentage applied against the silver or gold spot metal price. This discount rate should be established by the club's board and voted on by the club's membership.

Define the Club's discounted spot price. (Below are examples of a discount rate that could be used.)

- Silver discount rate could be 7.5% or 92.5% of the silver spot price.
- Gold discount rate could be 5% or 95% of the gold spot price.

Please note: For fairness the same discount percentage should apply to all club member purchases.

Identify the Coin's Precious Metal Content and Formulas to use to Implement Purchase Program

In the attached spreadsheet is a list of silver and gold coins with their weight and precious metal content. The spreadsheet also has the correct formulas for the calculation of the value of the precious metal content and a space for the discount percentage rate to be put into the spreadsheet. This spreadsheet can be used to purchase coins from a member by just inputting the precious metal spot price, discount percentage and the number and type of coins to be purchased.

The club **will buy silver and gold coins at a discounted spot metal price** based on the precious metal **content** of coin. (See the attached spread sheet for implementation details)

Again the Coin Program Benefit is that:

- The club members can sell their coins with no effort and receive a fair price.
- The club saves money by not paying dealer markup, gets a spot price discount, and no sales tax.

Setup a Process for Members to Sell their Coins

The club should purchase coins once a month or as required. (Before any purchase is made the coin program team must first obtain the club's treasurer's approval for any coin purchase.)

The club will need to prioritize the members that volunteer to sell their coins to the club's purchase program. This can be accomplished by placing each members name on a piece of paper and then draw the names. The members will be contacted to sell their coins in the order drawn. All names will be drawn at one time with an ordered list created for fairness. A new list will be generated when the end of the first list is reached.

Establish Coin Inventory Levels

The club should establish a maximum dollar amount to be purchased at one time from any single member.

The club should control the number of Silver Dimes, Quarters, Halves, and Dollar coins to be purchased. The suggestion is that there should be no more than one 1/10 ounce gold coin in inventory at any time and up to two gold Peso coins.

Establish Accountability Standards

The club will need to define how much of the club's funds will go toward the program and how much of the funds will be tied up in coin inventory at any given time.

The club needs to have two to three members manage the program. By having three members assigned to the program will provide for a good check and balance of the clubs coin inventory and coin purchasing effort.

The attached spread sheet could be used for customer (club member) receipt, and a copy of the spread sheet receipt will need to go to the treasurer for his / her records. It is important to use a common method to report a purchase. The same spreadsheet can be used to manage the coin inventory.

Below is a suggested percentage breakdown of coin purchases and inventory levels. If a club establishes a coin purchase program it will need to identify its own percentage breakdown based on the club's past coin usage pattern and future need.

	<i>Purchase</i>	<i>Inventory Level</i>	
✓ Dimes	17%	20%	for annual hunts
✓ Quarter's	13%	20%	for membership, oldest coin
✓ Halves	18%	15%	for raffles
✓ Dollars	32%	25%	for raffles, annual hunts
✓ Silver Rounds & Bars	20%	20%	for raffles, annual hunts
Sub-total	100%	100%	
✓ Gold Coins	2ea	3ea	for raffles, annual hunts

Summary: This Coin Purchase Program would not benefit all clubs since the program needs a fair size base to make purchases. The club should have a sizable membership for the program to operate correctly and for the club to meet its coin requirements. However, this type of program could be used for special events like an annual hunt or special raffles if the club did not want to use it for coin purchases.

The Coin Purchase Program should be considered an alternative to going into the coin dealer market for coins, rounds and bars.

<http://www.mdhtalk.org/articles/club-coin-purchase/club-gold-silver-calculator-special.xls>