

Three minute investing: Stamps

Over the past 100 years, stamps have proved themselves to be excellent investment vehicles.

Carefully selected stamps increase in value far faster than inflation, plus provide a tangible and portable substitute for cash. No other tangible asset will allow you to take a small fortune across international boundaries in an envelope the size of a tea bag.

Here's what the on-line encyclopedia Wikipedia has to say: "They offer an attractive alternative to art, other collectible investments, and precious metals."

Take precious metals.

Please.

The prophets of crisis have again begun hyping gold as a safe investment for an uncertain future. Recently, gold was selling at \$535 an ounce.

But take a closer look. Uncertainty in the late '70s and '80s spawned its own little bubble in gold. On Jan. 18, 1980, gold sold for \$850 an ounce. A good investment? Hardly. The price of gold descended for two decades and only recently began to climb out of the doldrums.

That ounce of gold in 1980, if purchased with 2006 dollars, would cost \$2,158. Of course, you could sell it today for only \$535.

Now, consider stamps. A smart buyer-investor – and we emphasize "smart" – will realize a 25 percent gain annually, according to John Kardos of The Stamp Gallery in Bellevue. If you had bought stamps instead of gold with your \$850 in 1980, they would be worth up to \$30,000 today.

The catch is being smart.

Kardos recommends you begin with research and a knowledgeable and honest dealer. But here are a few thoughts to get you started.

There are two overarching dynamics that drive the market: Popularity of a genre and the state of a nation's economy.

Popularity: Some genres always are popular. Birds come to mind. Collectors will ignore national origin in search of stamps to fill out their avian collections.

Changing national economy: China is a good example. A poor country for decades, it printed few stamps. Then, only 15 years ago, the nation began to boom. The Chinese, notoriously distrustful of banks, wanted to shield at least part of their stake in stamps. Expatriates found in stamps a small and tangible memory of home. Low supply + high demand = money.

Next best bet: India. Again a poor country discovering new wealth. But because of those two factors, Indian stamps are difficult to find. Also, look to the former Warsaw Pact countries before 1955.

A few more tips from Kardos:

Generally, always look for stamps with a high face value. Fewer high-denomination stamps were printed, limiting supply back then – and now.

Ignore modern U.S. stamps. Scarcity is impossible when there have been 150 million printed. There are a few exceptions: Like confusing Bell Pickett with Ben Pickett (see photo).

Stamp inflation: Most pre-1900 U.S. stamps are good investments. But generally ignore those released after 1934, when the New Dealers discovered they could bring in cash by selling millions of stamps that would ever be licked. (This give a new dimension

to Graham's Law, that "Bad money drives out good." In this case, "Inflated stamps drive down the price of all stamps.")

Ignore today's oceans of U.S. stamps. They're gorgeous and topical, but there are just too many of them. Sure, you may be a fan of Elvis and stuffed your safe-deposit box with \$100 worth of commemorative stamps in the early '90s. Problem is, so did a million other Elvis fans. You'd best use them on envelopes. That's the only way you'll get your money's worth, according to Kardos.

Always buy stamps in fine or extra-fine condition. Stamps of lesser quality will not increase in value.

Also, remember international currency exchange rates. A stamp from a European collection will cost a third to a half more than it did five years ago, simply because of the decline in value of the dollar against the euro.

Oops!

In 1993, the U.S. Postal Service released its "Legends of the West" series, which included the usual cast of cowboys. One stamp was devoted to a black cowboy named Bill Pickett. Unfortunately, the artist mistakenly relied on a photo of Bill's brother, Ben Pickett (shown here). There were 150,000 printed before the mistake was noticed. What to do? The Postal Service held a lottery. You had to enter by sending a letter – one per (potential) customer. But some people had a rather loose definition of "customer." John Kardos knows of one Bellevue woman whose dog was selected to purchase a sheet of the Ben stamps. Today, a 29 cent Ben stamp is worth \$225 to \$300.