

Advantages of Investment in Stamps

Many times, asked by newcomers to philatelic investment what are the advantages and risks associated with owning quality stamps compared with more conventional investment media. We usually start by pointing out that, as anyone who has followed the stock market for a number of years knows there is no "floor" under the market price of common stocks but there is definitely one for widely collected stamps.

The historic price/earnings ratio of a common stock is no harbinger of the future; it may change dramatically in a short time. The "book value" of a company's stock is even less of a rock bottom. Stocks of reputable firms with poor prospects often plunge to a fraction of the book value. The reason for this is that if the major buyers, whose activities ultimately determine the market value of stocks, decide that the future looks bleak for a given company or given industry, this may initiate a selling trend which feeds on itself and the plunge may be disastrous. In sharp contrast, if speculators decide that there is more money to be made elsewhere and sell their philatelic holdings (as they did in 1981-82), this has little influence on the price of truly rare stamps and even the more common ones will decline in price only to the point where collectors step in and decide that their long-sought stamp is now affordable. Thus, collectors provide a floor under the price of all but the most common stamps, below which the market price cannot fall. Common sense then dictates that philatelic investments should concentrate on stamps of countries with the largest collector base. This is why early U.S. stamps and selected issues of the British Commonwealth are popular with informed investors. Over 20 million people collect U.S. stamps is almost certainly an exaggeration, it is generally acknowledged that more people collect American stamps than those of any other country. Thus, theoretically they tend to be the most resistant to severe price decline. The price trends of recent years have confirmed this expectation.

Another advantage of philatelic investment is their historic price performance. Ignoring short-term trends (1 to 5 years), the rise in the price of U.S. stamps for the past 50 years has outstripped most other forms of investment, although we can always point out, with 20:20 hindsight, that buying gold or oil stocks "at the right time" and unloading them "at the right time" a few years later would have been more profitable. This is just exactly the point: carefully selected stamps, held for 10 or 15 years, may be expected to net a handsome profit, far above the rate of inflation and in a worry-free manner. This brings us to the third advantage. Most advisory services caution their subscribers that stock and bond portfolios should be frequently reviewed, for the great performers of yesterday may be the dogs of tomorrow. This creates the need to follow the market, to consult frequently with one's broker, activities which are definitely not conducive to peace of mind. The stamps you buy, in contrast, may be safely tucked away in a safety deposit box for many years, without a concern, because they will appreciate almost automatically. Some investors are, of course, also serious collectors and keep working with their stamps, enjoying looking at them, exhibiting them at stamp clubs and at philatelic exhibitions.

Fourth, stamps are a relatively liquid form of investment. Not as liquid as listed stocks and bonds, which can be sold in a matter of hours at the market price prevailing that business day, but definitely more liquid than most forms of real estate or certificates of deposit, let alone limited partnerships - the least liquid of the common forms of investment. Most stamps can be sold in a matter of a few days or few weeks to dealers at bourses and stamp shops and, for the best price, at auction within 2-3 months. Some auction houses even give an immediate advance on the estimated realization. Coins share most of these advantages. They are also less fragile, and thus easier to preserve than stamps, but they are subject to fluctuations in the price of gold and silver (except for ancient coins), a disadvantage as compared with stamps in terms of long-term stability.

- Mrs. Nagalakshmi Tadakaluri, Philatelist.