GEORGE H. LaBARRE GALLERIES INC.

Our advice regarding investing is always "collect what you enjoy, collect the best you can afford, and have fun". If you collect wisely, your collection may perform very nicely. This article was published in The LaBarre Newsletter, Issue 6, Spring 1982.

Stocks and Bonds as "Tangible" Investments

In recent years, inflation and other economically unsettling factors have led to reduced levels of investing in areas such as negotiable securities, mutual funds, real estate, and other traditional investment mediums. This flight of capital has cause genuine concern among investment and financial institutions that have seen their capital base slowly eroding due to this shift.

Where has this investment capital been going? One major area of new investment has been "tangibles." The term tangible tells much of the story of these investments - they are objects rather than some unseen financial transaction carried out over the telephone or by computer. The remoteness and vagaries of contemporary investing have exerted an impersonalizing effect which has led investors to the point of not really feeling that they are controlling their investments personally. Combining that factor with the steadily decreasing return on traditional investments and a new direction was created for investment capital.

Many types of collectibles exist. Some of the more traditional ones are paintings, gemstones, porcelain, stamps, and coins. Although these areas have enjoyed brisk investment activity in recent years, the current economic situation has caused some weakening in the market and therefore a “wait and see" attitude has developed.

In recent years, less exotic materials have been added to this list. Autographs, dolls, glassware, political memorabilia, and stocks and bonds have come into vogue with collectors/investors. Collector activity is, at least in part, responsible for strong interest in the past, although the investment angle has provided perhaps the greatest impetus to tangibles investment.

For high quality, investment-grade materials, annual appreciation rates exceeding the 20-25% range are common for most tangibles. In many cases, growth in market values has been even higher. For many tangibles, items have doubled in value over a few years time. These are not isolated cases by any means. Even the most cautious investor must be impressed by these rates of return, which explain the burgeoning attraction of every description of tangibles.

Collectible stocks and bonds fit the tangible model perfectly. Literally bursting onto the collectibles/tangibles scene here in the United States in 1978, stocks and bonds have enjoyed a meteoritic rise in popularity ...and prices. In this short period of only three years, stocks and bonds have acquired a name (“scripophily"), quickly becoming the hottest collecting area in recent years, and recognized as a virgin, untapped field of investor potential.

Price increases tell the story dramatically. Standard Oil Company stock signed by John D. Rockefeller sold for $150 in 1978. By 1981, they had experienced a twelve-fold increase to $1800. Philadelphia and Lancaster Turnpike certificates went from $l00 to $400 during the same period. Admittedly, not all stocks and bonds performed at similar levels, but it is a fairly safe statement that most materials doubled in price since 1978. Again, a price doubling in three years time must be considered a very favorable rate of return.

What does the future hold for stocks and bonds? The last twelve months have witnessed a “cooling off” period which was needed, and which now appears to have abated. Despite gloom and doom predictions about the national economy, and some pessimistic naysaying about collectibles in general, tangibles should do well over the next one-three year period. Stocks and bonds can be viewed as being in an enviable position because (1) they are recovering from a period of retrenchment and depressed market activity and prices (2) the attraction of scripophily's “newness" will continue to appeal to first-time collectors, and (3) the field's high rates of appreciation offer an excellent rate of return.

Stocks and bonds are not, like savings accounts for example, a guaranteed “ investment.” Funds kept in savings accounts are merely being held, and not invested. The distinction to be made here between banking your money (as in savings accounts, treasury bills, etc.) and investing it (as in a tangibles field like stocks and bonds) is an important one. For investors willing to accept the risk inherent in collectible stocks and bonds, a risk common to all tangibles or other investments of this type, the rewards can be handsome, indeed.

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