



# The Keystone Auctioneer

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## Understanding Value

*Values are constantly changing in the world of antiques and collectibles, but what does "value" really mean? Value is an imprecise term that can mean different things to different people, especially in today's changing marketplace. Read on to find out how a prominent Pennsylvania auctioneer looks at this important issue. This is the second of a 2-part article.*



## Appraisal Values

by Michael Ivankovich, Home Downsizing Consultant

One of the biggest mistakes people make regarding value is to take an "Appraisal Value" as gospel or fact, without understanding what an appraisal is and who is providing that appraisal.

First, let's define an "Appraisal" or "Appraised Value." As we said above, "Value" is a theoretical number. It is not fact but rather an opinion of fact.

An "Appraisal" is nothing more than the "Opinion of Value" issued by an appraiser. Ask ten different appraisers to appraise a single item, and you will probably receive ten

different values, and often these will include a wide range of values. Why, you ask, isn't there a single value for a single item? There can be many different answers to this question:

- Some appraisers are more knowledgeable and experienced than others;
- Some appraisers are experts in some areas but have limited knowledge in other areas;
- Some appraisers prefer to use

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Auctioneers' black secret

## WHY?

by Steve Proffitt

I was speaking to a trade association several states from home when a gentleman raised his hand.

"Mr. Proffitt, I've been very surprised at the acrimony I've found to exist between competing auctioneers. I've spoken with quite a few of them over the years and don't think I've ever heard one auctioneer say a good word about another."

Then he concluded with two troubling questions.

"Is this ill will amongst auctioneers universal? If it is, why are so many auctioneers full of dislike for each other?"

Why indeed? The gentleman had hit upon one of the black secrets of auctioneering. While I'm not sure of the cause, I do know it's true. There's an inordinate amount of jealousy, resentment, ill will, backbiting, and shoddy treatment of competitors by auctioneers. It's sad and, like the questioner, I wonder why.

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# Understanding Value

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“conservative” (lower) appraised values, while other appraisers prefer to use “feel good” (higher) values in their appraisals;



- Personal property values change over time, both increasing and decreasing, like the value of a stock, depending upon a wide variety of market factors;
- Different appraised values are used for different purposes.

**Verbal Appraisals:** Most people love receiving “free appraisals,” but you must never lose sight of the fact that “you get what you pay for.” When you receive a “free appraisal,” you will most likely receive a self-serving appraisal, or a “feel good” value (a value designed to make you feel good but probably on the very high end of what you can reasonably expect to sell it for).

When you go to a jewelry store and ask the jeweler for the value of your diamond ring, unless you are paying that jeweler for a written appraisal, the jeweler will most likely tell you what the ring is worth to them, at that precise moment in time. If you walk out and then return, the “Appraisal” can change. It most likely represents a price that they are willing to pay, knowing that they will be able to make a fair profit without doing too much work. The number the jeweler gives you is not what they are going to sell it for, but rather what they want to buy it for. Does that represent a true “Appraisal?” Of course not.

**Antiques Road Show Appraisals:** Although the *Antiques Road Show* has been a tremendous commercial success

for PBS, it has caused nightmares for Auctioneers and Antiques Dealers. Why? Because most of the items shown on the *Antiques Road Show* are pre-selected because they are expected to have a wide appeal to their viewers. And the minute the *Antiques Road Show* tells someone that their chest of drawers is worth \$25,000, everyone watching that show assumes, “I have one that looks just like that, so mine must be worth close to \$25,000.” The fact that theirs is Empire and not Chippendale in style, that theirs is mid-19<sup>th</sup> century and not late-18<sup>th</sup> century, that theirs is pine and not Cuban mahogany, that theirs has condition issues, and no provenance, has no bearing on value, at least in their eyes. And when an Auctioneer or Antique Dealer tells them that their chest of drawers is worth no more than \$300-\$400 in the real world, the owner feels that they are being cheated. *My advice:* Watch the *Antiques Road Show* for the entertainment value, not the appraised values. It can only lead to disappointment.

**Antiques Road Show-style Appraisal Seminars** are usually not much better. Typically some non-profit group will bring in a “Qualified Appraiser” and charge perhaps \$5-\$25 per appraised item, with all proceeds going to benefit that group or organization. These appraisals are verbal, not written, and are not binding on the “Qualified Appraiser” or the organization, and frequently results in a “feel good” number.

I once had the unfortunate experience of having an individual bring in a small consignment for auction, which included a book having a few color lithographic plates. Without my knowledge he had been told at an appraisal event that the book was worth \$100. When the book sold for only \$5 at auction, the consignor was livid. He had been told that the value was \$100 by a “qualified appraiser,” and by us letting it go at \$5 (to the highest bidder, mind you), he felt we had cheated him. He wrote a nasty letter to the auction

company and never did business with us again.

Actually an appraisal is more detective work than anything else. The appraiser will basically take a good look at an object, analyze its key characteristics, investigate what other similar objects have sold for in the open market recently, make adjustments to value based upon such factors as differing size, condition, color, and style, make additional adjustments to value based upon such factors as rarity, provenance, documentation, and relative importance when compared to other similar items, and then issue their *Appraised Opinion of Value*.

**Appraisals by Friends and Acquaintances:** More often than not the worst form of “appraisal” you can receive is a well-intended “appraisal” by a friend. These appraisals are typically based upon such reliable market research as “My brother’s neighbor’s cousin had one that looked just like yours, and they were told ten years ago at a free appraisal event that theirs was worth \$xxxx. Yours must be worth twice that today.” This is not the type of “appraisal” that you can have much confidence in. I said it earlier, and I’ll say it again, “You get what you pay for.”

**USPAP Appraisals:** Written appraisals completed in compliance with USPAP (*Uniform Standards, Professional Appraisal Practice*) guidelines are typically the best appraisals you can receive. Although they will cost you an appraisal fee, USPAP appraisers follow a strict code of appraisal guidelines that insure you will receive an appraised value that is fair, honest and unbiased.

### Insurance Appraisals



The real world definition of *Insurance Replacement Value* is “trying to stick it to your insurance company.” This is because *Insurance Replacement Cost* typically represents the highest form of value. *Insurance*

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## Understanding Value

*Replacement Cost* means that if your insured item(s) should become lost, damaged, destroyed, or stolen, the insurance company must pay you the amount necessary to replace your lost/damaged item with a comparable object. And under some policies the costs of locating such an object (travel time, consultant fees, etc.) may also be covered under your insurance policy.

Aren't insurance companies concerned about this? To a certain extent yes, but to a certain extent no, and for several reasons. Insurance companies always try to pay less than your original claim. *Claims Examiners* are nothing more than clerks who must follow the insurance company claims rule book which dictates how claims must be handled. Lower level clerks can handle claims up to a certain amount. Higher value claims are pushed up to more experienced *senior claims examiners*. Even higher value claims must be handled by, or at least approved by, *claims supervisors, claims assistant managers, claims managers, claims directors*, and in larger value claims, the *vice president of claims*.

The purpose of each level of the *claims examiner* is to minimize the claim amount paid by the insurance company. And they are very effective at this because insurance companies know from experience that most claimants don't really understand the claims process. The more confusing the claims process, the more *claims examiners* that the claimant (the person who filed the claim) has to deal with, the more likely they are to cave in and accept whatever the insurance company offers in order to settle the claim and move on with life.

Here is a dirty little secret. Insurance companies *like* to insure inflated values on personal property...because they can charge a higher premium for that insurance. Insurance companies have "actuaries" whose primary job is to look at past claims experience ...*Premiums Received, Claims Paid, and Related Expenses*...and devise a premium that will insure that the insurance company will make a profit.

- If claims are as expected, the insurance company makes money.
- If claims are higher than expected, the insurance company still makes money, just not as much.
- And if claims are lower than expected, the insurance company will make a lot of money.

The point here is not to attack insurance companies. Rather, the point is to make certain that you understand that any "insurance replacement value" appraisal that you may have received will probably have no bearing on what you will be able to sell your item for in the real world.

**HOME DOWNSIZING TIP:** Most insurance replacement values that you may have received as part of any appraisal will almost always be higher than the amount you will be able to sell your items for in today's market.

### Salvage Value and Scrap Value



Let's talk about a few additional forms of "value" before wrapping up this chapter. *Salvage Value* is defined as:

*The amount of money that could probably be obtained from the sale of an obsolete item or a damaged item for which repair is neither desired, possible, nor economically feasible. The repair cost would exceed the item's worth.*

Examples of items having *salvage value* could include damaged automobiles being sold to a junk yard for parts (hoods, tires, doors, etc.), or a dated computer sold to a computer repair shop for parts (RAM, motherboard, keyboard, etc.).

*Scrap Value* is slightly different from *Salvage Value* in that it represents:

*The amount of money that would probably be received for the sale of a piece of personal property that is meant to be broken up for the remaining value.*

Good examples of items having *scrap value* could include damaged sterling silver candlesticks being sold to a scrap dealer for the value of the sterling, or damaged jewelry being sold to a jeweler for the price of the gold or gem stones.

### Some Final Forms of Value

**Book Value:** The value listed in a particular price guide or reference book.

**eBay Value:** The price that something has actually sold for recently on eBay.

**Internet Value:** The value of something that has sold recently on the Internet, or on a web site other than eBay.

**In Summary:** Obtaining *market value* on the sale of each piece of your *personal property* is akin to always selling your stocks at peak value...it just doesn't happen. We typically suggest to our clients that although they have the right to expect *market value* on the best-of-the-best of their items, they should strive to achieve *orderly liquidation value* which can provide them with *the greatest return...with the least amount of work...in the shortest amount of time.*

Do you still think that all "values" are the same?

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### Home Downsizing Tips

✓ Most *personal property* items will be sold in a *secondary market* situation, as-is, without warranty or guarantee, for a fraction of what you originally paid for it. Be prepared to accept this as fact because it will without doubt happen.

✓ Be wary of values received at appraisal fairs and Antique Road Show-type events. The knowledge of the "qualified appraisers" can vary

**Home Downsizing**

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Michael Ivankovich, GPPA, MPPA  
Home Downsizing Consultant

widely, and verbal appraisals are often worth about as much as a puff of wind. Consider most of these verbal appraisals as nothing more than a starting point for further research into the true value of what you have.

✓ A free appraisal is usually worth as much as you have paid for

it. If someone suggests to you a value that sounds too good to be true, ask them if they are willing to pay you that "appraised value"...today. Then watch how quickly they shy away from that number.

✓ Written appraisals, completed in compliance with USPAP (*Uniform Standards, Professional Appraisal Practice*), are typically the best appraisals you can receive. Although a USPAP compliant appraisal will cost you an appraisal fee, USPAP appraisers must follow a strict code of appraisal guidelines and ethics that insure you will receive an appraised value that is fair, honest, well researched, and unbiased.

✓ *Insurance replacement value* appraisals play an important role in our society. However, understand that in the vast majority of instances, the amount you will be able to sell your *personal property* for will be far below the value listed in your "*insurance replacement value*" appraisal. I can almost guarantee it.

✓ More often than not, in the real world, your personal property will sell for an "*orderly liquidation value*" rather than a "*retail value.*" Be ready for this.

This column on "Value" was taken from Michael Ivankovich's latest book "Home Downsizing in Four Easy Steps." This book focuses upon how individuals who are downsizing their homes in today's market can sell their excess antiques, collectibles and personal property for the greatest amount of cash, with the least amount of work, in the shortest amount of time. For further details on how to order this book, or to schedule a Michael Ivankovich "Cashing-In On Home Downsizing" Workshop, call (215)-345-6094, or visit: [www.HomeDownsizingConsultants.com](http://www.HomeDownsizingConsultants.com)



## WHY?

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There's no doubt that auctioneering is a hard, competitive, and intense business – but it's no more so than many other businesses, so that's not an acceptable explanation. My own experience has taught me that there's more to it than just competition. The problem is rooted in immature pettiness.

Over the years I've been engaged to represent or consult with auctioneers facing regulatory complaints in various states. If you don't know it, let me share another ugly secret with you: The great majority of these complaints originate not from disgruntled members of the public but, rather, from other auctioneers. That's right – it's auctioneers who frequently file regulatory complaints against fellow auctioneers, or urge John Q. Citizen to do so. And I'm not talking about serious wrongdoing. I'm referring to what's often nothing more than nonsense turned into the spear of a formal complaint just to harangue a competitor. It's shameful, but it's a practice that is alive and well

within an element of basement-dwelling auctioneers.

Several years ago I wrote a tribute to my late friend and colleague, Carlton Hill, of Salem, Virginia. Carlton was the opposite of the petty blowfish that I'm referring to here. He'd help any auctioneer, anywhere, anytime. From giving a newcomer encouragement and a chance to call bids, to helping a veteran move and set up an auction, Carlton always had a ready smile and willing hands for fellow auctioneers. He never won a championship for bid-calling or received an auctioneering award. Carlton was just a regular auctioneer – but he was a world-class person.

Sadly, Carlton was just 48 when he died from a heart attack. At the moment of his death, he was doing what he loved most – working on an upcoming auction.

Soon after my tribute to Carlton was published, four auctioneers separately wrote me to relate how Carlton had helped each of them with auctions less than a month before his passing. All

four noted that he had readily given them his help and asked nothing in return. That was Carlton.

The auction industry can never be better than its practitioners. If we tolerate illegal and unethical practices in auctioneering, we'll have nothing more than the shady reputation that's been well earned with the public through the bad practices of the wrongdoers. Likewise, if we fail to help and support each other, we'll never realize the strength that a unified group of professionals could muster. While we can't control every practitioner, we can control ourselves. If some auctioneers are determined to poor mouth others, let the rest of us resolve that we will neither condone nor participate in such sorry conduct. Instead, let's rise above pettiness and become leaders in our industry and stand at the forefront of all that is good in auctioneering. Taking the high road is always the right road.

Here are four suggestions how we can set the example for leadership and professionalism. – continued, page 8