

Michael Ivankovich's Guide to Selling Gold Jewelry (How the Scrap Gold Game is Really Played)

It seems like each week several new "We Buy Gold" storefronts open in our area. The new store openings seem to correlate with the "Spot Price" of gold. The higher the *Spot Price*, the more new stores open their doors.

Most of these stores have short term leases, and most will probably not be around for very long. They are simply trying to take advantage of the rush to scrap gold based upon today's record prices.

But before you rush out and scrap you family's treasures and heirlooms ... **BEWARE!!!** You had better understand "*How the Scrap Gold Jewelry Game is Really Played*". While today's *Spot Silver* price is around \$33.00/oz, *Spot Gold* is trading at around \$1700.00/oz...which makes playing the Scrap Gold Game even more dangerous than the Scrap Silver Game. So if you are not extremely careful, the windfall you are expecting may end up in the gold dealer's pocket, and not yours.



Please Note: Different countries have different gold standards, using different fineness standards, and different markings. This article is designed only for gold jewelry using the more common 24 karat standard, and gold that is clearly marked 18k, 14k, and 10k. Although the principles covered here apply to other gold standards and fineness, as well as gold coins, gold bars, gold bullion, and gold decorative accessories, dealing with that gold is intended for another article.

* * * * *

There are several key factors that must be considered when valuing gold.

- The fineness of the gold.
- The weight of the gold.
- The spot price of the gold.
- The percentage of spot price that gold dealers will actually pay.

Here is a 5-step approach to understanding "*How the Scrap Gold Jewelry Game is Really Played*".

Step 1: Determine the Gold Fineness: Pure .999 gold is 24 karat, or 24k. Pure gold is a soft and malleable metal, and by itself is too soft to use for jewelry. Rather the gold is mixed with a base metal (e.g., copper) to strengthen the metal and vary the *fineness* of the gold.

- 18k (18 karat) gold is 75% pure gold, and 25% base metal (18k divided by 24k = 75%)
- 14k gold is 58.3% pure gold and 41.7% base metal. (14k divided by 24k = 58.3%)
- 10k gold is 41.7% pure gold and 58.3% base metal. (10k divided by 24k = 41.7%)
- Note that 10k is the minimum legal karatage allowed to be called "Gold" in the U.S.

Although tiny and often difficult to read, the karat fineness (18k, 14k, 10k, etc.) is generally impressed somewhere on the jewelry. Often a magnifying glass is needed to read the marking so be prepared to have at least a 10x power magnifying glass nearby.

Step 2: Calculate the Gross Weight of the Jewelry. Gold's Spot Price is quoted in Troy Ounces. However, many non-professional scales will yield what I call "U.S. ounces", but technically these are called "Avoirdupois Ounces", so these scales will yield the Gross Avoirdupois-Ounce Weight of your jewelry. Since gold spot prices are quoted in "Troy Ounces", you will need to convert the jewelry weight from Avoirdupois Ounces to Troy Ounces, using a very simple conversion factor. One troy ounce is equivalent to approximately 1.09714 avoirdupois ounces. This will yield the gross weight of your jewelry, in troy ounces.

Troy ounces apply when dealing with larger volumes or amounts of gold. But when dealing with jewelry, prices are typically quoted in "Pennyweights" or "Grams". Better scales will display "Pennyweights (dwts)" and/or "Grams (g.)" and if you are using such a scale, you can proceed to Step 3 below. If not, continue on with Step 2-A or 2-B.

Step 2-A: Convert the Troy Ounce Weight to Pennyweights. If your scale does not display pennyweights, you'll have to do a little basic math to get the actual weight in pennyweights. There are twenty (20) pennyweights in one troy ounce. Hence one pennyweight = 1/20 troy oz. One pennyweight also equals .05 troy ounce. If your scale measures .25 troy oz, you have approximately 5 pennyweights (.25 x 20 dwt./troy oz.); if your scale measures .5 troy oz, you have approximately 10 pennyweights (.5 x 20 dwt./troy oz.). Although this may sound complicated, converting from troy ounces to pennyweights isn't that hard.

Step 2-B: Convert the Troy Ounce Weight to Grams. Some dealers use pennyweights; others use grams. If your scale does not display grams, you'll have to do a little basic math to get the actual weight in grams. There are 31.1 grams in one troy ounce. Hence one gram also equals .0322 troy ounces. If your scale measures .25 troy oz, you have approximately 7.78 grams (.25 x 31.1 g./troy oz.); if your scale measures .5 troy oz, you have 15.55 grams (.5 x 31.1 g./troy oz.). Although this may sound complicated, converting from troy ounces to grams isn't all that hard either.

Step 3: Calculate the Actual Pure Gold Weight. As mentioned in Step 1, gold is combined with another stronger metal to enhance its strength. To determine the amount of pure .999 gold, multiply the total weight in troy ounces, pennyweights or grams by the specific gold karat percentage. For example, 10 pennyweights of 18k jewelry would yield approximately 7.5 pennyweights of pure .999 fine gold (i.e., 10 dwt. gross jewelry weight x 75% gold = 7.5 dwt. net pure gold weight). A similar calculation would apply to troy ounces or grams.

Also remember that only the gold has value. There is no gold value to metal pins, metal clasps, stones, etc. on jewelry. The scrap dealer will literally rip all such non-gold apart and weigh only the gold content. And once it's ripped apart, the jewelry's intrinsic value is gone. (Remember to take the stones because they may have a separate value).

Step 4: Calculate the Gross Gold Value. Like the stock market, the spot price of gold is constantly fluctuating. To determine the gross value of your pure gold, multiply the number of pure .999 gold troy ounces, pennyweights or grams in Step 3, times the current "Spot Gold Price" per troy ounce,

Michael Ivankovich, GPPA, MPPA
P.O. Box 1536, Doylestown PA 18901
(215)-345-6094 ♦ eMail: info@michaelivankovich.com
Web Site: www.michaelivankovichappraisals.com

pennyweight or gram. This will yield the “Gross Value” of your gold. Kitco (www.Kitco.com) is one of many various web sites where you can determine the current spot gold price.

Step 5: Apply the Gold Dealer “Percent of Spot Price” Payment Factor. Steps 1-4 are relatively easy to calculate. Step 5 is the trickiest of all, this is where the “smoke & mirrors” usually occurs, and this is where most people who don’t understand how the “Gold Game” is played get taken advantage of.

Unless you plan on melting and refining the gold yourself, the refinery will have to make a profit. And any middlemen (i.e., the gold dealers) you deal with must also make a profit. So you will never receive the full gross gold value in Step 4 above. Rather, you will receive a discounted “Percent of Spot Price” which factors in costs and profits for any middlemen left in the chain.

Here is the Key Point: Most gold dealers will never tell you what their “Percent of Spot Price” payment factor is. And most individuals new to the scrap gold game don’t ask what payment factor was applied. And this is where the gold dealer has the advantage.



In a typical transaction, you bring your gold to the gold dealer. The gold dealer will perform their own 5-Step calculations, and then simply make you an outright cash offer of what they are willing to pay. You can accept their first offer, reject it, or make a counter-offer. But since most people don’t know how the gold game is really played, most accept the first offer on the table. And the gold dealers know this.

Dealer “Percent of Gold Spot Price” payment factors can range from more than 90% of spot price, to less than 50% of spot price, and that represents a wide range of difference. For example, if you are selling 5 troy ounces of pure gold, and the spot price of gold is \$1700/oz, with an “90% of Spot Price” payment factor you would receive \$7,650.00 (5 ounces. x \$1700/oz = \$8,500, times 90%), while at 50% you would only receive \$4,250.00 (5 ounces x \$1700/oz. = \$8,500, time 50%). And in this example, the \$3,400.00 difference goes into the dealer’s pocket ... *and not yours.*

In summary, gold dealers are not all the same, and it is imperative that you locate the gold dealer that will pay you the highest percentage of spot price possible. Today is a great time to sell your un-needed gold. But if you fail to learn “How the Scrap Gold Jewelry Game is Really Played”, you could end up losing literally thousands of dollars.

Don’t let this happen to you.

* * * * *

Learning Points

- Before contacting any gold dealer, do your homework and learn “How the Scrap Gold Jewelry Game is Really Played”. This will insure that you don’t get cheated in the selling process.
- To get started you will need an accurate scale to determine approximately how much gold you actually have. This will insure that you don’t get cheated on weight.

Michael Ivankovich, GPPA, MPPA
P.O. Box 1536, Doylestown PA 18901
(215)-345-6094 ♦ eMail: info@michaelivankovich.com
Web Site: www.michaelivankovichappraisals.com

- Larger amounts of gold are calculated in troy ounces; smaller jewelry pieces will be calculated in pennyweights (dwts.) or grams (g.).
- Remember that only the gold has value. There is no value to metal pins, metal clasps, stones, etc. on jewelry. The scrap dealer will literally rip all such items apart and only weigh the gold portion of an item. And once it's ripped apart, it's gone.
- Recognize that gold dealer discounts can vary widely. If you don't ask what their payment factor is, they will never volunteer that information.
- You need to shop around for the dealer who pays the highest percent of spot price.
- Gold dealers are entitled to make a fair profit off you. You just don't want them making an unfair profit off you.
- Avoid selling your gold to dealers who are in a hotel, or who are in town for only a few days. This is only asking for trouble.
- Dittos on mailing in your gold and waiting for the mail order company to send you a check.
- *One Rule of Thumb: The longer someone has been in business, the more reliable they probably are.* This is not a foolproof rule of thumb, but a jeweler who has been in business for 50 years probably has remained in business that long by treating their customers fairly.

* * * * *

About the Author

Michael Ivankovich is an Auctioneer, Appraiser, and Home Downsizing Consultant based in Doylestown PA. Michael helps clients to move and downsize their homes, but more importantly, he helps clients understand the value of their antiques, collectibles, and residential contents, as well as how ... and where ... to best sell them for the most money possible in today's market.

He can also help you to confidentially convert your gold and silver into the most money possible.

Michael has been involved with antiques, collectibles and personal property assets for more than 35 years. He is a licensed and bonded Pennsylvania Auctioneer, has served as President of the *Lehigh Valley Society of Auctioneers*, and was named Pennsylvania's *Auctioneer of the Year* by fellow Auctioneers in 2004.

He is also a professional Personal Property Appraiser, having earned his *GPPA (Graduate Personal Property Appraiser)*, *MPPA (Master Personal Property Appraiser)*, and *USPAP (Uniform Standards, Professional Appraisal Practice)* designations.

An Antiques Dealer for more than 35 years, he is a Past President of the *Bucks County Antiques Dealers Association*. Michael is an active member of the *Central Bucks Chamber of Commerce*, an *Affiliate Member* of the *Bucks County Association of Realtors*, he has authored more than 20 books & ebooks in his areas of specialty, and his articles & columns have appeared in trade papers nationwide.

You are invited to visit his Web Sites:

- www.michaelivankovichappraisals.com
- www.homedownsizingconsultants.com
- www.michaelivankovich.com

(© Michael Ivankovich, 01/01/2012)

