

**As Seen on TV:
An Investigation of Goldline International**



Presented by
Congressman Anthony D. Weiner
5/17/2010

Table of Contents

- I. Overview**
- II. Key Findings**
- III. Protecting Investors from Goldline International**
- IV. Goldline Grossly Overcharges For Their Coins**
- V. Goldline Falsely Claims To Offer “Good” Investments**
- VI. Goldline Salespeople Misrepresent Their Ability To Give “Investment Advice”**
- VII. Goldline Plays Off Public Fears of Government Takeover and Has Formed An Unholy Alliance with Conservative Pundits to Drive a False Narrative**
- VIII. Methodology**

I. Overview

Goldline International is a precious metals dealer who buys and sells gold coins and bullion to investors and collectors. They are headquartered in Santa Monica, CA, and have more than 250 employees and annual sales exceeding \$500 million. Goldline International has been in business since 1960, but has gained national prominence recently by sponsoring conservative talk show hosts.

These paid spokespeople have happily agreed to promote Goldline by playing off the fear of inflation, to encourage people to purchase gold as an investment that will protect them from an out of control government.

In reality Goldline is a company that uses conservative rhetoric, high pressure sales tactics and tall tales about the future of gold to sell over priced coins that can be bought somewhere else for cheaper.

II. Key Findings

- **Goldline Grossly Overcharges For Their Coins**
The average Goldline mark-up was 90% above the melt value of the coin. The largest markup seen on a coin was 208% above the melt value. The average Goldline markup in comparison to the best price we could locate on competitors websites was 47%, going as high as 102% on one of the coins they offered.
- **Goldline Falsely Claims To Offer “Good” Investments**
By selling gold at twice the melt value, the price of gold would need to double for consumers to break even on their “investment.”
- **Goldline Salespeople Misrepresent Their Ability To Give “Investment Advice”**
Sales people imply that they are “Investment Advisors” or “Financial Advisors” by offering investment advice, which insinuates that they have some sort of fiduciary responsibility to get you the most return on your investment.

However, since they are not licensed “Investment Advisors” (the industry term), they have no such responsibility. In 2006, the Missouri Secretary of States' Office, Securities Division filed formal consent order against Goldline for exactly this reason and recovered over \$200k for an elderly consumer that was ripped off.

- **Goldline Formed An Unholy Alliance with Conservative Pundits to Drive a False Narrative**
On numerous occasions, Glenn Beck has dedicated entire segments of his program to explaining why the U.S. money supply is destined for hyperinflation with Barack Obama as president. He will often promote the purchase of gold as the only safe investment alternative for consumers who want to safeguard their livelihoods. When the show then cuts to commercial break, viewers are treated to an advertisement from Goldline.

III. Protecting Investors from Goldline International

Americans are genuinely concerned about their financial futures, and rightfully so. But during troubling economic times it seems there is always someone ready to take advantage of the situation and profit from people's fears.

In the past there is always the "product" that is either the next big thing (the dot com boom) or the investment that will never go down in price (the housing market), and in the past much of the media has failed in its duty to conduct due diligence, but never before have they worked so hand in hand to cheat consumers. Commentators like Glenn Beck who are shilling for Goldline are either the worst financial advisors around or knowingly lying to their loyal viewers.

Goldline's high pressure sales tactics and fear mongering about big government as well as their ability to hire sales staff and spokespeople who misrepresent their roles are case studies in why entities like the SEC and FTC are necessary.

On May 17, 2010, Congressman Weiner sent letters to the FTC Chairman Jon Leibowitz and SEC Chairman Mary L. Schapiro about the shady practices conducted by Goldline International and asked them to open up investigations.

In addition, Congressman Weiner is proposing legislation to protect consumers by requiring full disclosure of:

- a. Hidden fees.
- b. Purchase price/Melt value/Resale value.
- c. How much the cost of gold will need to rise in the value for the customers' investment to be profitable.

IV. Goldline Grossly Overcharges For Their Coins

- The office of Congressman Weiner compared 18 gold coins (9 numismatic and 9 bullion) found on Goldline's website with their melt value, which was based on weight, purity and the days gold market price. The average Goldline mark-up was 90% above the melt value of the coin.
 - Numismatic coins had a much higher markup, with an average markup of 152% on numismatic (collector) coins and 28% on bullion coins above the melt value of the coin. The largest markup seen on a coin was 208% above the melt value.
- Those same 18 coins could be found much cheaper on similar precious coin seller's websites. The average Goldline markup in comparison to the best price we could locate on competitors websites was 47%, going as high as 101% on one of the coins they offered.
 - Numismatic coins continued to be a much worse deal, with an average markup of 84% on numismatic (collector) coins and 10% on bullion coins above prices found on competitors web sites.

V. Goldline Falsely Claims To Offer “Good” Investments

- By selling gold at twice the melt value, the price of gold would need to double for consumers to break even on their “investment.”
- The IRS considers owning physical gold (instead of gold stocks, bonds or as a commodity) a collectible and taxes all gains at 28%, which is much higher than the long term capital-gains rate of 15% for people making more than \$34k a year. If you make less than \$34k the long term capital-gains rate is zero.
- Goldline sales representatives tell their customers that they will buy back your gold when you’re ready to sell, but nowhere in their terms of service is that guaranteed.
- Goldline also confuses customers when discussing buy back prices. Goldline tells customers that they will give them only a little bit less than the “bid” price when they decide to resell their gold to Goldline. This is confusing because the price a customer originally pays is called the “buy” price by Goldline and the “bid” price is the non-marked up cost of the coin.
- Hidden fees include 1.) Storage fees if you want Goldline to hold the gold you’ve purchased 2.) Conversion fees if you have stored your gold with them and now want it mailed to you 3.) Liquidation fee of 1% when selling your gold back to them 4.) Delivery fee of \$25.

VI. Goldline Salespeople Misrepresent Their Ability To Give “Investment Advice”

1. According to customer complaints, that can be found on consumer complaint boards such as “Rip-off Reports”, sales people represent themselves as “Investment Advisors” or “Financial Advisors” implying that they have some sort of fiduciary responsibility to get you the most return on your investment. But since they are not licensed “Investment Advisors” (the industry term), they have no such responsibility.

In 2006, the Missouri Secretary of States' Office, Securities Division filed formal consent order against Goldline for exactly this reason and recovered over \$200k for an elderly consumer that was ripped off.

2. Goldline sales representatives aggressively push the sale of numismatic coins (collector) over bullion (pure gold) because the company has the largest profit margin on them and the sales representatives make the largest commission.

The reason given to customers by sales associates for why they should purchase these more expensive coins is often that if the government ever comes to confiscate your gold, they can’t take your vintage and collector coins. This is in reference to an overturned executive order issued by FDR in 1933 requiring Americans to sell their gold to the government, with an exception for "gold coins having a recognized special value to collectors of rare and unusual coins," the executive order however did not define special value or collector value, and certainly not collectibles. Nevertheless, telemarketers promoting old U.S. gold coins perpetuate this myth because it makes the selling of high-priced numismatic coins easier.

VII. Conservative Pundits Profit on Peoples Fear

Fred Thompson, Dennis Miller, Mark Levin, Laura Ingraham, Lars Larson, Michael Smerconish, Monica Crowley and Mike Huckabee are all paid spokespeople for Goldline.

Glenn Beck was also at one point a paid spokesperson but is no longer because it violated Fox news rules. Goldline does however sponsor his program and he commonly encourages his viewers to purchase gold, without mentioning that Goldline is a sponsor of his show.

The message that these commentators push is that government is out of control and unsafe, inflation will continue to devalue the dollar and that as an investor you should protect yourself by stock piling gold coins.

Glenn Beck:

- “Tonight, are we facing the end of the almighty dollar?... So I’m sure we can all assume that the dollar is here to stay, and everything is just peachy. But in the off-chance that, maybe, somebody in the Middle East wouldn’t tell us exactly the truth, you know, that they’re not exactly 100 percent reliable, maybe we should discover what it means for our dollar and our country if it’s no longer pegged to oil. What does that mean for you? ... Any way to protect yourself? Gold”. (Source: The Glenn Beck Show 10/7/2009)
- “We could be facing recession, depression or collapse. Nothing Left! ... I like to call it the three G system here for this, its God, Gold and Guns.” (Source: The Glenn Beck Show 11/23/2009)
- “Explain, if I'm right, the policy that the Government has is something that, what is it, the WS2 or something like that policy which is -- what is it, Stu? BW2, which is Bretton Woods 2 which is basically the world needs us; we can borrow; it doesn't matter how much we'll borrow because the world will never disconnect from the world's consumers... Best thing we can do is buy the gold, right?” (Source: The Glenn Beck Program 4/9/2008)
- “There are those in power that [...] want to destroy the dollar or ... the dollar is on life support and they’d like it to stay there. It’s true. Not much that you and I can do about it. Well, there are a few things. You can prepare yourself, that’s what’s next year is a really all about on our program. Preparing yourself and part of that is – or could be – protecting yourself with gold. If you have the money to buy it, protect yourself from an out of control government with gold.” (Source: The Glenn Beck Program 12/3/09)
- "I think you're nuts. When the system eventually collapses, and the government comes with guns and confiscates, you know, everything in your home and all your possessions, and then you fight off the raving mad cannibalistic crowds that Ted Turner talked about, don't come crying to me. I told you: get gold." (Source: Politico)

- “Just the other night I was rereading Atlas Shrugged, and in it one of the characters is talking about the value of money and how paper dollars really hold no value whatsoever. They represent your work. The only thing of real value is gold. What you’ve backed that dollar up with. Well, we no longer back our dollars up with gold. If things get dicey, we’re on a banking crisis now, the declining value of the dollar, what will hold its value? Gold. I want you to call 866-GOLDLINE and find out about buying gold. You can buy it as an investment. I buy it really as insurance because it’s the one thing that will have value forever.”
(Source: Goldline radio ad)

Mike Huckabee:

“I’ll bet you’re concerned about the economy and the depreciation of the dollar just like me. That’s why people are diversifying their portfolio with gold, as a way to protect against a falling dollar and future inflation. Goldline has been helping people acquiring gold for 50 years. The people at Goldline will explain just how easy it is for you to buy gold that’s delivered directly to you.”

(Source: Goldline radio ad)

Dennis Miller:

“Hey folks in a perfect world we could print all our own money, buy ridiculous amounts of stuff and live happily ever after. Well life ain’t a fairy tale my friends. Look at the economy, they’re spending more than Paris Hilton on a bad day and it doesn’t get us a tiny dog and a pink purse either. It leads to a lower dollar. What can we do to diversify our portfolio and protect against that falling dollar? Buy gold. Gold prices have tripled in value and they are up more than 40% in the past 2 years. I trust Goldline.”

(Source: Goldline radio ad)

Laura Ingraham:

“With the stock market where it is, volatile, moving up one day, down the next, the trillion dollar budget deficit. And look what’s happening in the banking industry, the government continuing to print money it looks like. It’s important to remember there’s only a finite amount of gold. It makes sense in these types of economic times to seek a safe harbour. And that is gold. I can’t tell you whether gold is going to get up or down. I can tell you however that gold makes sense as part of any portfolio. It serves as a great ballast against inflation.”

(Source: Goldline radio ad)

Fred Thompson:

“Our country is experiencing the worst economic crisis since the Great Depression. Stocks and real estate have lost much of their value and government is spending trillions of dollars in a desperate attempt to bail us out. In these tough times I believe you should own gold. Gold offers diversification so all your eggs aren’t all in one basket. And gold is one of the few investments that is going up every year since 2001. My choice for gold is Goldline.”

(Source: Goldline radio ad)

VIII. Methodology

The analysis conducted by the office of Congressman Weiner compared 18 coins (9 numismatic & 9 bullion) found on Goldline's website with their melt value, which was based on weight, purity and the gold market price on April 22, 2010 of \$1,141.30. The coins retail price was then compared with competitor's websites that offered the same product.

The coins compared were:

- High Grade Gold American Eagle MS-69
- 1/10-oz. Bullion Gold American Eagles
- 1/4-oz. Bullion Gold American Eagles
- 1/2-oz. Bullion Gold American Eagles
- 1 - oz. Bullion Gold American Eagles
- 1/10-oz. Proof Gold American Eagles
- 1/4-oz. Proof Gold American Eagles
- 1/2-oz. Proof Gold American Eagles
- 1-oz. Proof Gold American Eagles
- 4-Piece Proof Gold Eagle Sets
- 1/10-oz. Gold Canadian Maple Leafs
- 1/4-oz. Gold Canadian Maple Leafs
- 1-oz. Gold Canadian Maple Leafs
- 1-oz. Gold South African Krugerrands
- BU Swiss 20 Franc 'Vreneli'
- MS-62 \$5 Liberty Gold Coins
- 2006 MS-69 First Strike Gold Eagles
- B.U. French 20 Franc 'Rooster' Gold