



Investing, Speculation, Valuation

The ISCA Getting Started Collecting Series

Sometimes you'll hear an old-timer say, "The money I spend on my collection is an investment." Is that accurate? Are they really spending money to acquire items of worth in order to hold them with the expectation of a future financial return or benefit? Of course, people enjoy the friendships, the chase, the horse-trading, completing a set, and all of the other aspects of collecting, but whether or not your collection is an investment probably depends on your expectations and time horizon.

Most people collect Boy Scout memorabilia because they find it a fun hobby, but let's assume for the moment that you're only interested in the investment possibilities of Scouting memorabilia. Most Scouting memorabilia has risen in value over time. Some areas appreciate in value more quickly than others, and the longer you hold onto an item, the more likely it will rise in value above what you paid/traded to acquire it. Professional investors speak of Return on Investment, or ROI, which means how many dollars one gets in return for every dollar invested. If you are collecting Scouting memorabilia with investment and financial return as a primary goal, you should consider the ROI potential in the type of items you purchase, as well as alternative investment instruments for your money.

Consider all of the different types of Scouting memorabilia that you can collect: OA, CSP, Jamborees, books, insignia, equipment, uniforms, mugs, knives, stamps, etc. Which are the best "investments?" What you'll find is that areas of collecting that were popular in the past, and are popular today, will be popular tomorrow. Since supply and demand help to dictate prices, a strong future demand is one important factor to consider when deciding where to invest. Buying a rare item may actually yield a lower ROI than buying a more available collectible that is in great demand.

Let's look at some examples. Let's say that in 1977 you had \$25 to invest and you decided to purchase a Hawkeye Area W-3 woven CSP at the then astronomical price of \$25. Today that patch is worth . . . \$25! That's a 0% return over almost three decades. If you had left your money in the bank earning interest to keep up with inflation, you would have \$76 today. If instead you decided to purchase 50 of the common Catalina T-5 twill CSPs (\$25 worth at 50 cents each) instead of the one Hawkeye CSP, your "investment" would be worth at least \$100 today. But if you had used the \$25 to buy a Stanford-Oljato Lodge 207 F-2 OA flap, you would have a patch worth over \$200 now.

OA trading is a hot and active area today, and has been since the 1950's, so it will probably continue to be a good area for investing. However, just because an area is popular doesn't always mean it will remain so. Ask some older collectors if they still have hat pins, POGS, or Beanie Babies in their collections. These are examples of collectibles that fizzled after widespread acclaim as the "next great thing." Even CSPs have seen cycles of boom and bust. For example, the CSPs from some of the first councils to merge in the early 1970s have gone down in value over the years (Lebanon, Aheka, and Yellowstone Valley) because supply exceeded demand.

Even rare old patches can decrease in value. This can be caused by a change in either supply or demand. For example when a large number of a previously rare item are found and released to the collecting community, supply is increased and value can decrease. Sometimes the demand for an item can markedly decrease. For example, an OA "Number Set" used to require a 47 Hanigus, a 155 Michinikinaqua, and a Calusa 219, all very rare patches. Then when those numbers were reused by other lodges, the demand for and value of the old patches went down even though their rareness did not change. People could complete their number sets more easily with the new lodges, and the old lodges became just "Names" instead of "Numbers," which are not as highly sought after. It is important to note that even if some issues decrease in value, a *collection* of old OA or first issue CSP's has greatly increased in value over the years.

Council and lodge mergers have an interesting effect on both supply and demand. On the one hand, a merger means no more patches will be made so supply decreases. On the other hand, with time, people may be more willing to part with their old restricted issues after the merger than before, particularly when "no trade" restrictions are no longer meaningful. Mergers may increase the demand *nationally* for a lodge or council because people realize no new patches will be made. Conversely, mergers may decrease the demand *locally*, because with time, new collectors in the area identify less with the old lodge and make less of an effort to collect it.

Speculation

Speculation is investing with an extremely short timeframe. One gambles that the item purchased will appreciate rapidly in value, at which time it can be sold for a quick profit. Although it sounds un-Scout-like, speculation is quite common in patch collecting, especially in Jamboree and NOAC years. Councils and lodges issue JSPs and NOAC contingent flaps for these events and they become highly sought after by people trying to get a complete set. Speculators will join the trading frenzy, not because they collect these items, but because they hope to turn them over for a profit. Demand remains high for several months afterwards and speculators who bought and traded for nearly complete JSP

or NOAC flap collections now try to liquidate their holdings for cash or more stable regular-issue flaps.

Valuation

As an investor, you will want to keep track of the value of your investments. You should start by keeping a record of what you spend to obtain the items today. Even if you trade for something, it is helpful to estimate your cost of acquisition for future reference. By keeping close tabs on the value of your collection, you will know what to expect in return if you ever decide to sell or part with it. There are only a few reference books available to estimate the value of OA flaps, CSPs, and other Scouting collectibles. (*Order of the Arrow Price Guide*, *An Aid to Collecting Selected Council Shoulder Patches with Valuation Guide*, *Scout Patch Auction Prices Realized*, and *The Merit Badge Price Guide* are examples.) They usually give a range of high and low values, or a series of actual reported sale prices. The date of each sale is important because prices can be time sensitive. In spite of what the “official book” says, the value of an item is what a well-informed buyer is willing to pay at that point in time. If you are unsure of the value of something, ask other knowledgeable collectors to get a feel for the range and track actual auction sales if possible. Rarely is a value firmly established for any particular collectible. If you were to walk around the room at a large Trade-O-Ree, you’d probably be able to find the same item offered at various prices by different individuals. The lowest price seller will likely sell his item first, and if there is still demand for it, the next highest priced one will go, and so on until supply, demand, and price all reach equilibrium. Of course, that’s just the economic theory, and you’ll always run into someone who won’t trade his or her prize possession for *anything* because of some personal emotional attachment.

Knowing the value of things is critical when buying collections similar to yours. You may decide to purchase another collection because it has a few items that you need to add to your collection, or because the items in it will be good dupes for you to trade or sell. By knowing how much the contents of the collection are worth, you’ll be in a better position to negotiate a price so you don’t pay too much or get stuck with a large investment of your money that you can’t move quickly. When contemplating a purchase of an entire collection, consider the items that you’ll be getting to add to your own collection. Are you getting them at a price that justifies buying the rest of the patches in the collection, or would it be better to purchase them singly? Do you have easy access to the markets to liquidate the rest of the collection that you don’t want?

Choosing to collect Scouting memorabilia purely as a financial investment is a personal choice that will undoubtedly impact the approach you take in buying, selling, and trading. If, on the other hand, you pursue collecting for the pleasure and satisfaction you derive

from partaking in the hobby, your knowledge of investing and valuation principles will ensure that the “investment” aspect will take care of itself.

-- David Miura