

## Store of value

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We humans find crazy places to hide our valuables in stressful times: inside a curtain rail, in a vase with fake flowers, even at the bottom layer of the cat's litter box.

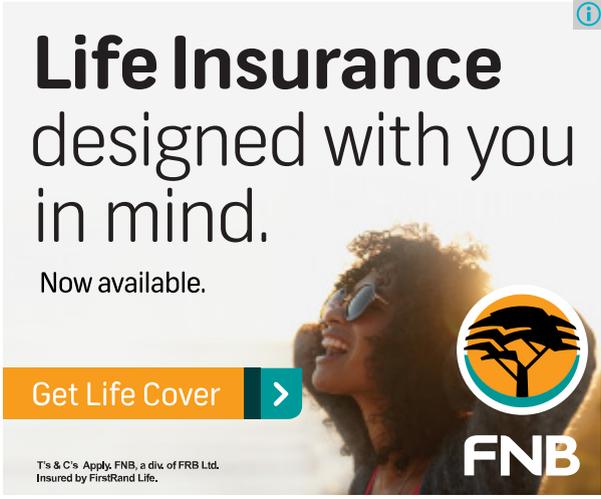


**The Fine Print Creative Storage Award ... goes to all of us who try to outwit thieves and burglars by hiding our valuables in ingenious ways.** *Credit: Istockphoto*

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Those ideas come from contributors to Canadian personal finance website Wallet Pop ([www.walletpop.ca](http://www.walletpop.ca)). One person suggested chiselling out a handy niche on the top surface of a wooden door. Another stores her money inside a clean tin can, which she puts back on the shelf with the other canned goods. ("The secret is the type of can-opener you use. There is a type that cuts from the side so when you put the top back on it looks unopened.")

But owning a Krugerrand does not mean you have to stash it in the laundry basket or in the lining of the lounge curtains. The company from which you buy your coin may also offer storage, which is something to throw in the mix when deciding who you will buy from and at what cost.



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If you buy through online share trading with First National Bank (FNB), your Krugerrands can be insured and stored at Rand Refinery. The storage fee, calculated daily and charged monthly, is based on the value of the coins. It is charged at an annual rate of 0.86 percent (excluding VAT).

You can sell or take possession of your coins at any time, but you cannot store any Krugerrands you have bought elsewhere along with your FNB-bought coins.

Gold Reef City Mint, located in Germiston, will store your purchases of Krugerrands and gold bars free of charge. You need to give 24 hours' notice to access them, Glenn Schoeman, the chief executive, says.

"Obviously, we don't like the general public to know where the valuables are stored, but clients can be taken to the location and shown their coins and gold bars," Schoeman says.

A firm of accountants audits the stocks, he says.

SA Bullion has made storage of Krugerrands one of the distinguishing characteristics of its business.

It has a special dispensation from the South African Reserve Bank (SARB) and the bank's agent, Rand Refinery, to buy Krugerrands at wholesale prices, Hilton Davies, the founder and managing director of SA Bullion, says.

The coins are stored in Rand Refinery vaults, along with the SARB's gold holdings.

"If a client wants to sell his or her Krugerrands, we sell the coins back to the Reserve Bank," Davies says. "We have an unbroken chain of integrity."

In other words, the coins do not ever leave Rand Refinery unless the owner chooses to take physical possession of his or her investment.

Davies, who was once a director of Allan Gray, has positioned SA Bullion as an investment service licensed with the Financial Services Board. SA Bullion deals with institutional investors, and sister company SA Bullion Investor Services deals with small investors like you and me.

One of the retail products available is the BullionGold Facility, which allows you to make monthly payments or lump sum deposits into a Nedbank call account in your name. When you have enough money in the account to buy a one-ounce Krugerrand, a purchase is automatically triggered.

The minimum monthly investment is R500, and the charges are:

- An upfront charge of one percent;
- Gold-dealing costs, which SA Bullion says are "approximately the same as for JSE equities"; and
- An administration fee of two percent a year (excluding VAT) applied to the daily market value of your holdings. The annual fee is accrued daily and charged monthly and includes a fee of 0.5 percent that is paid to your financial adviser.

The administration fee includes safe custody and insurance from Lloyd's of London.

When a Johannesburg resident was robbed last year of four Krugerrands and other valuables by two men who entered his home posing as census takers, the crime brought into focus the real threat of losing any physical gold investments you store at home.

Gari Dombo, the managing director of Alexander Forbes Insurance Company, says cover for Krugerrands (and other coins) under household contents insurance differs widely in the market. The things you should look out for in your policy document are:

- A monetary limit per coin;
- A limit on the number of coins covered;
- A limit on overall valuable articles (this is usually a maximum of one-third of the sum insured);
- Whether there is an out-of-safe warranty (in other words, whether your coins are covered by your policy if they are kept outside a safe); and
- Whether cover for theft is limited to forcible and violent entry. (If this is the case and you are conned into letting the thieves into your house – as appears to be the case in the census scam already mentioned – you could find yourself without cover.)

"To be sure, one should discuss your coins with the insurer or broker beforehand so that the policy can be extended as necessary. Failure to negotiate the cover on valuable coins beforehand could well leave you with a very expensive uninsured loss," Dombo says. A cross section of insurers was asked about how much cover Krugerrands would enjoy under an ordinary household contents policy.

Krugerrands are not covered under Santam's household cover. Donald Kau, the head of corporate affairs, explains that household cover insures the contents of your home – such as furniture, appliances and clothes – for the total sum insured but does not include Krugerrands and coin collections.

You can be insured under Santam's All Risks cover, which "would require you to specify every item and pay a premium for it".

He explains that there is personal effects cover under All Risks, which is for a blanket amount set by you. But coins are not covered by personal effects cover, hence the need to specify the items.

"Claims settlement under All Risks cover would be done on the basis of the current replacement value of similar new property, subject to the sum insured being adequate," he says.

1st for Women Insurance Brokers "will indemnify customers for the loss of personal documents, coins or a stamp collection under their home contents cover", Robyn Farrell, the managing director, says. However, cover is limited to R2 500.

"If the item's value exceeds this amount, it can be insured under specified cover," Farrell says.

Mutual & Federal (M&F) insures one Krugerrand under ordinary household cover, Sedick Isaacs, the group executive for claims, says.

You would have to notify M&F that you have such an asset, Isaacs says.

If your coin was stolen or lost in a fire, the value would be based on the current market value of a Krugerrand, he says. But the claim would be limited to a certain amount. When asked to elaborate on the limit, Isaacs replied, "The value of any one coin is agreed with the underwriters."

If you have more than one coin, Isaacs suggests you discuss this with your insurance broker or financial adviser, who can then obtain quotes and ensure you have the correct cover in place.

If you are an OUTsurance client, your Krugerrands are not covered under standard household cover, Natasha Kawulesar, the head of client relations, says. They are insured under two separate types of cover:

- Bonus Benefits, a subsection of OUTsurance's household contents, allows for a maximum amount payable of R1 500 if the coins are stolen.

"The R1 500 benefit is a total value that we would pay under Bonus Benefits for all the coins that were stolen, even if the value of the coins is much higher," Kawulesar says.

Out and About over. "This is usually cover applicable for items that you would take out of the house but is also designed to allow cover for items such as coin collections," Kawulesar says.

"Under our Out and About cover, you would need to provide us with the details of each coin and its value. In the event of a claim, there are various factors to determine the correct replacement value of the coins but it will not exceed the maximum insured value, so insuring for the correct value is vital."

To make extra sure your stay-at-home Krugerrands and gold bars are safe, you could try out another of the tips from the inventive minds of Wallet Pop. One man suggests you keep valuables between cement bags ("place two bags with a space between them where you hide some stuff, then place a couple of bags on top. It's also fireproof!").

Frankly, I would rather leave coins for safekeeping with a reputable company that knows what it is doing. Just about all of the bright homemade storage ideas have far too much exposure to Murphy's Law – or is it Sod's Law? – for comfort.

One of your children, in a fit of conscientiousness, is going to throw away the gilt-edged kitty litter; your husband is going to give away the tin of all-gold baked beans to charity, your wife is going to call in an organiser to tidy up the mess in the garage ...

Like the plumber who created fake drains to befuddle would-be thieves. "They looked just like real drains but held a pipe filled with money," the man's son told Wallet Pop. "The downside? After he passed on, we had to look inside every drain."

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