

Gold IRA, rare coin sellers find a home with inexperienced investors



Regulators have taken numerous actions against metals dealers that target older customers through TV ads.

August 22, 2023 *By Emile Hallez*



Investors in their golden years have increasingly been targeted by precious metal and collectible coin providers — a trend that state regulators, lawyers and financial advisors say needs to stop.

This month, numerous states signed on to a bankruptcy plan for Lear Capital, a precious metals firm that has been accused of encouraging customers to move assets out of retirement accounts and into gold while not being forthright about the fees it charged. That deal, which includes \$5.5 million in restitution for thousands of people, is the latest episode in a long trend of precious metals brokers marketing to an audience that observers say is particularly vulnerable.

That is exemplified by affinity marketing, with precious metal and coin providers focusing intensely on conservative media outlets. A recent investigation by the *Washington Post* found that right-wing media viewers have been *highly targeted by politically charged ads*, leading many low-income retirees to buy unregulated, high-commission products at the expense of their 401(k)s or IRAs. Stations including Fox News and Newsmax have regularly aired such ads, according to the report.

Politically affiliated marketing “resonates with people,” said Patricia Vannoy, a partner at law firm Mattson Ricketts who regularly represents clients in cases involving financial products and services. “They’re emotionally invested in something, and they want to follow that.”

However, those pitches often may not address the fundamentals of the investments, and the viewers usually have little understanding of them, Vannoy noted.

Phone representatives at gold sellers might also have few, if any, qualifications and limited understanding of the products, she said.

“You don’t have someone who’s licensed by the SEC or Finra,” Vannoy said. “That means these [customers] really don’t know who they’re working with ... You could just be talking to somebody at a call center who is reading a script.”

A *lawsuit* brought by New York Attorney General Letitia James alleged that Lear had steered customers toward coins that had commissions as high as 33%, later encouraging the same customers to sell back those purchases at a loss in exchange for platinum bullion that had a 14% commission. According to that suit, self-directed gold IRAs represented the most lucrative part of the company’s business.

“Lear Capital urged investors to liquidate their traditional retirement savings and buy precious metals without proper fee disclosures. As a result of those deceptive practices, the company accumulated millions of dollars at investors’ expense,” Clothilde Hewlett, commissioner of tje California Department of Financial Protection and Innovation, said in an *announcement*.

Of Lear’s \$146.6 million in revenues in 2022, more than 36% came through the IRA channel, compared with 64% from direct-to-consumer sales, according to the bankruptcy filing this year. Although the spread on products was as high as 33%, the average was 23.4%, and the company stated in the filing that its spreads are comparable to those of other precious metal firms and rates charged by the U.S. Mint.

Gold IRAs can charge hundreds of dollars a year in basic fees, not including commissions and costs for physical storage, which can eat away at account values, Vannoy said. The self-directed IRAs that allow physical gold as an investment “are scary to me,” she said, as many people don’t understand the lack of fiduciary protections in those accounts. “Because of the lack of a safety net, you have to be very cautious, particularly in an IRA.”

Earlier this year, the Commodity Futures Trading Commission filed a civil enforcement action against affiliated precious metals dealers Fisher Capital and AMS Consulting Solutions, alleging that the businesses placed older clients in \$30 million in coins “worth far less than the defendants led victims to believe,” the commission stated in an announcement. That included encouraging customers to move assets from existing 401(k)s and IRAs to self-directed IRAs that would hold precious metals, according to the CFTC.

That followed [a case in 2020](#) in which two other precious metals dealers — Metals.com and Barrick Capital — were charged by the CFTC and state securities regulators in connection with older investors being defrauded of \$185 million.

TV-marketed gold and “collectible” coins in general are a poor investment, Kashif Ahmed, president of American Private Wealth, said in an email.

“It’s bad enough to take real money and put it into ‘collectible coins,’ it’s pure evil to trick senior citizens to do it. Gold and its acolytes have been peddling rubbish for far too long,” Ahmed said. “Our clients are made to understand and acknowledge that if something deserves to be in their asset mix, we will bring it up ourselves. But if they go ahead and do something foolish like this behind our backs, they have no one but themselves to blame. And no sympathy from us.”

However, inexperienced investors are likely more susceptible to precious metals marketing, lawyer Andrew Stoltmann said. And if they have grievances about commissions and fees, the amounts in question are almost always too little to get a law firm to take a non-class-action case, he noted.

“Unfortunately, the allure of the alleged safety of gold is like a siren song to many older investors and many unsophisticated investors,” Stoltmann said. “Common sense tells us, if you want to invest in gold, do it through a diversified mutual fund, not somebody advertising on TV.”
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