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### **Businesses create outlet to trade gold for cash**

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Four years ago, gold prices hovered around \$450 an ounce. Today, they are more than twice that high. It should be little surprise, then, that more individuals are searching through their jewelry and drawers to find scrap gold any place they can to sell for cash.

It's one of the reasons for expansion at Midwest Gold Buyers. One of the largest gold buyers in the area, the company started off hosting home-based parties where guests brought their gold to trade for cash. Seeing demand on the rise, the company began opening storefronts to make transactions easier.

They have a Cash For Gold store in Algonquin and opened up a new location in Crystal Lake two weeks ago, in the old Tweeter location at 6119A Northwest Highway.

"Our stores are quickly gaining momentum, and we're opening more and more," owner Scott Pollak said. "In April we were doing maybe 200 parties a month; now we're over 500, and we're branching off into new cities."

Pollak said the company eyed Crystal Lake because it detected a need from customers.

"Crystal Lake is a very nice town, and there isn't anyone doing that sort of thing there," he said. "At some of our stores, the door doesn't ever stop. From open to close it's nonstop with people coming in and leaving happy."

The demand has grown, in part experts say because of gold prices and in part because of the recession, as people find ways to raise cash through rings, earrings, gold fillings and chains.

"I think it's a combination," said Melissa Brumm, a jewelry consultant with Steffan's Jewelers in McHenry. "People are aware that gold is high, plus people need money. That's why it's such a huge push right now."

“We’ve been buying gold for years, but we’d maybe get someone in once a month. Now it’s like five a day. It’s quite the influx of people coming in on a daily basis.”

Sellers, appraisers and experts caution consumers to be careful when selling their gold.

“You just have to be kind of smart about it,” Brumm said.

Digging through your drawers

The first thing to do is find what kind of gold you have. Brumm is putting together a gold buying guide for the public that will be available at the end of August. She said the first thing to know is that jewelry made of gold will not be 100 percent gold, or 24 karat gold.

“Those pair of gold earrings are not 24 carat, they’re 14 carat gold because there’s other alloys mixed with it to make it into jewelry,” she said. “You won’t be getting its full value because as a jeweler, you have to send it to a refinery that separates the gold from the other alloys that allow the jeweler to make it harden.”

To find out what kind of gold is in the item, the first suggestion is to use a magnet to test whether the gold is real or not.

“If it’s magnetic, it’s not gold,” Pollak said. “Then you determine what the carat is; the higher the carat, the more value it has.”

Carat describes the percentage of gold in an item. A 24 carat item is 100 percent gold. According to Casey’s Research, a 22 carat item is 91.7 percent gold, 18 carat is 75 percent gold, 14 carat is 58.3 percent gold, and 10 carat is 41.7 percent gold.

One way to determine the carat weight is to look for a stamp on the back of the item with marking such as “10k,” “18k” or “GP” for gold plated.

Brumm said Steffan’s will do an acid test on the item that will determine whether the item is gold and what carat level it is at.

Margaret Olsen, an accredited senior appraiser at the American Society of Appraisers in Westminster, Colo., and the author of “The Gold Book: A Guide to Commonly Traded Gold Coins and Bars,” said doing your homework on a piece before leaving home was a crucial step.

“You need to know what you have before you sell it,” said Olsen, who grew up in Chicago and spent her childhood weekends traveling to visit her aunt and uncle in Crystal Lake. “Most people can relate to

autos; they know if they have a new car with few miles on it, they should get a decent deal. If they have a clunker, they're not going to get much. They need to know what they have in jewelry, too.

"I teach all over the country that people need to be educated, and I think people should know about whatever they have and whether it has value or not. It's always a concern when you see people who are just desperate for money because they often are the ones who are taken advantage of."

#### Find a dealer

After determining the makeup of the piece, experts suggest shopping around to find the best value for the item.

"There's nothing wrong with shopping around, calling around and doing the math at home," Brumm said. "You can be a smart shopper."

"It can be in any condition," Pollak said, "so if it's broken or dented, it doesn't matter. It's a relatively quick process, and we have 15,000 satisfied customers."

Where you decide to go can differ. Cash4Gold.com, an online company not affiliated with Midwest Gold Buyers or their Cash For Gold storefronts, bought commercial time on the Super Bowl, offering the chance for customers to mail in a gold item and get cash back.

Olsen suggested a better idea would be to stick close to home.

"I think it's good to keep the business in the community and deal with the people that you know," she said. "They are less likely to cheat you, and when you keep your business locally, you're more likely to get a fair deal from someone."

Jeff Clark, the editor of Casey's Gold and Resource Report from Casey Research, said another alternative was skipping the middle man entirely.

"You don't want to go to one of the ads you see on TV, like Cash4Gold.com. They'll only give you 15 [percent] to 25 percent of the value of gold that you send them, and they turn around and send it to a refinery," he said. "When they send it to the refinery, it pays them 95 [percent] to 98 percent of the value of the gold. If you're interested in doing this, go directly to the refinery. They don't advertise, you won't see them on TV, but they're who the people on TV go to."

Regardless of where you take the piece, Brumm cautioned sellers to go into transactions with their eyes open.

“One thing people do have a hard time with is detaching themselves from the sentimental value,” Brumm said. “People have a hard time understanding that even though they purchased it 10 years ago for X dollars, and they still attach those dollars to it, today it’s not worth that. It’s strictly scrap gold. You pretty much have to detach that sentimental value.”

Future demand not slowing down

The price of gold crossed \$800 an ounce Nov. 2, 2007. Five months later, it reached its recent peak at more than \$1,025 an ounce, and today it still trades above \$900.

With values such as that, few people expect a slowdown in people wanting to sell their gold for cash.

“I expect it to continue for a long time because the value of gold is so high,” Pollak said. “What do you do with that awkward piece, the broke one, the one you lost the other earring to. What do you do next with that? Trade it in for some cash.”

“Just make sure that people are paying you what it’s worth,” Brumm said.

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