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Torrance, CA 90504-7939 www.cdnpublications.com • cdn@greysheet.com
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Circulated \$500 and \$1,000 Federal Reserve Notes In High Demand

by Marc Michaelsen

Small Size \$500 and \$1,000 Federal Reserve Notes are arguably the most popular area in the field of collectible U.S. Currency. High denomination Notes offer a unique characteristic not found in other currency collecting specialties: **High face value.** Admittedly, Broken Bank Notes and Confederate Notes also used the \$500 and \$1,000 denominations, but these are not Federal issues. You can't spend them. It's this high face value that has brought high denomination Notes into the mainstream. These Notes are no longer collected just by currency collectors. The average person, or so called "non-collector", now wants to say he owns a \$500 or \$1,000 bill. The biggest demand for these Notes ironically lies in the lower grade range. This goes against popular thought for almost all currency collectors who strive to find the nicest grade possible or the best grade they can afford. In the world of high denomination Notes, and the average person, it's all about *the premium*. Premium here refers to the amount of money a Note costs above the face value. The mentality here is, there's only so much down side when you spend \$650 or \$750 on a \$500 bill. People figure, if worse comes to worse they can spend the Note! It's exactly this kind of thinking that keeps high denomination Notes trading briskly.

Dealing in such "commodities" can be quite challenging. This author can attest to that. Markups or profits are minimal, and cash flow can become a real concern. There are distinct similarities to bullion trading or buying and selling Krugerrands. The profit margins are similar, and there are just a few percentage points that make up the buy/sell spread. This trading cycle hinges on two factors: Supply and demand. We touched on strong demand earlier, but what about supply? How can there be a sufficient supply of \$500s and \$1,000s if these Notes are out of circulation and haven't been printed since 1945? The average person has never heard of (let alone owned) a \$500 or \$1,000 bill, but the fact of the matter is...these Notes are not rare. There are roughly 250,000 \$500 bills and roughly 150,000 \$1,000 bills that *have not been redeemed*. In reality, these numbers may be a touch high, as some Notes have undoubtedly been destroyed through everyday wear and attrition. Still, this is a huge quantity of Notes and certainly sufficient to fuel collector demand. What circulated high denomination Notes lack in rarity, they make up for in popularity. As previously mentioned, no single currency collecting niche penetrates the mainstream market as readily as high denomination Notes: Some people want a \$500 bill for their wallet, maybe to "flash cash." Others may want to show off their \$1,000 bill on poker night. Some people give them as wedding gifts. Others frame them and put them on their office wall. The uses and reasons people buy these Notes is infinite. The most common reason, however, is that people simply want to own a \$500 or \$1,000 bill. People can afford to do this now. Putting back a \$1,000 bill fifty years ago was nowhere near as commonplace. It was beyond the means of the average person. Today it's not.

One of the most interesting uses of U.S. high denomination Notes is in the Orient. Having personally witnessed this type of hoarding, it offers a unique insight into a very different type of collector. It is not uncommon for very wealthy individuals in the Far East to have *several hundred* of these Notes (\$500s and \$1,000s) on their person at any one time! The wadded up Notes are



often stuffed in fanny packs and worn at the belt line. We can only assume that this offers a person a way to carry a large amount of cash in a relatively small area (for whatever reason). It certainly displays how different cultures and generations have different traditions. To the outside observer, it reveals extraordinary faith in the U.S. Dollar, and a considerable security risk.

Rare districts, earlier series and high grade \$500 and \$1,000 Notes have appreciated in value over time. Heavily circulated or damaged "high denoms" have not. In fact, circulated high denomination Notes have turned out to be one of the poorest investments over time. Cash hoards of this nature come up regularly. Imagine a cache of fifty heavily circulated \$1,000 bills that an individual picked up in 1970 for face value? These \$1,000s may very well be worth \$1,250 each today, but the amount of potential interest lost is staggering. Had the money simply sat in a Money Market account it would have doubled and redoubled many times over, as opposed to netting a mere 25% return.

While serious collectors are willing to pay for quality, the average person (who just wants one of these Notes) is usually looking to spend 1½ times the face value give or take. That is to say that he or she would ideally like a \$500 FRN for \$750 and a \$1,000 FRN for \$1500. Notes with damage such as tape repairs, pieces missing or excessive writing may even trade for less. The irony is that "for not that much more money" one could buy a nice, problem-free Very Fine. But again, mentality may dictate that a certain premium over the face value not be exceeded. One thing is for sure, circulated \$500s and \$1,000s are as popular as ever. More people can afford these Notes today, and demand has increased significantly. They are by no means rare. While values for other currency issues may be heavily influenced by current economic conditions, circulated high denomination Notes are not. You may see a Large Size Type Note get taken down 15-20% at a clip in a monthly price guide. You'll never have to worry about that happening to circulated \$500s and \$1,000s. Therein lies the mass appeal of these Notes.

Marc Michaelsen, Inc
P.O. Box 1949

Boca Raton, FL 33429

561-347-8300 • Fax: 561-347-0744

marc@highdenomination.com

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Gem Crisp Uncirculated-65	An almost perfect Note. Better than average margins. No aging or fading.
Very Choice Crisp Uncirculated-64	A bright Note that's slightly below Gem quality. Margins and color are above average. A Note that may have slight centering problems.
Choice Crisp Uncirculated-63	A nice new Note but not quite Gem. Centering may be a little off. May show some aging or light counting smudges or wrinkles.
Crisp Uncirculated-60	No trace of circulation. Can have centering problems, pin holes, counting smudges, wrinkles, close margins, or a corner tip fold (not into design).
Almost Uncirculated-50	(Almost new) These will be much the same as a "new" Note except for a single fold or several corner folds.
Extra Fine-40	Circulated; may have some folds; still has some crispness.
Very Fine-20	Some circulation; may show several folds and will have lost some of its crispness and color.
Fine-12	Well-circulated with little crispness remaining; edges may be rough.
Very Good-8	Will be fairly well-soiled; may be significantly worn; might have roughness around the edges with only minute problems.

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