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# For Art's Sake

By David E. Adler
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The New York City art auctions in May and June put to rest the idea that gloom in financial markets was spreading into the art market—at least, not at the very upper end. The $86.3 million price for "Triptych" by the artist Francis Bacon made it the most expensive contemporary artwork ever sold at auction. The $33.6 million sale of Lucien Freud's "benefits supervisor sleeping" (Big Sue) set the world auction record for a living artist. The New York Times referred to the scene at the contemporary-art sales at auction house Phillips de Pury as a "partylike evening."

Where are wealth managers at this party? They may be aware of the tax or insurance implications of a collection. But with clients spending huge sums, advisors need to be ready to help find an advisor to assist clients with collecting.

**Art Market Metrics**

The conventional wisdom is that art collecting should not be viewed primarily as an investment. Robert C. Elliott, senior managing director at Bessemer Trust, says, "Bessemer counsels clients to treat art as a passion investment, rather than as an investment whose primary function is to produce an attractive return."

Despite these lofty sentiments, the art market is a real market, with real performance metrics. "In the past 10 years, art has significantly outperformed stocks, with the strongest performance in the postwar and contemporary categories," says Michael Moses, co-creator of the Mei Moses Art Indexes (artasanasset.com). But it's a volatile asset: Contemporary art, as tracked by the index, rose 30% per year from 1985 to 1990, only to lose 65% of its total value in the next five years.

Some investors may be intrigued by the idea of holding art for purely financial reasons-including the diversification it brings due to its low correlation with stocks and negative correlation with bonds. For them, there are now a handful of art funds to choose from. For example, Prajit K. Dutta, professor of economics at Columbia and partner in the Aicon Gallery (Arts India Contemporary) of New York, Palo Alto and London, runs a closed-end, five-year partnership devoted to Indian art with a minimum investment of $200,000. The rise of BRIC countries has had its parallel in the art market: Dutta's fund was up 50% last year.

Still, for a collector to buy individual works of art primarily for investment purposes remains tricky, since art is an illiquid asset at the mercy of trends in the art world. The complexity of this world makes specialized expertise very useful. Hence, the art advisor.

**Types of Art Advisors**

Independent advisors have become a new power in the art world, helping to shape and guide the tastes (and buying tactics) of collectors. Typically, they are compensated by galleries and art dealers and receive a cut of the price of purchases. For long-term engagements, advisors may charge clients a retainer.

Finding value in this area requires research. Anyone can hang out a shingle as an art advisor: There are no fixed credentials or licenses and no central database. Richard Polsky, an author and independent dealer, adds that having an art advisor is no substitute for self- education at art fairs, galleries and museums. But even people who don't like art advisors admit that they're powerful. The new hedge fund collectors rely on art advisors, as do Hollywood royals.

Choosing the right advisor depends on many factors, such as the client's taste, asset level and ambitions. Auction houses, gallerists and private dealers all offer advice to their best clients at no charge as well. With many types of advisors to choose from, here is what some leading ones have to say.

***The Independent:*** Elizabeth Fiore of Fiore Art Advisory in New York, offers clients advice encompassing education, research, due diligence, access to works and pricing. She saved one client $100,000 through research on the past sale history of a purchase. Her advice on selecting an advisor: "Check his or her track record in the field, including education, years in the business, knowledge of product and access to works." She recommends calling some of the advisor's clients too.

Fiore also points out that "a good advisor will know how to pinpoint the collector's taste, even if the collector does not know what he or she is looking for." One of her clients moved from prints to contemporary photography, and then to sculpture. Fiore moved right along with him: "We are exploring space on a different level now," she says.

***The Gallerist:*** "I don't consider myself a traditional advisor. But we do advise clients on a regular basis," says Marc Jancou, owner of an eponymous contemporary art gallery in New York. Jancou suggests that before seeking an advisor, collectors should set goals for themselves. For a newcomer, he says, "Delay purchases. It is a forest of signs out there and if you are naïve or unprepared, you are bound to make mistakes. First, filter and develop your taste through books." The first thing a collector should amass, then, is a library.

***The Auction-house Expert:*** Robert Manley, head of postwar and contemporary art at Christie's, boasts, "We have the deepest knowledge of the art market of anyone." Manley doesn't charge for advice and emphasizes his devotion to client education-explaining to collectors the significance of a particular work is a big part of his job. Assessing market value is important too. "We advise on what we think a work is worth now, and also what will hold value," Manley says. Christie's will evaluate works of art valued at or above $1,000.

***The Museum Curator:*** One option not well known outside the upper rung of collectors is to consult a museum curator for advice. The upside: The collector gets expert advice, free of charge. The downside: There is an implicit promise that the collector will eventually donate to the museum. George Goldner, chair of the department of drawing and prints at the Metropolitan Museum in New York, actively advises four collectors. Do they feel pressured to donate? "They already happen to support and like the Met," he says.

**Institutional Art Advice**

Some private banks offer full-blown in-house art advisory departments. Citi's Private Bank was the first to do so and remains a leader in the field; UBS also has an art advisory department. Citi's group is staffed by trained art historians. Clients pay a retainer and typically have at least $50 million under management. Extending loans that use art as collateral is one of the services. "The operating premise of this group is not to make money, nor is there a direct connection to managing the rest of the client's portfolio," says Suzanne Gyorgi, vice president and business manager for Citi Art Advisory. "The motivation is helping clients who want to collect."

Other private banks, such as Bank of NY Mellon, also help clients with art advice, but on an as-needed basis. Overall, offering integrated art advice—aside from evaluating pieces for estate-planning purposes—remains decades behind philanthropic services in the wealth management world. Perhaps client demand will change this picture.

Artist Alexander Melamid, formerly part of the conceptual-art duo Komar and Melamid, has his own advice for wealth managers and private clients. "Don't be ashamed about talking money in the art market," he says. "We live in a capitalist society even if many in the art world pretend otherwise." His ideas about money and art draw upon a recent behavioral economics finding that expensive placebo pills are more effective than cheap ones. "High prices are there, so you can say a $10 million painting is better than a $3 million painting. In our society the only way to judge art is by the money it costs. Art is really just the ultimate placebo."