

FINANCIAL SERVICES

Affluents' collecting driven more by passion than profit: UBS

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Gold and other precious metals are the top choice of wealthy collectors. Image credit: World Gold Council

By SARAH JONES

Despite the significant time and money wealthy individuals put into collecting art or automobiles, a new report from UBS finds that wealthy individuals typically do not prioritize the value of these assets.

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For the quarter of well-off consumers who consider themselves collectors, passion tops the list of reasons why they choose to build collections, with profit a consideration for only 13 percent. While the average collector estimates their collection to be worth about one-tenth of their total assets, about half of these individuals have not had their collections appraised.

"Collectors should only invest in things they are passionate about," said Michael Crook, managing director and head, UHNW and institutional strategy, in the U.S. chief investment office at UBS, New York. "What collectibles can give us is different than investment value. In some ways, it is worth more.

"Collectibles offer pleasure, passion, the thrill of a new perspective and ultimately the chance to leave a legacy that goes beyond money," he said.

Passion projects

Most collectors have spent upwards of two decades amassing pieces that they are passionate about, with precious metals, fine art, jewelry and stamps the most popular hobbies.

Wealthier investors with more than \$5 million in investible assets are more apt than those with assets between \$1-5 million to spend more money on their collection than retirement. They are also more likely to have increased their spending on their collection over time, and they are more apt to feel that the value of their collection has risen faster than traditional investments.

These wealthier individuals are more likely to collect fine art, and are also more apt to gift their collection to a charity or museum.



Jean-Michel Basquiat's Untitled was put in a museum after it sold for \$110.5 million. Image credit: Sotheby's

Along with passion, 42 percent of collectors are motivated by a desire to be surrounded by beautiful things. This emotional pull has led to some regrets, with 47 percent admitting to overpaying for a piece.

Almost two-thirds of wealthy collectors have never sold anything from their collection, not wanting to part with pieces they feel an attachment to. If in need of funds, four out of five collectors would choose to divest part of their traditional portfolio rather than selling something from their collection.

This desire to hold onto a collection also plays into estate planning, with 81 percent planning to leave their collection to heirs. While two-thirds of collectors say that it is easy to be taken advantage of when selling or buying collectibles, 57 percent have not educated their heirs on how to manage this tangible inheritance.



Automobiles are one category that heirs are likely to hold onto. Image credit: Bonhams

Heirs have mixed feelings about receiving collections, with only 35 percent saying they were interested in the collection they inherited. The portion of heirs that had no interest in the collection was divided between selling and holding onto items out of obligation.

"We have seen from the findings, 81 percent of investors prefer to pass on their valuables to their heirs rather than sell them, but 65 percent of heirs have no interest in keeping or intend to sell the collection," Mr. Crook said. "The data also shows that most investors have not properly prepared their heirs to manage, appraise or sell their

collection.

"This lack of education leaves many investors fearful that their heirs will be taken advantage of and unable to realize the full monetary value should they sell collectibles," he said. "Speaking to your financial advisor about the best ways to protect the collection and pass on the legacy is vital."

Adding up assets

With collectors following their passions, two-thirds have not consulted a financial advisor about their collections. Around half have also never had their collection appraised or insured it.

Auction house Bonhams built a recent campaign around the realization that many consumers are unaware of the market value of their vintage jewelry.

Research has found that in the last 10 years, period and designer jewelry has outperformed the housing market. The United Kingdom's Office of National Statistics have found that interest in rare, sought-after vintage jewelry pieces has soared by more than 80 percent while the average price of homes in England has risen in value by just 47 percent in the same time period ([see story](#)).

Even though collectors tend to be motivated more by their interests than investment opportunities, some categories perform better than others.

While wine held the top spot for wealth investment last quarter, jewelry took a surprising leap, surpassing classic cars as a more valuable method for the wealthy to store their assets, according to new research from Knight Frank.

Knight Frank's quarterly Luxury Investment Index looks at which categories hold the most value and sway for investment by the wealthy. This quarter saw wine take the top spot as it shot up by 25 percent, followed closely by fine art ([see story](#)).

"Financial advisors can ensure that they speak to clients and advise them to have their collections appraised and insured," Mr. Crook said. "Most investors don't know their collection's value over half of investors have never had their collections appraised and 44 percent have not insured their collections.

"Investors assign a substantial amount of sentimental value to their collections but do not always realize their financial value," he said. "There is an opportunity for investors to manage collections more effectively by assessing their true worth and ensuring they are protected."