

More Investment Help

Unlocking The Value Of Art Assets

By KIPTON CRONKITE

FINE ART IS MANY THINGS: a mirror to our world, as well as to our hopes and fears. Artworks and collections often represent personal treasures or family keepsakes to be passed from one generation to the next *ad infinitum*. Art, however, has taken on another characteristic in recent decades. Increasingly, it is seen as an investment or source of wealth. In effect, it has become canvas equity.

The monetary value of art should not and must not be overlooked, regardless of the reason for collecting. Unfortunately, this is no simple task in the face of the dramatic appreciation of artwork during the past 10 years. In his November 2005 Collector Savvy column, Howard Rehs notes the growing number of resources available to collectors, from gallery owners to dealers and independent advisors. Each can help select, manage, and preserve collections. Ultimately, reputable professionals are an invaluable boon to the experienced or novice collector. They are especially valuable to those totally unfamiliar with artwork, who may have inherited a sizeable collection without knowing how to manage it.

There is also another less-known resource: A growing number of private banks, such as Citigroup, have become involved in helping their clients manage collections through various art advisory service departments.



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These financial institutions, usually working through their private banking units, have assembled teams of experts to assist in building collections and more specialized services, involving insuring and caring for artwork. In addition, the professionals may even have past experience working in auction houses, museums, and private galleries.

Financial institutions offer advantages to collectors that go well beyond advising on acquisitions and securing insurance. Some financial institutions, in fact, are uniquely positioned to create bridges between the artistic and monetary value of collections. They do this by allowing collectors to use their artwork as collateral for lines of credit that can then be reinvested in additional artwork, or to diversify their portfolios without selling a treasured piece of art.

This is important for several reasons. Monetizing artwork this way pro-

ducts collectors from paying taxes and other fees they would encounter if they sold their artwork outright. In consideration of other assets, loans may allow those inheriting substantial collections to liquefy part of their artwork while retaining these long-held treasures in their families. Collectors gain an added benefit when working with a private banking arm by being able to rely on the institution's advice and resources for reinvesting the capital released from the collection to maximum benefit.

There are, of course, many ways to build and preserve art collections. Any reputable source can be of value to collectors. Financial institutions, however, offer their own set of special advantages that collectors cannot and should not overlook, especially in a market where canvas equity is more important and prominent than ever. ■

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