

# Collecting For Passion or Investment

## Building a Long Term Collecting Strategy

by Laurence C. Zale

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### Key Takeaways

- This article will assist new and experienced collectors alike in building and managing a collection with confidence.
- It explains what to look for in an object, how to document objects, how to care for a collection, and how to initiate an estate planning program for a collection.
- These tasks are a prerequisite to devising a successful long term collecting strategy.
- A good collector must understand the uncertain outcome of his or her collection.
- He or she is on a voyage of discovery, often encountering the less attractive attributes of collecting (envy, frustration and despair) while also experiencing the desirable ones (joy, triumph and rarefied bliss).

*“The urge to collect has revealed itself throughout history as a fundamentally human phenomenon,”*  
-- Douglas Cooper, editor of *Great Private Collections*, Weidenfeld and Nicolson, London, 1963.

### For Love, or Money or Both

Why do people collect? Many have asked themselves, and there is no easy answer. Twentieth century British art historian, author and broadcaster Kenneth Clark—the grand art historical explainer—thought it was analogous to asking why people fall in love: they are various and irrational. Yet collectors and inheritors (their overlooked counterparts) are driven by motives ranging from curiosity and passion to financial gain and tax relief. While many feel an emotional involvement with their collections some view them as disposable assets akin to stocks, bonds, and real estate.

Historically, collectors have pursued objects such as fine art, jewelry and gems, collectibles, antiques and other personal property with a dedication and discernment rivaling that of an artist in the throes of creation. Others have collected objects as a commodity to be arbitrated and flipped by committing capital to investment vehicles such as art funds or private equity funds. Their fund managers are expected to forecast that their portfolio of illiquid assets will have a greater value tomorrow than it does today. One economist referred to this business model as a “floating crap game.” Caveat Investor.

Nevertheless, collectors establish their authenticity by possessing objects of desire. Similarly, artists attain their originality by the act of creation. Both choices are intimate expressions of the self. Thus, the sum of the objects—collected or created—exceeds the sum of the parts.

### The Collection

This article will assist new and experienced collectors alike in building and managing a collection with confidence. It explains what to look for in an object, how to document objects, how to care for a collection, and how to initiate an estate planning program for a collection. These tasks are a prerequisite to devising a successful long term collecting strategy. Additionally, a good collector must understand the uncertain outcome of his or her collection just as an artist acknowledges the unknown result of his or her creation.

The collector is on a voyage of discovery, often encountering the less attractive attributes of collecting (envy, frustration and despair) while also experiencing the desirable ones (joy, triumph and rarefied bliss).

### **What to Look for in an Object**

How can the difference between two seemingly identical objects be determined by a collector who is examining them? Collectors can make an informed decision about an object's value— and its aesthetic merit—by using the following criteria: authenticity, provenance, quality, condition and rarity.

**Authenticity.** Is the object genuine? Was it created by the hands of the artist?

**Provenance.** A record of ownership of the object. A complete provenance will track an object from its creation to the present.

**Quality.** An elusive criterion which brings in subjective opinion (often from experts) which helps determine an object's value.

**Condition.** The condition of an object—even one of otherwise fine quality—will reveal its ultimate value. This is especially true for collectibles.

**Rarity.** A rare object is usually valuable, but if that object lies outside a collecting area it may affect the amount.

Other criteria to consider in an object include: culture, subject matter, historical importance, size, and medium.

### **Documenting Objects**

After acquiring objects collectors must take care of them. They will need to catalogue objects, display some of them and store others. Furthermore, they should make arrangements for appropriate insurance and create a flexible tax, trust & estate plan.

A checklist of information to be researched and tracked when cataloguing objects in a collection includes:

- Artist/Maker and Dates
- Object Type
- Title of Work
- Description of Object
- Date of Work
- Materials
- Dimensions
- Signature
- Condition
- Cost and Date

### **Caring For and Protecting a Collection**

The care of a collection includes the following:

- Handle all objects with utmost care
- Avoid placing objects in direct sunlight or strong artificial light
- Store objects in areas that do not attract water or moisture
- Have insurance to protect the value of objects and to provide for their conservation
- Have home security
- Have environmentally controlled storage

## **Estate Planning for a Collection**

Collections of fine art, jewelry and gems, collectibles and other personal property are unique among assets. Their unlimited variety, the way they are collected, and the vital role they often play in the lives of collectors will be enhanced by the combined expertise of an independent visual arts advisor, a financial advisor and legal counsel. Together, this triangular constituency can advise collectors large and small on how to use their collections for personal or philanthropic purposes during their lifetime and as part of their estate.

## **Case Studies**

To assist those who are navigating the “exploration of self” known as collecting, I have selected three case studies with selected images from each. These stories are signposts for collectors, whose collections are never complete. Collectors are in a constant state of flux—whether they are buying, managing, selling or donating an object or a collection. Still, they are subject always to the life forces of dollars, division, divorce and death.

### **Case Study #1: An Art Collector**

**Abstract:** From an early age, the collector loved to draw. As he matured, he was encouraged by local artists to visit a famous art club and attend its auctions. There, these artists donated their works for sale to increase the club’s endowment.

**Challenge:** Since the collector was neither an art historian, a curator nor a dealer, he had to educate himself—by trial and error—as to how auctions operate. When he gained confidence he bought paintings and watercolors by the local artists, though they were generally under-appreciated by critics, curators and collectors.

**Approach:** By concentrating, for over 40 years, mostly on paintings from the Hudson River School and the American Impressionists (19th and early 20th century), the collector built a first-rate collection of approximately 400 paintings, which continues to grow.

### **Case Study #2: A Gem & Mineral Collector**

**Abstract:** The collector bought gems from the Internet and TV, often acquiring dozens at a time. After paying five figures each for three specific stones he began to question his method since he had no formal training in gems and gemology.

**Challenge:** The collector had to determine what he wanted, make sure these stones were authentic, and still pursue his love of loose stones not made into jewelry.

**Approach:** The collector turned to a firm specializing in gems and minerals for advice. It was good decision. The firm determined that one of the stones he had purchased was beryllium-treated to enhance its color. Another stone was overpriced, which he sought to return. Most importantly, they offered him expert advice on which gems he should purchase within his budget.

**Value Created:** The collection currently has many quality individual stones and is worth seven figures. Many of the stones are on display at various institutions throughout the nation.

### **Case Study #3: A Coin Collector**

**Abstract:** The collector was a working “everyman,” an ordinary man by his own admission. He was however, intrigued by history and far-away places, and amassed one of the most famous and valuable numismatic collections in America.

**Challenge:** He was a middle manager at a large corporation who had limited disposable income to purchase coins, but was blessed with a “wonderful memory.”

**Approach:** By thinking like a collector first, he bought only coins in extraordinary condition that were rare, and relied on his memory to compensate for his lack of formal training and experience.

**Value Created:** A man of modest means, with a sizeable memory and the discipline to collect only coins of the highest quality and rarity created one of the great private collections. After his death in the 1990's, the collection was sold for over \$30 million.

## Conclusion

Collecting is meaningful because it rejects closure and continuously opens itself to the world in which we live: our culture, its unpredictability and its increasing complexity. A phenomenon Kenneth Clark described as "that complex human relationship which gives the private collection its life."

## About the author

Art collector [Laurence C. Zale](#) is president of [Laurence C. Zale Associates](#), an independent New York visual arts advisory firm for collectors, public charitable organizations, private foundations and corporations, and has successfully managed the business affairs of all three cultures for over 20 years. His company's services include strategic planning that results in the acquisition, ownership or disposition of artworks and other tangible personal property. He is a trustee and chairman of the real estate committee at the Brookdale University Hospital and Medical Center, Brooklyn, New York. Laurence is a member of the American Association of Museums & the Association of Healthcare Philanthropy. He is a frequent speaker and writer on the use of visual arts for personal or philanthropic purposes and has taught at the Sotheby's Art Business program in New York. He was educated at Washington University in St. Louis; New York University; and the Courtauld Institute of Art, University of London, London, England. This paper is ©2016 Laurence C. Zale; All Rights Reserved.