You have seen newspaper headlines about someone who bought a painting or piece of furniture for $100, only to discover they have actually purchased a masterpiece or rare antique. Examples abound. Sir Kenneth Clark, the noted art critic and TV personality, made a fortune in the art market, turning an investment of a few thousand dollars into millions of dollars in less than 50 years. Collectors conduct tours of their homes, pointing out paintings, sculptures, antiques and even duck decoys that are now worth two, four or 20 times their purchase price.

Such tales of success often encourage emulation. Realistically, for most of us, how promising is investing in art and antiques?

Investment vs. Speculation

To answer that question, consider the terms “investing” and “speculating.” The difference in the two activities involves time and degree of risk. In speculating, potential risks and rewards are high and the time span is short. The prerequisites are in-depth knowledge of the investment, quick mental reflexes, considerable cash on hand, nerves of steel, and the ability to sleep at night when everything could collapse in the morning.

In contrast, investing takes place over a longer time span at a more moderate level of risk. Because art and antique prices are extremely vulnerable to fluctuations in public tastes (in addition to other factors associated with most investments), they are considered high-risk, speculative investments.

Most authorities agree that you should buy art and antiques primarily because you like them, you feel comfortable living with them, and because they may return a profit.

Avoid putting more than 10 to 15 percent of the value of your investment portfolio into art and antiques.
regular maintenance, adequate insurance and security, and frequent appraisals. Transportation, marketing and selling also may be costly and time consuming.

Basic Rules for Investing

Before buying art and antiques for investment purposes, keep the following basic rules in mind:

- Limit the field of your investment collection. Risk is reduced by information. It is not so important what you collect but that you like it and want to learn about it. Read everything you can about your specific area of interest. Consult museums, design centers, universities, other collectors or dealers in your specialty, trade journals, magazines, books and related associations.
- Find a reputable dealer who has been in the business for many years – long enough to know about quality, market trends and pricing practices in the field in which you want to collect/invest.
- Buy top quality. Top-quality items are expensive; however, they tend to appreciate even in poorer market times. Medium-quality items often do little more than keep pace with inflation. Limit yourself to a field in which top quality is within your budget.
- Obtain a written appraisal or certificate from a leading appraiser or certifier in your field attesting to the quality and authenticity of the item.
- Maintain the item properly with appropriate environmental conditions and regular maintenance. If repairs are required, they should be made only by well-trained experts.
- Insure the item adequately. Most homeowner policies allow for fire and theft but not natural disasters, such as floods or accidents. Have your works included on a scheduled form of all risks for coverage in the event of theft, fire or breakage.
- Make a detailed plan for disposal. Your attorney or estate manager may not be sensitive to the value or importance of your investment collection.
- Avoid putting more than 10 to 15 percent of the value of your investment portfolio into art and antiques. Most authorities agree that exceeding this limit may subject your entire investment program to a high level of risk.

Quality

Top quality is the best investment. The following generalized guidelines should be helpful in identifying quality. Reputable dealers will have years of experience to offer, and most are willing educators. However, dealers and galleries generally operate at retail, often resulting in a 50 to 100 percent markup to the buyer.

Major auction houses may not offer educational resources for a special field and generally are not places for a beginning investor to buy. However, once you have developed a level of expertise, auction houses can be excellent sources of art and antiques. Two major advantages are the sheer volume and variety of items offered, and the lack of retail markups, resulting in lower prices.

To locate dealers, ask other collectors or officials of your local or regional art museum for names and addresses of those specializing in your area of interest. You can also search websites.

Some of the leading auction houses are listed below. Find out which ones hold special sales for your area of interest and get on their mailing lists or listservs for future sales. Most publish pre-sale exhibition catalogs describing the items to be sold.
Internet Buying

The interest in buying art and antiques through the Internet has increased dramatically in the past several years. The Internet is best used as a source of information for you to become an educated collector. While the Internet can be a good source for purchases in terms of the number of objects available, it does not permit the potential buyer to examine the object except through pictorial representation. In some instances the seller and potential buyer have the opportunity to communicate through e-mail; in other instances this is not an option. In general, Internet purchases for art and antiques are best limited to inexpensive purchases or those in which the buyer can return the object if he/she is not pleased with the object upon its receipt. Increasingly, eBay is becoming a major player in art and antiques through its purchase of the Butterfield & Butterfield auction gallery.

Sources of Information

In addition to other collectors, dealers, museums, universities, art centers and specific associations, many books and periodicals are helpful to the art and antiques investor. Check with your local public or university library to see if they subscribe to any of the following publications:

Antiques
- Antiques Magazine
- Antiques Quarterly
- Antiques World
- Art and Antiques
- Art + Auction

Art
- Art in America
- ARTnews
- The Complete Guide to Collecting Art, by Lee Rosenbaum (Knopf)

Summary

Art and antiques can be useful and beautiful investments. If you decide they should be part of your investment plan, narrow and know your field. Know the market for the field you have chosen. Decide how much speculation your total investment program can withstand. Recognize the long-term nature of the art or antique investment. Estimate the costs associated with ownership. Provide for your general liquidity needs as a prerequisite to deciding what funds are available for investment.