

Investment Art: A New Perspective For Investors



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Besides traditional investments, such as real estate or the stock exchange, whose yield does not always conform to the investors expectations, one can now turn towards another more original kind of investment -- Art.

Indeed, the pleasure and prestige of owning an artwork created by one of the greatest masters in the history of Modern Art are enhanced by the knowledge that it is also an exceptional investment.

Todd Brewster, a staff writer for LIFE magazine who covers the art scene regularly, points out in an article entitled "The Big Money in High Art," that there are over 1,000 major corporations in this country who understand and use the principle of "dual benefit" -- the pleasure/investment aspect of collecting art.

These corporations have invested heavily in works of art with a total worth estimated at two

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billion dollars. Of course, this figure increases daily. Some of these eminent investors include The Equitable Life Assurance Company, The Prudential Company, Chase Manhattan Bank, and PepsiCo. To these sophisticated and knowledgeable institutions, the message is very clear: Art makes money.

In Europe, several large financial institutions, notably one of the world's most respected, the esteemed Rothschild Bank, offer their clients investments in "partnerships" evolving around masterpieces kept in the bank's vaults. To represent the investment, subscribers receive a certificate similar to a joint company stock.

It seems interesting to me, in this first article, to summarize rapidly this other possibility offered to investors.

For the private investor and the corporate investor alike, the worth of an artist follows the same rule as the worth of a stock or bond -- supply and demand.

However, there is one essential difference: the worth of the artist is based upon his making an **innovative** contribution to art that revolutionizes its history completely. In other words, the worth of an artist is also a result of the historical role he plays in art. And this criterion excludes those "illustrators" or "designers" who are merely fashionable during a certain era and forgotten later. Only the innovators or creators are important.

These are the key factors determining an artist's worth and which are reflected in rates of sale edited by international merchants.

The two artists seemingly favored by investors are, without any doubt, Francis Bacon and Max Ernst. Francis Bacon is considered one of the most important painters in the history of Art, and the greatest creator still alive. Likewise, Max Ernst, who is no longer living, is considered as the greatest Surrealist creator.

Their original canvas are worth hundreds of thousands -- some over a million -- dollars. Their work will continue to appreciate in value because of the historical role they play in Mod-

ern Art and the great appeal they have for their increasing number of collectors.

Of course, not everyone can afford to buy an original canvas by Francis Bacon or Max Ernst. But now it is possible and very profitable for investors to purchase **etchings and lithographs** by these artists because the appreciating value of their worth is linked directly to the appreciating value of the original canvas.

The profit that can be produced generally on the prints of Francis Bacon or Max Ernst would be, under normal market conditions, superior to those produced on more traditional investments in real estate or the stock exchange.

A very precise example can be given with the sought-after prints of Max Ernst. The price of one of his prints appreciated 62 percent in just one year, from 1984 to 1985, according to Catalogue Berggruen 1984 and Catalogue Maeght Lelong 1985.

The reasons why the public invests in art rather than other forms of investments are the following:

- The pleasure and prestige of owning a piece of art created by one of the great masters in the history of Modern Art.

- The exceptional profit history of this delightful possession.

- The profit on resale, which benefits from a limited taxation rate of 20 percent or less if the work is held for six months or more.

- Under certain conditions, the owner of an artwork can donate it to charity and deduct from his income the estimated value at the time it is donated, not the price actually paid for it.

- Artwork can be an advantageous investment for estate planning purposes.

- Maintenance and management are much simpler and less costly, and the risk factor is lower than in real estate or stocks and bonds.

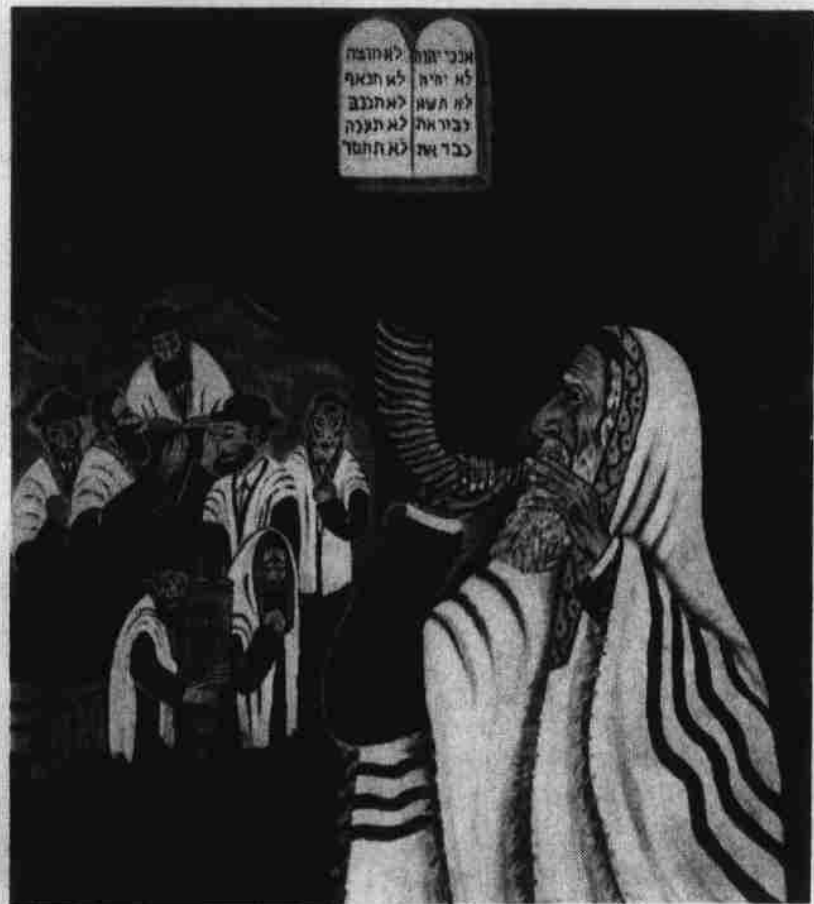
In summary, I would like to remind our readers that Art, besides being an exceptional investment, permits us, above all, to develop our individual inner awareness, and is a way for each of us to find a sense of harmony and accomplishment.

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