



## 3 Luxe Trends Tapped to Spur, Safeguard Wealth

Written by Merilee Kern, MBA

### *Key Luxury Assets Emerging as Safe Haven Against Ominous Economic Outlook*

With the 10-year U.S. Treasury yield at a historically low rate of 0.84%, coupled with the non-partisan Congressional Budget Office projecting a significantly deteriorated, investors are clamoring for a safe haven. This includes medium to long-term alternative investments that not only provide safety, but also market-like returns in a reflationary environment.

“Competing with the elephants on Wall Street for traditional investments or private equity deals, where returns can struggle to outpace management fees and inflation, does not appear fruitful over the next decade,” underscores Thomas Neptune, General Counsel at S.L. Contursi, Inc.

“Now facing an environment with very few reliable options at their disposal, many high net worth investors, and their financial advisors, are increasingly thinking ‘outside the box’ as they look to put their capital to work. Many are turning to proven non-correlated collectibles markets that have survived and thrived for centuries.”

Anyone who has attended an alternative investment conference in recent history has likely sat through a panel on “Art as an Asset Class.” For many

centuries, ultra high end “blue chip” fine art pieces have been a store of value within the market, which has a long track record of price appreciation. However, after years of successfully institutionalizing this particular global sector and witnessing staggering price increases therein, trouble is brewing as demand from major art markets like London and Hong Kong falters due to geopolitics, trade wars and the global COVID-19 pandemic.

#### **Art is becoming a nonstarter**

While fine art does not paint a particularly pretty picture for investors, several other collectibles markets with significantly lower entry prices are emerging as asset classes worthy of serious consideration—not only for investment but also offering many other non-financial benefits. Namely, the fine wine, rare coin and classic car markets. Recognizing the largely untapped and tremendous upside potential of these niche, private sectors where Wall Street currently does not compete, private investors are forming relationships with renowned experts in these fields to mitigate (or even circumvent) any kind of specialized learning curve and begin immediately reaping the rewards.

## Centuries in the making

Fine wine, rare coins and classic cars are collectibles markets that have been in existence for decades or even centuries, which begs the question as to why they are each gaining alternative investment traction right now.

“Collectibles such as fine wine, rare coins and classic cars are highly insulated from the seemingly insurmountable headwinds that investors face today,” clarifies Neptune. “This includes, but certainly isn’t limited to, a second wave of COVID-19, limited tools remaining for monetary policy intervention, wavering fiscal policy support due to political gridlock, weakening economic data and forecasted traditional portfolio returns at 100-year lows over the next decade —just to name a few! These three collectibles markets are unique in that they generally have a low supply of ‘trophy items’ that wealthy, passionate collectors compete to locate and purchase for their exquisite collections.”

Working with experts in each vertical space to accelerate acquisitions and yields, layman and generalist non-collectors are now positioning themselves for long-term investment performance that was previously only accessible to industry insiders and sophisticated collectors with a deep knowledge base. By tapping specialized industry authorities who are easier than ever to identify and engage, each of these playing fields have been blown wide open and a proverbial gold rush is underway in sectors that are holding strong.



In fact, according to Knight Frank’s “The Wealth Report,” over the last 10 years these particular asset classes have demonstrated impressive value increases, with 120% for fine wine, 175% for rare coins, and 194% for classic cars. Best of all, these markets are just hitting their stride given the relatively grim economic outlook for the decade ahead. On the flip side of the coin, one should bear in mind that due to

finite supply observed at the rare, high end of each market, even relatively small increases in global demand could send prices skyrocketing. So, it seems “sooner rather than later” is the perfect time to test these vehicles before any further seismic price shifts occur, and under the guidance of trusted experts while they still have capacity.

## Fine Wine: How to avoid the “buy retail – sell wholesale” dilemma

It is no surprise that the global elite are willing to spend top dollar on the finest wines from world-class producers in places such as Burgundy, Bordeaux, and Napa Valley. In 2018 for example, a single bottle of 1945 Domaine de la Romanée-Conti with pristine provenance sold at auction for a world record \$558,000. While most of their peers are paying retail prices to consume or collect these trophies, savvy investors are working with trusted industry experts to purchase investment grade wines below their market value.

“Throughout the pandemic our clients have reallocated wealth to fine wine as a diversified investment, which is a relatively liquid tangible asset,” according to Paul Hammond, Co-Founder of IG Wines. “From there it’s simple—we strive to buy opportunistically, we store the wine portfolio in bonded warehouses in a tax efficient structure, and ultimately we make recommendations on optimal exits. Although production is generally high upon release for, say, a first growth Bordeaux wine,



much of the elite wine is consumed over time, thus reducing the supply while maintaining a consistently strong global demand for the best vintages.”

The Liv-Ex 100, which has tracked the most sought-after wines in the secondary market since 2002, has increased 213% in value as of November 2020, with 6.63% annualized growth and low volatility. Based on this steady track record, it might be worth considering this asset class for more than just one’s personal indulgence.



## United States Rare Coins—Wealth protection with one of the most private and portable assets in the world

Many wealthy investors who identify as “non-collectors” are also now considering United States rare coins due to these historical assets having a 125-plus year track record of wealth preservation and performance in all market cycles. This holds especially true in times of uncertainty such as past world wars, the Great Depression, the financial crisis of 2007-2009 and even the current global coronavirus pandemic.

“For the last decade we have been sharing our rare coin investing expertise with high net worth individuals who know absolutely nothing about this market—those focused on wealth preservation, equity market-like returns, private and portable transactions and inflation hedges,” said Michael Contursi, Partner at the family owned and operated Contursi Rare Coin Investments. “Many investors see this market as a ‘diamond in the rough’ that is on the verge of rapid growth as more global investors become aware of this dynamic asset class.”

For example, this proof example of the \$4 Stella produced only from 1879 to 1880—from the book titled “100 Greatest U.S. Coins” authored by Jeff Garrett—has shown steady price appreciation over the last 60 years, where often times these assets remain in a family’s estate and are passed down to heirs for multiple generations.

### 1880 \$4 Gold Stella, Coiled Hair

- 1960: \$15,000
- 1980: \$100,000
- 2003: \$350,000
- 2019: \$1,250,000

For their part, Contursi’s family and company, alike, created wealth in this antiquary rare

coin market due to patriarch and founder Steven Contursi’s sophisticated investment philosophy over the last 45 years, rendering the group comfortable and adept at owning and holding these high-value historical assets. In fact, the Contursi’s have broken many world record sales, including the 1794 Flowing Hair Silver Dollar that sold for \$7.85 million, and today their company maintains the largest active rare coin inventory in the world. Even so, there is still much available in this burgeoning and storied market akin to modern-day treasure hunting.

“Really it all comes down to trust, verifiable information and our family’s direct relationship with clients—we put our money where our mouth is by owning these assets ourselves,” Contursi added. “However, we also do not have enough capital to buy all the opportunity in the market—and that is why our business model includes sharing access to these assets not just with passionate collectors, but also wealth oriented investors who seek to diversify and safeguard their holdings. Through these engagements, investors can acquire and benefit from the same elite assets that sophisticated collectors and dealers seek, while avoiding costly mistakes since they’re working with our family in mutually aligned structures.”

### Finding a smooth investment ride with classic cars

The global elite have always had expensive taste when it comes to their cars. This lust for owning the best trophies—ones that others can only admire from a distance—has turned into a lucrative investment for many. In a UBS Investor Watch survey of high-net-worth investors, 25% of respondents identified as collectors, with 10% of their wealth stored in collectibles. Notably, 15%

of these collectors own classic cars, which are holding steady as long-term investments following the boom-and-bust periods of the ‘80s and ‘90s.

“Now more than ever it’s critical to work with experts who you trust to purchase the classic cars that have long-term investment potential, while avoiding mistakes when motivated by passion,” stated Paul Mershon, Founder and CEO of Silverhawk Private Wealth.

As part of the firm’s Tria Formula, Mershon indicates they seek opportunistic investments in the classic car and other collectibles markets on behalf of their high-net-worth clientele. “Our team includes market experts and renowned third parties who source each investment and ensure the assets are purchased at below fair market value, allowing for price appreciation over time,” he said.

## Streamlined market access via industry expert alignment

Too many traditional advisors simply do not know how to access or offer these elite niche assets—and so they do not. As such, investors are missing out on the potential to mitigate portfolio risk while enhancing their diversified holdings. As with any emerging or specialized market, whether other kinds of collectibles, tangible assets or otherwise, the key common thread is that advantages can be rapidly gained by working in partnership with these kinds of specialized field experts. Not only do they locate and purchase such investment-grade trophies, but they can also manage the portfolio and ultimately broker opportunistic sales for clients or their heirs. This saves precious time since it negates the need for investors to learn everything about these markets while allowing them to invest with greater confidence.

Indeed, for investors eyeing the ominous medium to long-term economic horizon, seeking expert guidance to explore these kinds of emerging markets—before they become established, saturated markets—can be a highly satisfying, passion-promoting investment play. Here, bragging rights do apply.

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### About Merilee Kern, MBA

*Forbes Business Council Member Merilee Kern, MBA is an internationally regarded brand analyst, strategist and futurist. As a prolific branding and marketplace trends pundit, Merilee reports on titans of industry: change makers, movers, shakers and innovators across all categories, both B2C and B2B. Merilee’s cross-media platform work reaches an audience in the multiple millions each month through an array of broadcast TV programs, print and online publications as well as terrestrial radio.*

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