



## Get to Know the Artist - What Warren Buffett Has to Do with Art

Ruth Polleit Riechert, MA, PhD, has been working in the world of art and the finance (Christie's, Deutsche Bank, McKinsey & Company, Tang Art Advisory, etc.) for a long time. She has recently founded her own art consulting business RPR ART (<http://www.rpr-art.com>) with a special focus on making the world of art and art investing accessible to newcomers. In August 2018 we met her and talked about the topic "art as an investment".

### **Many people see art as an investment. What do you think about that?**

Art has a number of specificities that are categorically different from the types of investments stocks, bonds, or real estate. My brother, Value Investor Matthias Riechert, always reminds me of a big difference: Art does not generate income return. That is why the value of art is very difficult to assess. "Estimated prices" are only a guideline in the art market at best. Nobody can predict precisely where the future price of a work of art will be and therefore I do not recommend art as a purely financial investment.

Investors should also note that there are some indices on the art market that try to capture the value of art. However, it is important to remember that these indices only reflect the sold – in other words: successful art - ("survivorship bias"), but not all the remaining works of art that were not sold. Thus, a stock index cannot be compared to an art index, even though it is often done.

### **Auction record kept reaching ever new heights last year. Many buyers also hope for an increase in the value of their art. How realistic is that?**

These results are no coincidence but usually thoroughly prepared: not only does everyone involved benefit financially, but the marketing effect is also huge. After such a transaction, previously unknown buyers suddenly become known worldwide. But this has nothing to do with the daily business on the art market.

Of course, anyone who owns a work of art can hope that its market price will increase in the future. Unfortunately, there is no guarantee that the future market price of the artwork will be higher than the purchase price. The value - and thus the market price - of a work of art is simply in the eye of the beholder. If you want to sell, it can take years to get the price you want. Therefore, hope for a higher market price is more of a speculation – a "Greater Foods Game" - than a calculated investment.

However, certain artworks certainly have an excellent chance of maintaining their market value, potentially serving as inflation

### **What type of art would that be?**

The classics, blue-chip art that is the art of the top ten most expensive artists worldwide. But you need a reasonable price- and market analysis to avoid buying at too high a price. Either you conduct the market- and price analysis yourself, or you can get advice from experts. Most of the time, people buy far too expensive. As return is generated during the purchase, you will hardly be able to catch up unless you find an auction house that wants to realise an auction record with you. Or you are such a well-known collector that the dealer or gallerist gives you a considerable discount.

Art by very young artists can also increase in value. I, for example, buy and sell art by young artists, which I have selected according to specific criteria, for or on behalf of my clients.

### **What approach do you recommend when buying art?**

Art can enrich your life and give you new perspectives. If you are interested in art in general, just delve into it: visit exhibitions or browse art online.

Determine your budget and think about whether you prefer classics or young artists. It makes sense to pick a topic for a small collection at an early stage. With your art selection, you could also start a collection for your children, godchildren, or grandchildren as a personal legacy and at the same time a reflection of the time they grew up in.

Against this background, the principles of value investing could apply for a strategic art purchase. I studied Warren Buffett's rules of investing and would recommend most of them for sensible art purchases.

### **Which rules from Warren Buffett's Value Investing strategy are you referring to?**

Even though Warren Buffett would not invest in art as a financial asset, as mentioned earlier, some of his value investing rules apply to art buying, such as Rule Number 1: Only buy what you understand and what you like. Second, buy best quality at a reasonable price. And: Do your homework and study the artist and his or her work carefully.

For the latter, I have developed a scoring card that helps you assess artists' qualities not only in terms of their works but also their personality. I always look at different qualities, personal as well as professional. You cannot look into the future, and the analysis that you would conduct when it comes to companies cannot be applied, as everything depends on one person - but it helps to get a profound idea about the artists' qualities and whether it makes sense to buy.

### **Why should I buy art from you?**

When it comes to classics, I work with the world's largest galleries, such as Gagosian. This allows me to give you access to blue chips. I also create price analyses that tell you whether the prices of the offered artworks are justified or not and can negotiate accordingly on your behalf.

The young artists I represent have been chosen according to specific criteria. Not only did they meet the terms of admission to the best art academies in Europe, but they also studied painting, photography, and sculpture under the best-known artists of our time, while already having developed their own unique visual style.

I give you access to these artists and their art. You can get to know them personally and experience them over time, participate in their development and expand your collection with new acquisitions.

And because I buy the art of the artists, I have chosen for our own and our children's collection myself.

Your art may increase in value - and if it does not, you still have purchased something that will make you happy every at a reasonable price.

**Thank you for the interview, Ruth!**