

UBS Investor Watch

Analyzing investor sentiment and behavior / 4Q 2017

For love ~~or~~ ^{not}
money ^

When it comes to collecting,
it's **passion** over profit



Passion.
Beauty.
Culture.

Wealthy investors have many reasons for building collections of art, antiques, automobiles and more. Profit is rarely one of them.

In this issue of *UBS Investor Watch*, we found that a quarter of wealthy investors are collectors. They spend significant time and money building their collections, driven by a deep passion for their subject.

Though motivated by passion, most collectors consider their collections to be valuable, estimating them at 10% of their net worth. Despite this, many collectors fail to treat their collections as a meaningful investment. For example, 51% of collectors have never sought an appraisal, and almost half have no insurance on their collection.

Overwhelmingly, collectors prefer to pass on their valuables to heirs rather than sell them. Yet few have educated their heirs on how to manage, appraise or sell the collection. Moreover, heirs are rarely enthusiastic about inheriting collectibles, though duty and guilt lead many to hold onto them.

Overall, just 35% of investors who inherited a collection had an interest in it. **Objects, it seems, are easier to transfer than passion.**

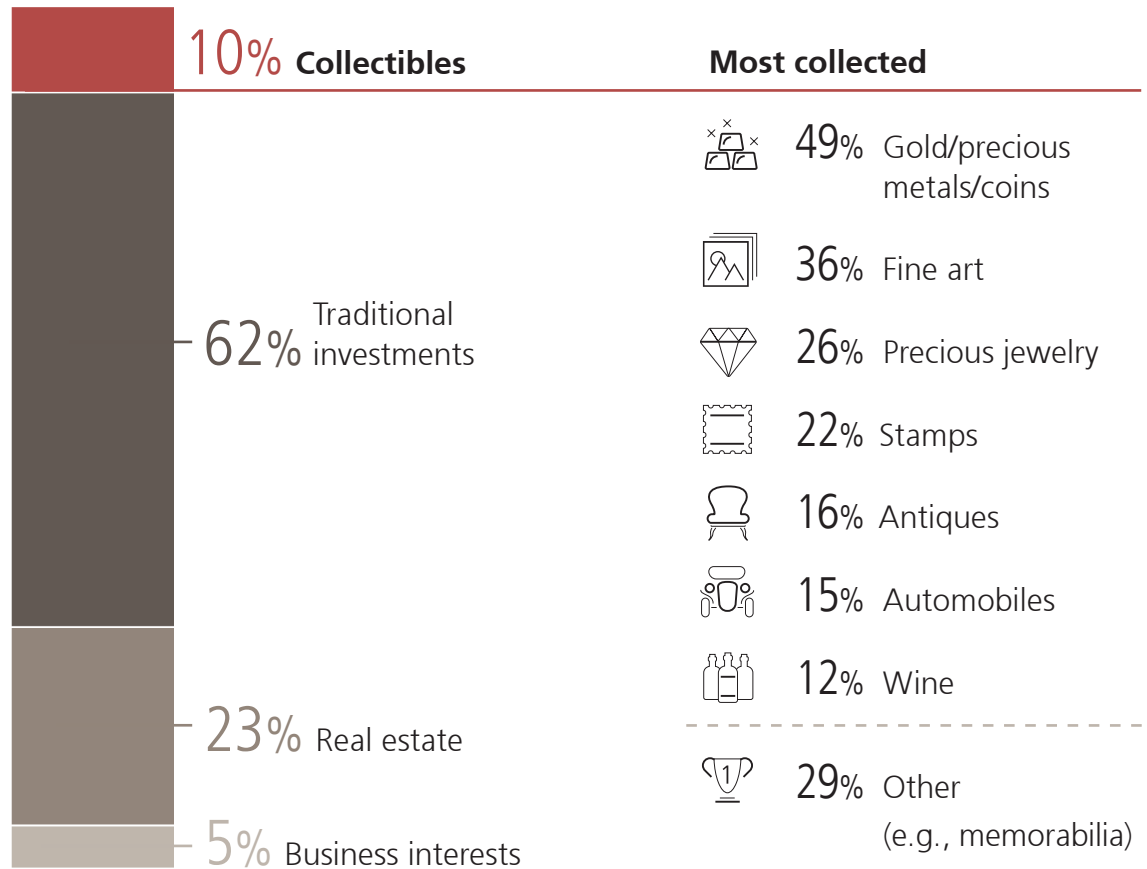
1

Many wealthy investors are committed to collecting...

Approximately 25% of wealthy investors consider themselves to be “collectors.” The majority has spent more than 20 years cultivating their hobby and consider their collections to be extensive.

Most collectors view their valuables as part of their total wealth. Collectors estimate their collections represent 10% of their total wealth on average.

Collectibles represent approximately 10% of collectors’ wealth



“I’ve been collecting for many years. I’ve literally written a book about each of my collections.”

– **Male, 68** (fine art, precious jewelry, precious metals, antiques)

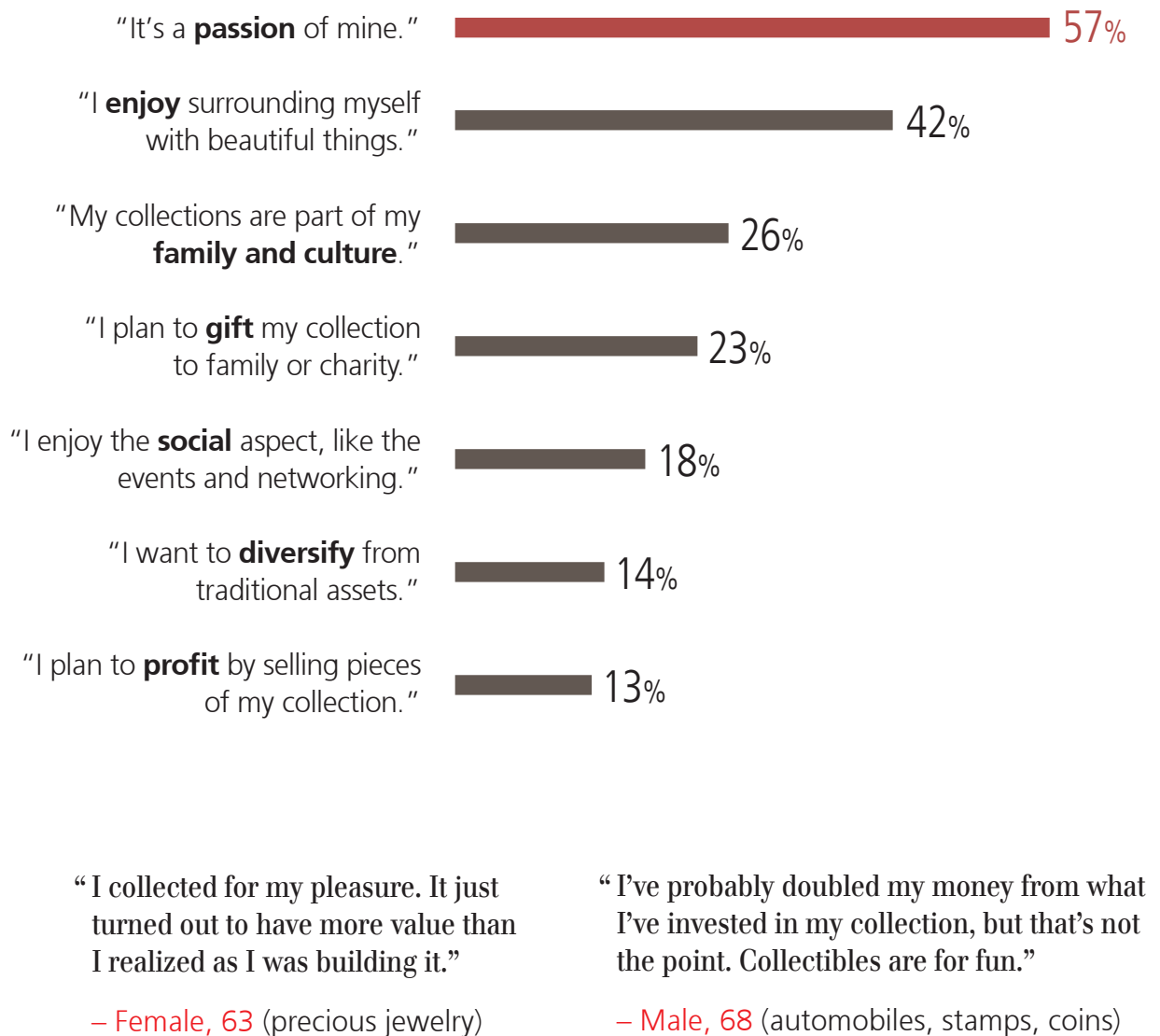
“I bought my first piece in college as a reward to myself. I spend hours every week polishing, cleaning and looking for new pieces.”

– **Female, 52** (precious jewelry, fine china)

...and they are driven by passion, not profit

Few collectors are motivated by profit. Instead, they are driven to collect by passion for their hobby. In fact, 62% of collectors have never sold an object in their collection, generally because they have such strong emotional ties to it.

Passion is the primary reason for collecting



2

Collectors willingly let their emotions dictate their decisions...

While pursuing their passion can be very fulfilling, many collectors believe they occasionally go overboard. Nearly half admit they have overpaid for specific objects, and many have bought or sold pieces they later regretted. If money is needed for an emergency, four out of five collectors would sell assets in their portfolio instead of parting with a piece from their collection.

Collectors would rather disrupt their portfolio than their collection



Four out of five would sell **traditional investments** in an emergency

One out of five would sell **collection pieces**

Passion may be clouding judgment

47% “I may have **overpaid** for one or more pieces in my collection.”

41% “I’ve **bought or sold** an object and later regretted it.”

28% “**My family has not always been supportive** of the time and energy I devote to my collection.”

“I could have spent more time focusing on things that would appreciate more, and less on passing fancies.”

– **Female, 53** (precious jewelry, gold)

“I feel I have overpaid for some of my art. I just move on because I enjoy them.”

– **Male, 48** (fine art, automobiles)

...and they are often unaware of their collection's true worth

Though collectors spend their lives building a collection, they often lose sight of its true value. Many can't estimate what their collection is worth—and half have never had their collections appraised.

Collectors generally rely on their own research when managing the financial aspects of their collection. Two in three have never discussed their collection with a financial advisor.

Many collectors don't know their collection's value



51%

have **never** had their collection appraised



39%

can't estimate the value of their collection



66%

have never discussed their collection with a Financial Advisor



44%

have not insured their collection

“I rely on my own expertise to determine what I should buy. I purchase what I like and not so much for an appreciation in value.”

– Male, 52 (coins)

“Recently we've started thinking about everything we've acquired over several decades and realized it definitely has value. But it's not something I think of as a source of income.”

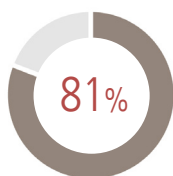
– Female, 66 (fine art)

3

Most collectors intend to leave their collections to heirs...

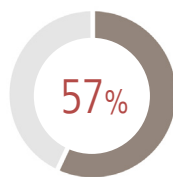
Eighty-one percent of collectors plan to leave their valuables to heirs, rather than sell them. Despite this, more than half of collectors have taken no steps to educate their heirs on how to manage, appraise or sell their collection. Yet, collectors say their biggest fear is that heirs won't get a fair price if they sell the collection. Two out of three say it's easy to get taken advantage of when buying or selling collectibles.

Collectors are not preparing heirs for ownership



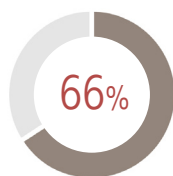
plan to **leave their collection** to their heirs when they pass away

But...



have **not taken steps to educate** their heirs on how to manage, appraise or sell their collection

Even though...



believe it is very easy to get **taken advantage of** when buying or selling collectibles

“I will pass my collections down. I have no intention of selling them. I have one son and he will get everything.”

– Female, 63 (precious jewelry, antiques, coins)

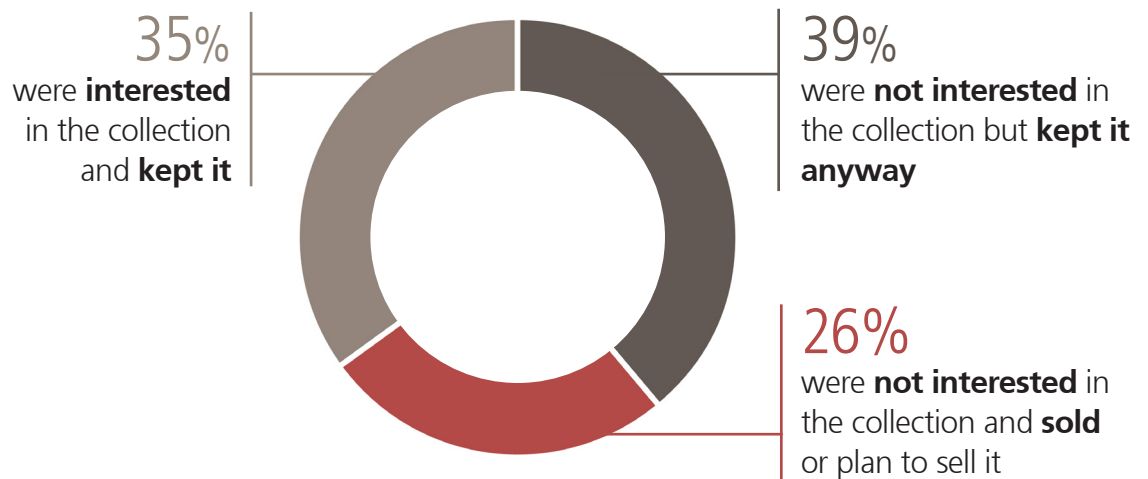
“I worry that my kids will sell my collections for far less than their true value. I'm OK with them selling if they get a reasonable value.”

– Male, 56 (coins)

...but heirs are reluctant to take ownership

Among investors who inherited a collection, nearly all felt honored to receive it. However, only one in three inheritors were interested in the collection and happily kept it. Another 39% had no interest in the collection, but obligation and guilt compelled them to keep it anyway. A quarter of inheritors sold or intend to sell the collection.

Most heirs are not interested in collections



What heirs are most likely to **keep**:



Fine art



Automobiles



Antiques



Wine

What heirs are most likely to **sell**:



Gold/precious metals/coins



Stamps

“Part of me wants to sell the collection, but another part feels I should keep it since it was important to my mother.”

– Female, 61 (precious jewelry)

“I wish my mother had sold her collection before she died. She could have sold it to individual collectors and maybe made more money. Instead I sold it at auction.”

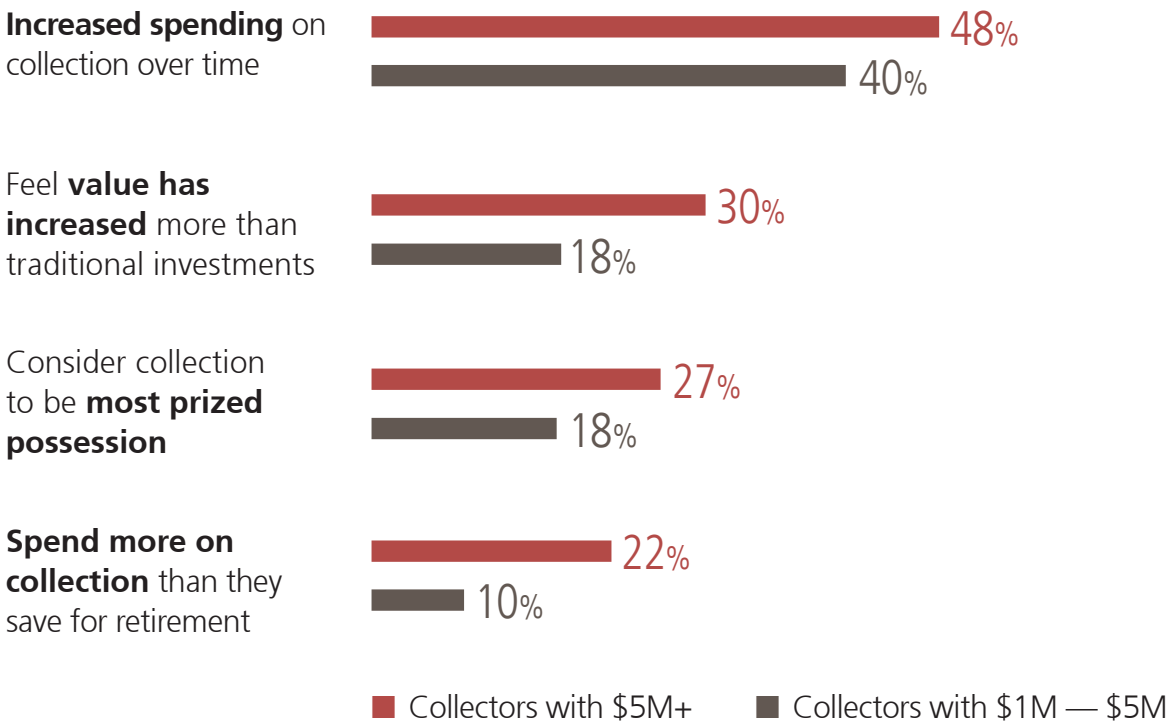
– Female, 58 (fine art)

Wealth spotlight

The collecting bug is even stronger among wealthier investors...

Wealthier investors (those with \$5 million or more in investable assets) spend more time and money pursuing their hobby and are more likely to have built a very extensive collection. Wealthier collectors also feel they are getting more in return—in terms of both monetary appreciation and sentimental value.

Wealthier investors are more serious collectors



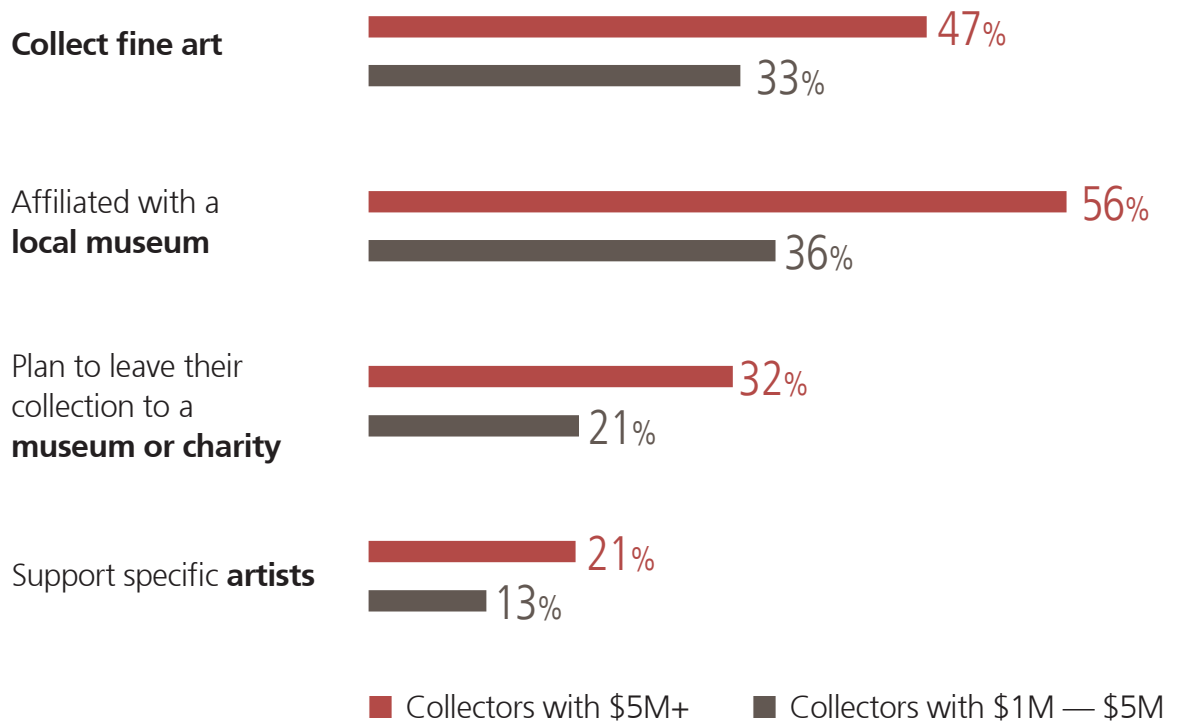
“It could be an investment. But for me, I just can’t think of parting with it. It’s more of a treasure.”

– Male, 37 (coins)

...who are more drawn to fine art

Wealthier collectors are particularly likely to focus on fine art and to support specific artists. Most are affiliated with a local museum, and one in three plans to leave their collection to a museum or charitable organization.

Wealthier collectors are more passionate about art



“ I have bought paintings over the years as well as other hand-crafted pieces. I always loved art, and as my financial situation improved, I bought better pieces.”

– Male, 63 (fine art, precious jewelry, antiques)

About the survey: UBS Wealth Management Americas surveys U.S. investors on a quarterly basis to keep a pulse on their needs, goals and concerns. After identifying several emerging trends in the survey data, UBS decided in 2012 to create the *UBS Investor Watch* to track, analyze and report the sentiment of high net worth investors.

UBS Investor Watch surveys cover a variety of topics, including:

- Overall financial sentiment
- Economic outlook and concerns
- Personal goals and concerns
- Key topics, like aging and retirement

For this twenty-first edition of *UBS Investor Watch*, we surveyed 2,475 high net worth investors (with at least \$1 million in investable assets) from September 15 – 25, 2017, including 608 with at least \$5 million. 1,017 survey respondents are collectors. With 90 respondents, we conducted qualitative follow-up interviews.

For more investor insights, visit ubs.com/investorwatch.

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