

The art of giving

Giving your money away to a good cause may seem worlds apart from buying a work of art. But there are many parallels, as NPC finds out.

For most of us, buying a piece of art sounds like an exciting prospect. How great to have a new painting or sculpture to adorn your living room. But entering into the world of art dealers and auction houses, particularly for the first time, can be somewhat daunting. How will I know if this painting is really worth that much? Is it a fake? How do I find a piece of Chinese contemporary art that I hear is all the rage?

Now, imagine wanting to donate a significant amount of money to charity for the first time. Some of the same issues will no doubt be crossing your mind. How exciting it would be to support this organisation helping victims of child abuse, or that amazing project I visited on my last trip to India. But how do I know whether this charity will use my money well? Will I ever hear about the impact my donation has made? And how do I go about choosing a charity helping autistic children when there are hundreds of charities out there?

Art collecting and philanthropy may seem like very different ventures—but they have a lot in common. They can both be seen as alternative assets in an individual's asset portfolio. Alongside determining how much to invest in equities, property, bonds, hedge funds, private equity and cash, you may want to set aside a certain percentage for 'investments of passion', and another certain percentage for your 'social investments'. This trend was highlighted in the 2007 Merrill Lynch/Cap Gemini World Wealth Report, which analysed the growing complexity of high net worth individuals' (HNWIs) needs. It took an in-depth look at their portfolio allocations in investments of passion, which include luxury collectibles (vintage yachts and private jets), jewellery, art and wines, as well as philanthropic contributions of HNWIs.

And think about the motivations for both collecting art and pursuing philanthropy. Both are often driven by seeking a reward over and above a financial return—the aesthetic value of the painting, or the social return of helping the disadvantaged. In both cases, the motivation may come from supporting a particular individual—whether

a young artist, or an inspiring charity chief executive or social entrepreneur. In both cases, it stirs the individual's passions and emotions (to a far greater extent than potentially any other investment). Both art and philanthropy may be ways of creating a legacy for the next generation, and a means of accessing new networks of people, broadening horizons and social ties.

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Combining art with philanthropy

It's likely that many of the same individuals are pursuing both these activities. Many great art collectors are also generous philanthropists. Some combine their passion for art and philanthropy by supporting the art world. Take the recent donation of 725 art works by one of the world's leading art dealers, Anthony D'Offay, a collection worth £125m given away to our national galleries with the desire to bring contemporary art to young people. There are others who are passionate collectors and patrons of the art, but who direct all or some of their philanthropy towards causes not related to arts—such as John Studzinski, who was awarded the Knight of the Order of St. Gregory for his support for the homeless, and has also made a recent donation of £5m to the Tate Modern.

Frederick Mulder, a leading art dealer specialising in European prints, has gone one step further—by using his art income and business expertise to encourage others to give. In one case, he donated rather than selling a work of art to a client, asking him to give away its value to charity in return. Frederick, founder of The Funding Network (TFN)—a public giving circle—reflects on the parallels between his dual lives in art and philanthropy.

'In both cases I try and do a certain amount of research before I leap,' he says. 'I try to get the best in a particular field and support certain players who can demonstrate success. I'm really looking for the future Picassos and Matisses of the philanthropy world.'

More recently Mulder has started selling off some of his private collection. 'I have no desire to collect any more,' he says. 'As I get older I get more pleasure from having



fewer possessions and get my rewards now from social change philanthropy—investing in causes which will benefit future generations.’ He recently sold a Picasso etching, the most expensive print ever sold, for £1.5m and made a £1.25m donation to charity as a result.

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Not only do the motivations of philanthropists and art collectors have much in common, but the markets in which they operate are also surprisingly similar. The art market is unregulated and very illiquid, with often a significant difference in expertise between the buyers and sellers. Although the UK charity world is regulated, there isn’t a developed charitable market with information about different charities, and funds are generally not allocated according to the charities’ performance and impact—instead funding is more often determined by a charity’s brand.

In both arenas, the products are very differentiated, which encumbers the value determination process. How can you compare the impact of one charity that is enhancing the job prospects and self-esteem of someone suffering from severe depression, with another that helps older people to access the benefits they are entitled to? Similarly, comparing the value of a Damien Hirst piece to a Rubens painting may not be that easy!

Help is at hand

Luckily help is at hand for both budding philanthropists and would-be art collectors. In the area of philanthropy, NPC offers donors independent, objective advice on how to make the most impact with their giving, based on thorough expert research into all areas of human and social welfare in the UK. NPC can help donors to navigate their way through the 160,000 charities in the UK to seek some of the most effective charities that fit their criteria—by geography, cause, risk profile etc. Similarly there are art

advisors offering this same kind of service to individuals seeking to make good decisions when collecting art—whether this involves finding the right piece for them, at the right price, evaluating the condition of a particular painting, helping them to manage all aspects of their collection, from transport to insurance to hanging to loaning to museums. In both cases, the advisor is not there to dictate interest or taste. That’s up to the individual.

‘Instead’, says Spencer Ewen, Managing Director of Seymour’s Art Advisers, ‘we see ourselves as protecting clients from the potential pitfalls that are inherent in the industry. One of our clients, having sold his business, had a £75,000 monthly drip-feed into his local art dealer, who, quite frankly, was selling him totally inappropriate works for his ambitions. We can find unique and interesting pieces for our clients, which suit their tastes, but also offer them peace of mind in the transaction process.’

In addition, private banks, law firms and other trusted advisors are increasingly building relationships with both art and philanthropy advisors so that they can offer their clients a more holistic wealth management service.

‘We believe an art collection requires the same strategic planning as other financial assets,’ says Randall Willette from Fine

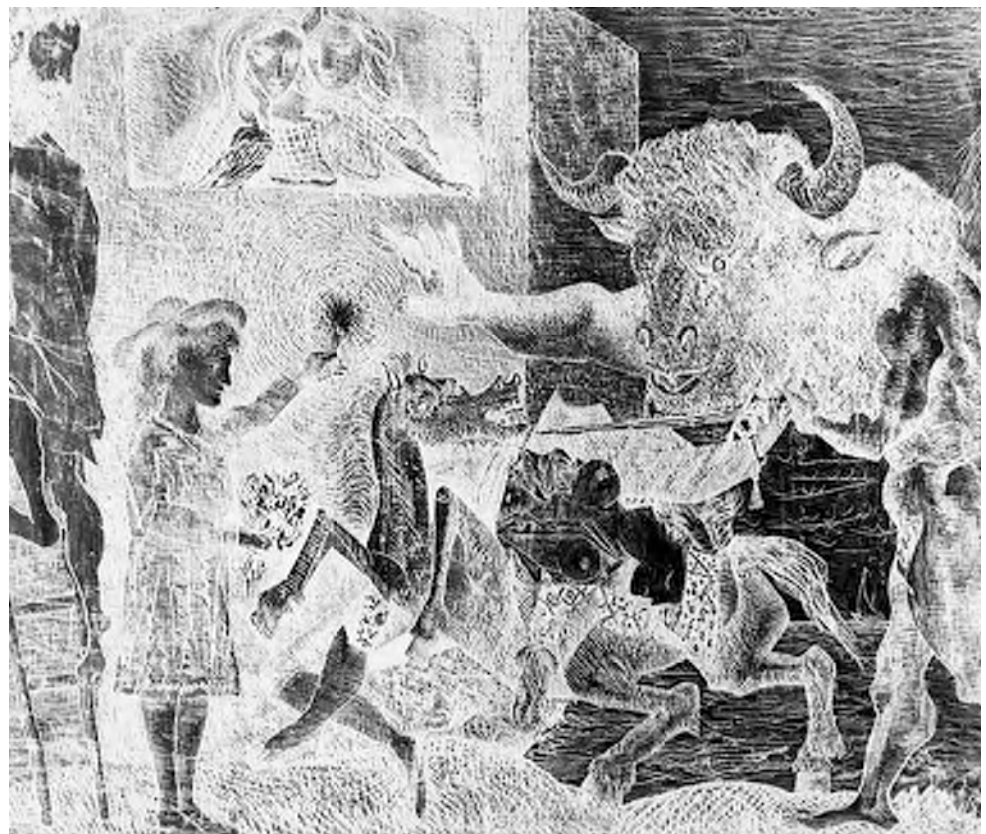
Art Wealth Management, which formed a strategic partnership with Withers LLP law firm in 2007. ‘With the help of skilled advice, it can become an effective working asset for private clients.’

Meanwhile, HSBC Private Bank launched a Design and Art advisory service for its clients in January 2008, and has partnered with an advisory firm 1858 Art Advisory to help clients explore ways to manage their wealth.

‘1858 bridges both the art and the financial world—increasingly our discussions with relationship managers and the more investment-led private clients are touching upon art as an alternative asset class and the merits of inclusion as part of a diversified portfolio,’ says Viola Raikhel, Director of International Art Advisory at 1858. The Merrill Lynch/ Cap Gemini report likewise concluded that partnerships between wealth managers and firms that specialise in passion-investment advice were likely to increase.

There is much to be learnt from the existing parallels between art and philanthropy. The characteristics of a successful art collector might be applied to the art of effective giving—passion, emotion, research, diligence, focus, and, above all, fun.

Plum Lomax



La Minotaure by Pablo Picasso