

Andrew 0:05

Hello and welcome to the JGUA Financial Commentary podcast. I'm your host, Andrew Baron. And in this episode, I talk to Sarah Collier about investing in collectibles. But before we begin, a short disclaimer. The contents of this podcast are strictly for informational purposes only. And nothing said should be taken as an investment tax or legal advice. Any strategies discussed may not be suitable for the listener specifically and JGUA encourages consulting with your advisor before implementing any strategies to ensure they meet your individual objectives. And with that, welcome to the podcast, Sarah.

Sarah 0:46

Thank you so much for having me, Andrew. I'm really excited to be here to talk about collecting and hobby collecting and my collection.

Andrew 0:55

You can tell me about this idea because you wanted to talk about your hobby. So why don't we just get into it? Why don't you talk to us about your hobby?

Sarah 1:02

Of course. So I have two main collections. One of them is sewing machines, specifically vintage and antique sewing machines. And then the second is dolls, which predominantly my collection is made up of Ginny dolls with some Madame Alexander and Betsie McCall dolls. I think everyone at the firm knows how much I love sewing and how much I am avidly looking for new sewing machines to add to my collection. And I think at this point for sewing machines, I have over 15 sewing machines as part of my collection. And what's kind of interesting is that one of them dates all the way back to 1884, it's a Singer original model 15 sewing machines. So it's very interesting to have that antique as part of my collection. And my next more specialized one is going to be my 1914 Phoenix Hand Crank Sewing machine, which was produced to my understanding, in Holland.

Andrew 2:08

Are you able to use all these sewing machines, even the one from the 1800's?

Sarah 2:13

Yes, that's probably one of the most exciting parts of that majority of my sewing machines that I do have on my collection are all User-Friendly. I actually two years ago, at the Chemung County Fair, I had both of those antiques as part of my display for my 4-Hers to demonstrate to other youth how to sew with these sewing machines. So they are very user friendly. They see some use every year and they're all oiled. The only issue is that if a part does break down on some of them, you have to go to someone who is specialized in these type of sewing machines that can service them and have a good understanding of the sewing machines, because, for example, when I

purchase the one from the Singer from 1880 for that one actually was one of the pieces had broken and the gentleman actually had to make a part for it. So you had to have someone that's a little bit creative.

Andrew 3:11

So is that a little different than the doll collection, which I'm sure has to be a little bit more pristine and well-kept?

Sarah 3:16

Ginny dolls were originally made to be played with, although they are sought after with collectors and they have collectors editions, they are made to be play with. The only fussy part that happens is their hair will get all frazzled and unkempt, and sometimes if you have older dolls, the clothing itself will start to accumulate stains over time, unfortunately. But other than that, I mean, I have my dolls. I mean, I let my niece play with some of them. I actually find that the dolls I mean, they're kept in a box, the sewing machines I have to be a little bit more careful with, because once they rust, that's kind of the end of the sewing machine, unfortunately, because they are all metal parts, unlike the modern sewing machines, which are mostly, unfortunately made of plastic

Andrew 4:13

From an investment standpoint, I think one of the interesting things is you are prohibited from holding collectibles in an IRA account, which is typically thought of as having being able to hold any investment. But collectibles are explicitly prohibited.

Sarah: 4:29

Collectibles are specifically carted out from being held in any type of retirement account, and I think a lot of it has to do with is that the government wants their money. There is, unfortunately, if you were, to make a gain on selling any of your collectibles. It's considered a long term gain, and you will be taxed at long term capital gain rates.

Andrew 4:54

Kind of leading into inheritance, I believe one of our colleagues has a story, if you wanted to share that Sarah

Sarah 5:00

One of his stories was about his great grandparents. They were antique collectors and had some high end pieces, and they both passed away, it passed on to the next generation. They go to sell the pieces. And unfortunately and this particular situation and he sold one of the pieces, a hutch for just a little under \$2,000. But unfortunately, after some digging later on, they found out that it was actually had a value of over \$30,000 by itself, and let alone any of the other

miscellaneous antiques that were sold along with it. So it's kind of interesting that there's two folds when it comes to inheriting, which kind of comes to the moral story, is that there's that sentimental value that some individuals feel that when they have antique that they inherited, they get the sentimental value in the immediately think that's worth lots of money. But on the flip side, there's some individuals that have that lack of history or the knowledge behind the antique when they inherited it from the previous generation. And so when they go to dispose of it in whatever form, whether they sell it or give it away, they don't necessarily understand their value. And in some cases, like this case, they could have made \$30,000 and instead walked away with \$2,000. So there's a huge education piece. And I and I can relate completely

Andrew 6:37

If you have antiques or collectibles, I think it's important, especially if you are expecting to pass it on to your children, for them to understand what they are, especially if they are really valuable and to kind of know the mechanisms to tap into that value. As advisors, we kind of act as our client's best advocate and interact with other professionals, make sure that nothing, no funny business is happening, no extraordinary fees are happening and etc.

Sarah 7:07

Right, exactly. And when it comes to estate planning, I always like to recommend to my clients to at least write a letter of last instruction that lays out some of the collectibles and even have an addendum to the will or whatnot or trust that lays out what type of collectibles you have, the value of the collectibles, how you much you have paid for them. Any history that you have behind them is very important, especially when it goes to the next generation, making that determination. You know, obviously, depending on what instructions are left in the will or the trust, but they can make that decision of are we going to pass and dispose of these or are we going to donate them or are we going to sell them or are we just going to hold on to them?

Andrew 7:56

Recently, I had a client experience where they inherited 80, 90, 100 pounds of silver coins, so substantial sum. And when we looked at appraising them, one of the issues you came across is the collector value versus the bullion value. And so the bullion value is what the metal is worth. That's what the silver inside the coin is worth. The collector value would be if they were actually rare coins that happen to be made of silver. Some of the more secure venues that we felt comfortable with are more along the lines of those collector coins. So if you only have bullion, you might suffer from having to go to a pawn shop or gold dealer, but you'll often have to pay 10, 20 percent in premiums just to get to buy or sell those products from the spot price, which is the price that you might see that an ounce of gold or silver is worth. That is something to also keep in mind with collectibles, especially precious metals, where you think it's valuable, you think it's a good store of value, but it actually has some issues, especially because you can get exposure to those things through ETFs and mutual funds, for example.

Andrew 9:18

I did just want to mention the difficulties in insuring collectibles. Oftentimes personal property especially is collectible objects. People think that, well, they're physical during my home, they're safe. But if you actually look at your homeowner's policy, oftentimes these kinds of things, especially, let's say jewelry, might have really low caps. That's for all items. So if you have quite a collection, this may be really insufficient for you. Looking at either scheduling these items specifically or if it's really expensive or valuable collection, you can get very special policies to help insure these, depending on what you're insuring and what it's worth it may consider looking into additional insurance policies to make sure that these important parts of your portfolio are covered.

Andrew 10:04

Did you have any closing thoughts Sarah?

Sarah 10:06

The few takeaway points I would like to make is, just because something can be labeled as vintage or antique doesn't necessarily mean it has value. And to always do your research if you're thinking if you inherit something or you're thinking of getting involved in some of these more speculative collecting investments, or even if you have your own hobby and documenting whatever you can.

Andrew 10:31

Well, so thank you so much for being part of this.

Sarah 10:33

Thank you for having me.

Andrew 10:36

And thank you to all of our listeners. If you have any questions on this or any other financial topic. Please send them info@JGUA.com. And visit our website or follow us on social media for additional content. Until next time everyone, stay smart.