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Missy Sullivan, 12.25.00

Done well, advising is a tough job requiring a broad array of skills. Advisers must dig up recent comparable sales, both auction and retail—not so easy: Private sales are, well, private. Advisers must find out if a work has been shopped to death or ever failed to sell at auction, offer a report on the work's condition, judge how significant the piece was in the artist's career and then ascertain that the piece is neither stolen nor fake. There's a lot of legwork, says adviser Abigail Asher, who with her partner, Barbara Guggenheim, builds collections for many celebrities and entertainment-industry executives like producers Aaron Spelling and Ray Stark.

Finding all the right attributes in a single consultant can be a tall order, as one New York investment banker recently found out the hard way. He hired an adviser to help him begin a collection of 19th-century American paintings. After visiting a number of galleries with the consultant, he chose a painting and together they bargained the price down to \$150,000. But before taking the plunge, he did his own due diligence, discovering that the piece had sold at auction six months earlier for slightly under \$100,000.

Was he being ripped off? A gross profit of 33% is well within the range of dealer margins, so maybe not. The seller may have gotten a bargain. Or taken a chance that a sleeper's true value would emerge after a careful cleaning. But a good adviser should have explained all those possibilities ahead of time. This one was asleep at the wheel.

The best ones more than earn their keep. Adviser Ann Phillips was called in to vet a Matisse ink drawing for a client. Without divulging the price, the collector asked the former Citibank Art Advisory vice president for an assessment of its market value. After some research, she told him it was worth \$250,000-\$275,000. The dealer wanted \$400,000.

The collector took a pass and asked Phillips to find something similar. She checked with a London-based dealer she knew who sent her a photo of the same ink drawing, this time with a price tag of \$300,000, minus a 10% discount. It turned out this dealer was consigning the work through the New York seller, who had slapped on the whopping markup. Phillips and her client offered \$250,000 to the London dealer. Done deal, with a \$150,000 savings.

Indeed, one of the great mysteries is how many dealers are pulling a fee from a single transaction. Dealer A, who specializes in impressionism, may be asked by a client to sell a cubist picture. He passes the canvas on to Dealer B, a cubism specialist. None of her clients pounces, but a friend, Dealer C, produces an interested collector. With all three dealers taking a cut, the buyer needs accurate price information so that those commissions aren't piled on top of fair market value. Advisers can help.

Unless, of course, they too have their hands in the pot. One private dealer says he has seen more than a few advisers who try to double-dip, or be paid by both buyer and seller. If a dealer charges \$600,000, an adviser might want him to bill the client \$700,000—and cough up the difference. A reputable adviser will pass on all dealer discounts, and keep the process as transparent as possible.

Fees? A pure commission arrangement produces too strong an incentive to churn, just as it does in the stock brokerage business. The alternative has its own problems. Unless you buy an awful lot of art, keeping an adviser on retainer can get needlessly expensive. Veterans like Asher and Westreich usually offer a mix of the two. Commissions average around 10% of the sale.

Which brings us to the thorniest issue of all: conflict of interest. Advisers all swear up and down that they avoid it.

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Bunk. "There is no such thing as a neutral adviser," says private dealer **Ikkon Sanada**. By bidding up the work of an artist at auction, for example, not only does an adviser stand to earn a higher commission, but the market often adjusts upward to reflect that publicly recorded price. Delighted dealers often give that adviser preferential treatment and access to better work.



Sidebar
12 Warning Signs of a Lousy Art Adviser

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