

“Buying Art”



About 50,000 years ago drawings of mammoth, horses, elk, and other animals began to appear on the walls of caves at Lascaux, Chauvet-Pont-d’Arc, and elsewhere. The creation of art requires abstract thought, and is one of the defining characteristics of modern man. Art is one of the finer things of life, and can (should) be purchased when you are in a sound financial position.

How do you develop an “eye” for art? Physicians have an advantage: you are a bright, trained observer, with innate abilities that lend themselves to developing this talent. Improve this skill just as you develop your abilities as a physician: study and hard work. Read all you can, attend lectures, shows, gallery openings, and talk with others. It won’t take long for you to appreciate why George Bellows’ “Stag at Sharkey’s” and Edward Hopper’s “Night Hawks” are among their best works.

You must rely on your own judgment. If you buy on someone else’s recommendation, you will buy what they like, not what you like. Never ask the gallery owner or artist for their recommendation, because you will purchase the dog they have been trying to unload for years. An absolutely guaranteed loser is for an interior decorator to purchase the art that will hang on your wall. Your best option is to tell your spouse “You decorate that room, I’ll do this room.” You’ll both get what you want. Never talk yourself into purchasing a piece of art: if it doesn’t immediately captivate you, let it go.

Is the artist dead or alive? With “expensive, dead guy art,” (1) forgeries abound, (2) even the most (apparently) reputable dealers can be crooks,¹ (3) if a work is legitimate, it could be stolen. The large auction houses stand behind the authenticity and provenance of the works they sell, (4) don’t buy an inferior work of a famous artist just for the name. The people you hope to impress will know that’s why you bought it, and they won’t be, and (5) you want the auction pieces where there is a lot of action. If you are the only bidder, the insiders know something you don’t, and it’s not good.

If you purchase the work of a living artist at a gallery, the mark-up is 100%. You pay \$10,000 for a painting: the artist gets \$5,000, the gallery gets \$5,000. The mark-up at glitzy, high-end destinations, such as New York or Maui, is often 200%. If you see something you like by a living artist at a gallery, walk out and contact the artist directly. Never buy the art of a living artist on sale. It is their death sentence.

There can be benefits of building a personal relationship with artists. Many artists at some time in their life hit a rough spot—try being a successful investor when you might get a paycheck only 3 or 4 times a year, and you don’t know when, or how much. Because of this relationship, you might be able to pick up quality work at a nice price.

For an in-depth discussion of the nuances of buying art, I suggest *Art Collecting Today*.²

One last point. At the fear of sounding like a heartless Scrooge, in general, do not purchase art (or anything) at a charity auction. The free alcohol does wonders to encourage you to bid. Your good intentions are laudatory, but you can only claim a deduction for what you pay above the Fair Market Value (FMV). Ex: the declared FMV is \$100, and you pay \$90. Sorry Charlie: you cannot claim any tax deduction. You pay \$125: you can only claim a deduction of \$25. Unless you would have purchased the lot with no consideration for the tax considerations, just write the charity a check, and take the entire amount as a deduction. I assure you they will not complain. (Confirm this with your accountant or tax attorney).

Acknowledgment

Dr. Robert Doroghazi is a retired cardiologist who trained at the University of Chicago, the Massachusetts General Hospital, and Barnes Hospital. Warren Buffett said his book *The Physician’s Guide to Investing: A Practical Approach to Building Wealth*, “should be required reading at med schools”. To sign up for a free trial to *The Physician Investor Newsletter*, visit www.thephysicianinvestornewsletter.com.

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The Physician Investor Newsletter, Columbia, MO

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1. Wallace B. *The Billionaire’s Vinegar: The Mystery of the World’s Most Expensive Bottle of Wine*. Crown Publishers; 2008.
2. Woodham D. *Art Collecting Today: Market Insights for Everyone Passionate About Art*. Allworth Press; 2017.