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Getting Started: An Excerpt from Chapter 1

KNOW YOUR FIELD

Knowledge is the cornerstone of successfully navigating the antique collectibles market. In fact, it's the foundation of success in any of life's worthwhile pursuits. If you want to be a successful investor in any field, you must try to become an expert in that field. The field of antique collectibles is no different. When buying antique collectibles, the more you understand your field of interest, the better you will do. Many of the most successful buyers immerse themselves in their fields so they can constantly expand their knowledge and stay up-to-date. In the stock market and the real estate market, the term for this fundamental research is due diligence; and performing due diligence is vital if you are going to make money investing in antique collectibles. Keep in mind that as an investment-minded

buyer you are also a businessperson, and the same business principles are relevant.

It never ceases to amaze me how many collectors buy with

reckless abandon, without learning about what they are buying or whom they are buying it from, and with no consideration of market conditions in their chosen genre. Such haphazard purchases hurt both purist collectors as well as investment-minded buyers. Furthermore, it is a common misconception among uneducated collectors that because they bought something, someone else will.

I learned the importance of due diligence firsthand when I was in my 20s and had just started investing in the stock market. A friend told me about a company that he worked for called Smart Choice. I think the company did something with used cars. It's not that I can't remember—I never really knew. I bought 1,000 shares without doing a stitch of research because my friend, who worked for the company, told me to. I lost all of my investment when the company went bankrupt. It was an expensive lesson, but it taught me the value of performing due diligence.

Many investors feel overwhelmed by the prospect of due diligence because they don't know what questions to ask or they don't know where to find the information they need. When acquainting yourself with your genre of antique collectibles, there are four basic areas of knowledge to keep in mind: supply and demand trends, the antique collectibles themselves, other people in your field, and retail costs.

KNOW SUPPLY AND DEMAND

When learning about antiques to buy, you must understand what is rare, what is popular, and why supply and demand exist at current levels. This will help you buy things that other people will want to buy down the road. Furthermore, the more familiar you are with the way the market works, the easier it will be to spot potential trends before they become popular. My favorite way to do this is to watch

other collectors buy things, and to watch what is *not* selling on popular websites and at antique shows and auctions. Learning what makes other collectors excited—as well as what turns them off—will help you spot investment-grade antique collectibles. It can take a long time to develop a comprehensive understanding of market supply and consumer demand in your field, but it is essential if you want to stay ahead of the curve and make smart purchases.

KNOW WHAT YOU'RE BUYING

Learn everything you can about the material itself. Pay particular attention to the differences between original artifacts and restorations and counterfeits. This will save you from ruining the value of a portfolio of antique collectibles with a costly mistake. Buy and read reference books specific to your field to learn more about specific items that you would consider buying. Books are a good first step when you are becoming familiar with the collectibles in your genre. They give you historical background on artifacts, show you what authentic examples should look like, and often provide data such as weight and size. What books don't give you is experience handling the material, and for that there is no substitute. For example, a book may tell you how much something is supposed to weigh, but holding one in your hands will allow you to experience the weight in your hand—information a book can't give you. Accordingly, examine artifacts in person whenever you can; attend antique shows, handle other people's collections, visit museums—do whatever you can to physically expose yourself to the material.

KNOW WHO'S WHO

Get to know the players in your chosen area of interest. Within a particular genre, the world is very small; most active hobbyists and

dealers know one another. Learn which dealers are reliable and which dealers are known for a general lack of integrity or experience. Use online chat forums and other online communities to evaluate a dealer or collector's reputation, and seek out recommendations from people you know personally whose opinions you value.

Googling the name of a seller can yield a wealth of information. Do be aware, however, that prolific dealers interact with hundreds if not thousands of clients a year. Just one problematic customer with an axe to grind can make it his mission in life to sully the name of a dealer he doesn't like. In fact, I have my own small but vocal group of disgruntled individuals who seem to enjoy speaking negatively about me more than they enjoy collecting. Anyway, keep this in mind and focus on trends, and on specific comments about a dealer's inventory and his customer service—this is the most accurate gauge of a dealer's reliability.

BE AWARE OF RETAIL PRICING

To make smart purchases it's important to know what things cost at the retail level. A command of retail pricing will help you spot bargain. As we will see in the pages that follow, buying below retail involves both luck and skill. You have to be lucky enough to stumble upon undervalued items, and knowledgeable enough to spot them as bargains. Learning retail pricing—what something normally sells for—will also help you protect yourself from somebody trying to take advantage of the uneducated by grossly overcharging for an artifact. We will talk extensively about price and value in greater depth in Chapter 5.

WHERE TO FIND ANSWERS

When it comes to investing in antique collectibles, the skills you develop early on will be valuable as you become more experienced. Research is an ongoing process and successful investors know to constantly monitor their genre for changes and trends. Books and careful market observations are a necessary part of investing, but it is helpful for new investors to seek additional sources of expertise.

One excellent way to fast track your mastery of the four knowledge areas above is to get to know a professional dealer. The reason is simple: Dealers will buy and handle more material in a year than several collectors combined will likely handle in a lifetime. Hardcore collectors will dispute this point, claiming that many collectors are highly specialized in a particular area in their field; something that takes more time than most dealers have. While it's true that collectors often take on the role of duty experts in their sub-field within a genre, knowledge of the material is only part of the equation. Dealers have much more experience than collectors in one crucial area that collectors do not—experience buying and selling on a daily basis. They also have a broader perspective on the market, they know more of the people involved, and they also know what artifacts are easy to sell, and which ones are not.

Remember that your education is not free, and that dealers are in the field to make a profit. They have spent years of hard work and sacrificed many things to build their knowledge base. They spend long hours on the road viewing collections, building social networks, writing books and articles, and tying up large blocks of capital maintaining an inventory. Accordingly, they will not be inclined to

give their hard-earned knowledge away for free. So give them what they want—buy things from them. The more business you do, the more willing they will be to share some of what they have learned with you. True, you'll pay full-retail prices for many items, but your price includes an education if you ask for it.

Be loyal to one or two dealers, and they should reward you by teaching you some of what they know! Ask them for book recommendations and talk to them about buying trends. Have them introduce you to other collectors and suggest shows you should attend. These are just a few things you can expect to receive along with your purchases once you develop a mentoring relationship with a dealer. Asking for advice and following through also shows that you are willing to work at becoming an expert and that you don't take a dealer's years of experience for granted. Most dealers will respect your interest and be happy to help you learn more if you prove that you'll put in the effort.

About 15 years ago, I got to know a dealer in my field for the express purpose of learning more about the business end of what I collected. His name was Gailen David. Gailen is a well known military antiquities dealer. I don't know how I did it, but I convinced Gailen to let me follow him around at a show for a day, watching him buy artifacts for his retail business. He made me promise not to tell anybody what I saw, not to involve myself in any of his deals, and to generally stay out of the way. I learned more in that day than I had at all previous shows I had attended—combined. We're still close friends.

While a reliable dealer can be a valuable resource, keep in mind that seeking advice from someone who has a vested interest in the outcome of your purchasing decisions can be dangerous. Accordingly, seek out a reputable dealer you can trust, who offers a lifetime

guarantee of authenticity, and who is willing to educate you. Ideally, that dealer should not only allow, but encourage, you to have your purchases reviewed by another expert in the field. Furthermore, the dealer should permit returns within a reasonable period of time for any reason whatsoever. In fact, if you would like to test the mettle of your dealer's return policies, you may wish to establish a test case—buy something and then try to return it within the boundaries of his return policy. You'll learn a lot about him!

As you gain knowledge, you'll be able to use that knowledge to buy investment-grade antique collectibles at reduced prices on the sub-retail market, which is another great benefit of becoming well informed in your chosen area of interest. Everyone makes a mistake now and then, and on the sub-retail market you will not have the recourse of a dealer's lifetime guarantee to fall back on; however much these mistakes cost, consider them part of the price of learning your field.

KNOWLEDGE IN ACTION

Several years ago, I was on vacation in Paris with my wife. After our obligatory trip to the Louvre, we strolled across the street and found ourselves inside what is arguably the most expensive antique mall I've ever visited (I think it was also called the Louvre). Inside, I found a store that specialized in military antiques, which is my specialty. Catering to the millionaire tourist market, the proprietor of the store had priced his wares at multiples over their typical retail value. (I couldn't blame him; his rent must have been just as high

as his prices.) In the corner of the shop, I found a military dagger, priced at several hundred Euros more than similar daggers that I currently had for sale on my retail website. Upon closer inspection, I noticed several nuances that made this piece particularly rare and worth much more than the dealer's asking price. I bought the dagger, and when I returned to the United States, I quickly resold it. The profit from that one sale effectively paid for my hotels for the entire trip. This story illustrates the importance of knowing your field enough to make smart purchases. I knew more about the material than the proprietor of the antique store and was able to spot the dagger for what it really was—a bargain—despite what to the untrained eye was an over-inflated price. I also knew what the dagger was worth once I got it out of his touristy military antique shop and into the right collectibles market. Had I been buying for my personal collection, the experience would have given me a valuable addition to my portfolio at a fraction of the going retail value of the artifact in question. When it was time to sell, my knowledge of the item and market prices at the time of purchase would ensure me a hefty profit. This experience also shows the potential price of ignorance. If the Parisian dealer had done more research in his field, he may have been savvy enough to know what the dagger was really worth and where he could find a buyer willing to pay for its true value.

This story illustrates how important it is to know your field. In fact, there's an easy way to remember the importance of knowing your field:

Knowledge is directly proportional to more profitable buying habits.

The more active you are in your chosen field of interest, and the more time you spend shopping, studying, and talking with collectors and dealers, the more knowledge you will gain. And the more you know when you buy things, the better off you'll be when it's time to sell. Remember that "an informed collector is a happy collector."¹