

Dinner party faux pas lure young investors to wine investments

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When clients raise the topic of investing in collectables with financial adviser Shane Nicholas, his first question is just one word: “Why?”

He is not being facetious, the principal at Independent Wealth Partners says, it’s just that this is the most important question to get right before making any investment – whether that is shares in NAB or a bottle of Penfolds Grange.

About 5 per cent of his self-managed super fund clients have collectable assets

[<https://www.afr.com/wealth/investing/the-art-and-volatility-of-collectable-investing-20201130-p56j59>]

such as wine, art or cars in their investment portfolios, but he’s observed an increase in other clients asking about the asset class since COVID-19.

While they are not looking to establish SMSFs purely to access collectables, they’re coming to him for advice on how they go about gaining exposure, particularly if they are younger and don’t have significant investible wealth.

“People got a bit more curious about the other things out there [during the pandemic],” Mr Nicholas said.

“Certainly, some of the more alternative asset classes will provide different return characteristics compared to your traditional assets.”

Michael Anderson, head of auctions at fine wine house Langton’s, said younger generations of drinkers were beginning to embrace wine collecting and investing,



Wine has become one of the highest-performing luxury investments. **Eamon Gallagher**

aided by the internet.



Michael Anderson, auctioneer at Langton's and wine investor. **Louise Kennerley**

“Younger generations are moving more towards wine because over the last few years ... people have been spending a lot of time at home, drinking with their friends or family, and starting up little wine clubs – they’re becoming prolific,” he said.

“The idea of turning up to a wine club or a dinner and putting a bottle of wine on the table, without being able to explain anything about it – those days are gone.”

And while Baby Boomers had access to “really, really cheap international wines”, the new generation of investors is aided by the internet.

It is facilitating a transfer of wine wealth, the auctioneer said.

“I talked to one of our new customers the other day, who spent north of \$750,000 with us in the last four months,” he said.

“He’s 42, which is still a spring chicken compared to most of the customers that we deal with. It’s mostly the older generation selling their wine to the younger generation.”

Million-dollar question

According to the 2023 Knight Frank luxury investment index, wine is one of the highest-performing luxury investments, with wines captured in the index increasing in value by 162 per cent over the past 10 years and 10 per cent over the past 12 months.

Over 10 years, only cars (up 185 per cent) and rare whisky bottles (up 373 per cent), performed better.

Wealth managers surveyed across Australasia said they were putting about 7 per cent of their clients' investible wealth into collectables such as art, cars and wine.

However, Mr Nicholas said investment fundamentals needed to remain top of mind.

"Maybe it's not necessarily the fact that they want to buy a bottle of wine ... it's more that they're disenchanted with what they've got in place today, and sometimes the solution is buying some art," he said.

Questioned whether it makes sense for younger investors to invest in collectables, he said it was the "million-dollar question".

"What makes investing so interesting is that everyone thinks so differently about what they can and can't make money from," Mr Nicholas said.

"The ways that we can answer that question is to look at what we can control and what we can't control."

For example, beyond buying that bottle, investors need to find and pay for both storage and insurance.

"I hate the idea of being the fun police ... but it's our role as professionals to help them navigate their decisions."



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