

Top Concerns Facing Gallery Owners Today

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Today's small to mid-sized galleries face more business challenges than ever before as the Art World dynamics change and interest in art work continues to peak.

The good news is that by taking a thoughtful, systematic approach, gallerists can address these financial challenges and continue to grow while still finding joy in their work.



Delving into the challenges

To understand the specific financial challenges of galleries and dealers fully, I conducted in-depth interviews with a dozen individuals, including gallerists and directors throughout the east coast. I selected each for his or her ability to provide insights into the financial issues faced by the small to mid-sized gallery today.

These are the key challenges repeatedly mentioned during my conversations:

- **Global Competition:**

Many gallerists expressed the difficulty of competing for top talent against the growth of the mega galleries with offices throughout the world. As some art work prices have increased to record levels, a plethora of well-financed players have taken an interest and that has brought its own challenges.

- **Artist Loyalty:**

This concern goes hand and hand with global completion as Art has become bigger and bigger business. The pull of fame and money has made it tougher for galleries to work as they have in the past by nurturing young artists and helping them achieve success throughout their careers. There is now a need to offer them more services and recognize the changing times or risk losing them.

- **Focus on business to detriment of personal finances:**

Like many small business owners, the majority of gallerists admit that a disproportionate share of their wealth is tied up in their business or art work itself. Too few have taken steps to diversify their holdings and try to reduce the risk that is inherent in the art world by seeking other asset classes to invest in and spread the risk.

Taking a systematic approach

While these issues can pose significant challenges for so many gallery owners, they can be systematically addressed to help increase the likelihood of achieving their objectives.

Given their complex and varied financial issues, gallerists need a comprehensive wealth management approach. To define wealth management, I use this formula:

$$WM = IM + AP + RM$$

The first element of wealth management (WM) is **investment management (IM)**. This is the major focus of many financial advisors, and certainly astute investment management can be the foundation of gallery owners' ability to address their most important goals.

However, my interviews revealed that many gallery owners need more than just assistance in managing their investments. This is why I have the second element of wealth management, **advanced planning (AP)**. Advanced planning addresses these four major areas of financial concern beyond investments:

- **Wealth enhancement:** mitigating tax burdens
- **Wealth transfer:** helping ensure that heirs are taken care of
- **Wealth preservation:** helping to protect loved ones and preserve assets
- **Charitable giving:** maximizing the impact of one's charitable gifts.

Since no one person can be an expert in each of these complex

areas, wealth managers work closely with other professional advisors, such as CPAs, attorneys and insurance specialists, to address these issues. Depending on the preference of their clients, they may do this in conjunction with the clients' current professional advisors.

This brings us to the third element of wealth management, **relationship management (RM)**. To fully understand their clients' most important goals, values and challenges—both now and long into the future—wealth managers must cultivate trusting, long-term consultative relationships with those clients.

Taken together, these three elements comprise a systematic approach that can help many gallery owners to make informed financial decisions for themselves and their families and also address the major concerns discussed above.

Not everyone wants to work with a financial advisor. If you do choose to work with a professional, consider one who uses the wealth management approach.

See the sidebar for questions that will help you determine whether a particular financial advisor is an appropriate choice for your situation.

A systematic approach—one that addresses their entire financial lives—can help to increase many gallery owners' probabilities of achieving their most important goals.

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Five Questions to Ask a Financial Advisor

1. **How do you work with your clients to help them reach their financial goals?** The advisor should be able to describe to you a clear, systematic approach for identifying and addressing client needs.
2. **Do you help clients address financial goals beyond investments?** While many advisors provide only investment management, you may need assistance in the four advanced planning areas of wealth enhancement, wealth transfer, wealth preservation and charitable giving.
3. **Do you specialize in working with certain clients?** If you are a gallery owner, the financial advisor should fully understand the specific challenges you and other gallery owners face.
4. **Do you work with specialists?** The financial advisor should be able to access the full range of knowledge required to address your concerns. This may be through a team at his or her firm or through an outside network of professionals.
5. **Why did you become a financial advisor?** The answer should reveal whether the advisor has a true passion for what he or she does.