



Wine: Money In A Bottle

ALTERNATIVE INVESTMENTS, FINE WINE, COLLECTING, INVESTING, LIFESTYLE, BORDEAUX

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If your traditional portfolio has left a bad taste in your mouth, you may want to consider a more flavorful investment.

Now that wine prices are down from their peak last year, experts say now is the time for new and seasoned wine investors alike to hit the bottle.

"Investors who stopped buying when the prices were too high are now jumping back in," said Marc Lazar, president of Cellar Advisors LLC, a wine consulting company that works with private collectors.

Having fell some 23 percent from their June 2008 peak, says, Justin Gibbs, co-founder of Liv-ex.com, a marketplace for fine wine, wine prices have been "creeping up gradually."

So far this year, prices are up 4.6 percent, as investors have reentered the market. In particular, Asian investors—who have become wealthier in recent years—are acquiring an appetite for fine wine.

Despite the recent correction, Dave Sokolin, president of Sokolin LLC. and author of "Investing in Liquid Assets," says that historically wine "doesn't trade down too much."

"It has a track record that goes back a hundred years," he adds. "And I don't think many stocks have that, except for **GE** [parent company of CNBC]."

That said, with all alternative investments, there are risks as well as costs to consider before pouring your money into the wine market. Here are some basic tips:

Selecting The Right Wine

Most investor-grade wines are produced in France's Bordeaux region. Investors are looking at wines that have been well reviewed and have a long trading history. According to experts, high-end Bordeaux holds up better in price when the overall wine market begins to fall.

Some of the most popular investor grade-Bordeaux wines come from the Mouton Rothschild, Latour and Margaux chateaux.

Charles Curtis, director of North American wine sales at Christie's, says that wine from other regions such as Burgundy and Champagne are gaining popularity with investors, as well as wine from certain areas in Italy, like Barolo and Barbaresco from the Piemonte region and Brunello di Montalcino from Tuscany.

Know What You're Buying

A really good review from a well-known wine critic can make that wine "shoot up in price right away," according to Lazar. Investors generally are looking for a wine that scored 95 points or more from a reviewer.

Experts suggest researching the wine you plan to buy thoroughly. Sokolin recommends subscribing to wine review sites from influential critics like Robert Parker (robertparker.com) and Allen Meadows (burghound.com), whose specialty is Burgundy. In addition to Parker, Lazar recommends reading reviews from British critic Jancis Robinson (jancisrobinson.com.)

Cost Of Entry

The price of a case of investment-grade wine can vary, but experts say an investor can get 12 bottles of good wine in a wooden crate for roughly \$5,000.

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"Wine is a very cheap collectible," says Lazar, compared to say, art work. Wine collecting, he says, can get you more for your money.

"A million dollars will buy you a substantial amount of wine," he says, while in some cases a million dollars at an art auction can get you just one piece of work.

Storing

If you're planning to make a profit out of your collection, it needs to be kept in excellent condition. "Investors will pay up for bottles that are pristine," said Lazar.

That means keeping the wooden crate in your home cellar or renting an out-of-home wine storage facility that keeps the wine at the right temperature and is thoroughly secured.

Costs

Keep in mind that there are costs involved to starting a wine collection. Since bottles can break or get damaged in a flood, experts recommend insuring the collection.

"Many people don't realize their homeowners insurance have exclusions for perishable goods and food items," says Katja Zigerlig, AVP, wine insurance for the private client group at Chartis.

Zigerlig says investors should check their current home insurance policies, and take out a policy to protect against any damage against their collection if they're not covered.

And if you don't have a cellar at home, you're going to need to store the collection at a wine warehouse that will charge you a monthly rate for each crate.

Be Patient

"Wine investing is not for someone with a day trader mentality," says Sokolin. On average, investment-grade wine needs to be held for a minimum of five years before being sold. The longer wine is held, the more its value will increase.

"As other people consume their bottles yours becomes scarcer," says Lazar.

Gibbs adds that wine prices can mature after 25 years, and then begin to fall, though there are some wines that were made in certain time periods--like 1945 and 1961--that some might say are still not fully mature yet.

Patience is key.

"This is for someone who wants to preserve wealth and see their wealth increase in the long run," says Sokolin.

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