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Art ownership for UHNWIs: Navigating market trends with strategic structures

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The global art market is evolving rapidly, becoming increasingly relevant in the portfolios of ultra-high-net-worth individuals (UHNWIs).

As the world confronts economic volatility, geopolitical uncertainty and rising interest in cultural and impact-driven investments, UHNWIs are turning to art and collectibles not only for aesthetic appreciation, but also for strategic capital preservation and growth.

Art and collectibles - a growing market of tangible assets

Art and collectibles represent a booming sector, with the wealth allocated by UHNWIs to these assets expected to surpass USD 2.8 trillion by 2026. This growth is driven by both the rising number of wealthy individuals and their increasing appetite for tangible, alternative assets. In today's climate of inflation, geopolitical instability and market unpredictability, art serves as both a hedge and a statement of legacy.

The appeal of art extends beyond financial metrics. There is a growing recognition of culture's contribution to economic development, prompting the emergence of new financial ecosystems around cultural investment. Moreover, a younger generation of collectors is engaging with art through lenses of sustainability and social impact—further diversifying the motives behind art acquisition.

Liquidity and innovation in the art market

The art market is becoming more sophisticated and the need for liquidity in volatile times is recognised in the increase in art-secured lending gaining further traction, with an estimated total outstanding loan volume between USD 2.9 billion and USD 3.4 billion. This rise reflects both market maturity and a shift in how UHNWIs manage and leverage their art holdings.

Digital transformation has also reshaped the landscape. Blockchain technology and tokenisation are revolutionising the way ownership is recorded and transferred. These innovations are continuing to enhance transparency, provenance tracking and fractional ownership - broadening access and unlocking new value streams from traditional assets.

Strategic structures: Enhancing ownership and legacy of art collections

To manage the complexities of owning significant art collections, UHNWIs are increasingly turning to formal ownership structures such as trusts, foundations or private trust companies. These vehicles offer a suite of advantages:

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1. Preservation of vision and legacy

Structured ownership helps maintain the integrity of a collection, preserving the settlor's original intent. Keeping a collection under a single legal entity can prevent fragmentation across future generations and ensure continuity in curatorial direction.

2. Professional administration and advisory access

Trustees and professional service providers bring access to a network of experts in valuation, conservation, insurance and legal matters. This level of professional oversight can be difficult to replicate within a purely private family office or by the client themselves unless they are highly immersed in the art world.

3. Enhanced privacy and probate planning

Art collections are often subject to public scrutiny during probate, depending on the jurisdiction in which probate occurs. By housing them in a trust or foundation, UHNWIs can ensure legitimate discretion and privacy while simplifying their post-demise estate matters.

4. Control and customisation

Through structures like private trust companies (where the settlor could potentially be a board member alongside a trust and corporate services provider (TCSP) or by sitting on a foundation council, clients can maintain influence over governance while benefiting from fiduciary oversight and compliance. They can continue to have a voice in the collection during their lifetime, and ensure succession planning is clearly set out for the future.

5. Cultural contribution and stewardship

Holding art assets via a structure also means that the TCSP can assist with public engagement and the cultural contribution of the collection, if that is one of the desired goals - through loans to museums, traveling exhibitions, and charitable initiatives - while also managing logistics such as transport, storage, and insurance. This enables collectors to contribute to cultural heritage without the administrative burden.

6. Risk management and compliance

Art's high value and unique characteristics make it a target for fraud and money laundering. Trustees and regulated service providers are well-positioned to implement rigorous compliance frameworks, helping protect the integrity of the collection.

7. Emotional and financial returns

Whether collecting for passion, investment, or both, structures offer the flexibility to accommodate diverse objectives. They can support philanthropic goals, maximise financial returns, or simply provide a legacy of beauty and meaning for future generations.

Art ownership and looking ahead

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As blockchain and digital tools democratise aspects of art ownership and distribution, structures will play a key role in managing the evolving landscape. Smart contracts, for example, may allow artists or collectors to benefit from resale royalties in perpetuity - benefits that can be administered through a trust or foundation with long-term objectives in mind.

In conclusion, the intersection of wealth, culture and innovation is redefining the art market for UHNWIs. With thoughtful structuring, collectors can safeguard their investments, enhance their legacy, and contribute meaningfully to cultural preservation in an increasingly complex world.

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