

A Nichols Worth of Wine
October 2010

Is Wine a Good Investment?



Here are a few excerpts from my radio show that prompted the most comments ever received. I'm not aware of any recent significant spikes in wine sales, so I can only assume this sudden interest is driven by wine consumers concern over the economy.

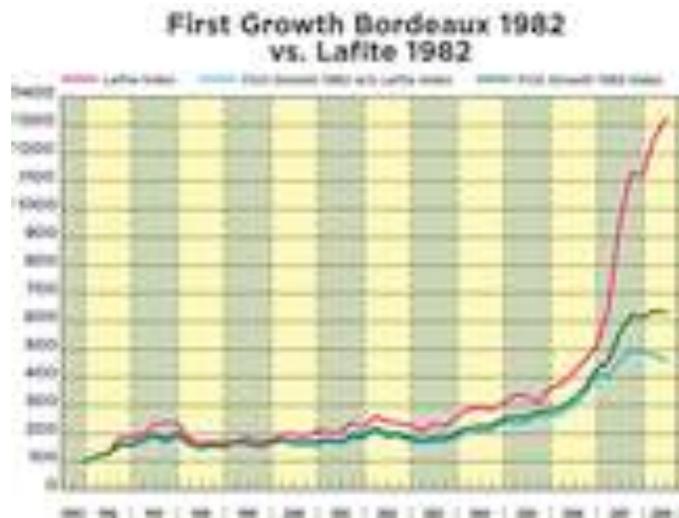
The question most frequently asked ? "Is now a good time to invest in wine?"

My answer? Yes, maybe...

If history can again repeat itself, one only has to take a peek into the rearview mirror.

One of the greatest wines ever produced, the 1982 Lafite Rothschild, sold for \$30 on release. At this month's auction at the respected Hart Davis Hart in Chicago, the wine will go under the gavel at \$4000!

An exception? No, not really. Not for wines of unquestionable provenance. Another example is Chateau Latour's 1961. You could have bought a bottle of this classic in 1963 for \$3. Today this Robert Parker 100 point rated wine easily fetches upwards of \$5,000, and even more in the red-hot China auction market.



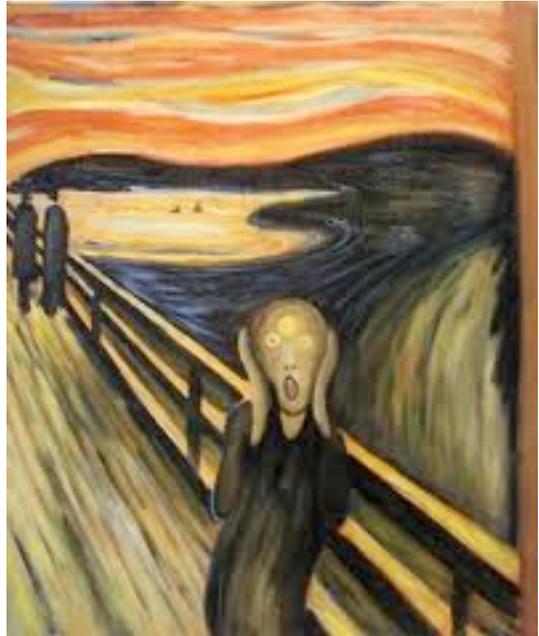
Fast forward to the here and now. In 2009, when the Dow returned a negative 10% and the median house price dropped 4.1%, a wine investment fund earned a whopping 32%!

But before you cash in your 401K or do a refi of home-sweet-home, know that the current wine investing landscape can be far more perilous to navigate when it comes to laying down your hard earned cash for wines you may not uncork for 5, 10, 20 years or more.

Between the Asian wine market upsetting the natural order of things and a quiet, but unsettling, dumping of massive quantities of wine by producers, undermining distributor networks and undercutting merchants in the process, the wine industry is clearly in uncharted waters.

Scary? Yes... unless you're a savvy consumer. Smart buyers are grabbing up incredible deals. Sounds remarkably like the real estate market, doesn't it? But, here comes the caveat. You better know what you're doing. You can spend countless hours surfing the internet's battery of online wine merchants, some reputable. Many not.

There's a host of "onesy-twosy" sellers. They have a bottle of this, a few bottles of that, many of which have been recycled many times over through auctions and resold again for tax write-offs. There's also a lot of, "*oh sorry, we must have just sold that, but we do have...*" , the classic bait and switch. You might also have to pay up to 20% or more commission and somewhere north of \$10 a bottle shipping. In the end, you may find yourself with anything but a bargain!



So my advice to clients, readers and listeners is always, "*you have to know what, where, and how to buy!*"

Of course, I'm always here to assist in your wine buying and investing decisions.

Cheers,
Eat, drink and be merry!

Bruce

www.anicholsworthofwine.com