

Investing in Automobiles

How not to red line your pocketbook



“You got that top pulled down and that radio on baby”

– Don Henley



By Crystal Rawls

Escape from the office for a moment and imagine the triumphant feeling Henry Ford experienced when the engine began to sputter on the first “horseless carriage;” the elation Preston Tucker felt having produced the “Car of Tomorrow;” and your own excitement the first time you zoomed down the highway with the top down in a convertible. It’s only fitting that one would want to extract and treasure a piece of that history for themselves; and if investing in an antique automobile earns a little extra cash on the side, then the experience, the memories and the knowledge of having owned a piece of history are priceless.

Because they are relatively new inventions, automobile investing and collecting really only became popular once older cars were classified as antiques in the early 1930s. The upside is antique autos may offer quite the investment opportunity. For instance, a 1957 Chevrolet Bel Air convertible restored to original condition sold at an auction for \$40,000-\$50,000 in 2003. That same car today is worth \$90,000 or more. Some antique car owners have been known to invest \$10,000 and gain \$100,000.

However, just like any new venture, first-time investors should take extra care before making the initial purchase. The downsides to investing in autos are the length of time it may take before gaining a return, and the likelihood of investing in a “lemon,” and pouring money into restoring a vehicle better left for the junkyard.

Remember, the basic keys to investing are similar to any item: watch for changes in demographics and taste, conduct plenty of research before making the plunge, and, the quintessential rule of making a return is to buy low and sell high.

As with many items, popularity of a particular vehicle rises or falls depending upon demographics. Some consider that the most important factor, as all investments go back to supply and demand.

For instance, the original car collectors no doubt invested in Model T’s and other early models because those are what triggered memories for them. Likewise, baby boomers typically collect and restore popular cars from their childhoods. Today, cars manufactured as late as the 1970s, including muscle and sports cars such as the Mustang, Camaro, Barracuda and GTO as well as imported cars from the 1950s and 1960s are the fastest growing collectable items. In fact, one very experienced auto auctioneer noted that these cars have a “heck of a following.” Also, in some cases, cars with low production levels (like a 220 Coupe Mercedes or even a Tucker) may be an even better investment. In the future, perhaps BMW Mini-Coopers (made even more popular in the 2003 movie, *The Italian Job*) and gas-guzzling SUV’s may be the hot commodities.

The one thing the majority of all car collectors agree upon is the absolute love for the hobby. More than a single dollars-and-cents investment, purchasing an antique automobile can be a truly rewarding experience. In fact, the term “investment” as it relates to automobiles has really only become popular in the last 20 years or so. Prior to that time, collectors saw the return on investment as secondary to the pride of ownership.

Don Braaten, owner of Braaten Classics Cars and self-proclaimed “car nut,” has followed the phenomenon of car collecting for more than 30 years, and, in fact, has amassed quite a collection in his Janesville, WI, 5,000 square foot show room. He is one of many

“The machine of a dream ... Such a clean machine...With the pistons a pumpin’... And the hub caps all gleam”

—Queen

collectors who have made considerable profit by investing in cars. The secret to such success is that he has spent years perfecting a passion.

“I have very rarely bought a car based on the fact that it would be a good investment,” he said. “The first thing you should be focused on is the passion for a car. It has to grab you ... If you approach it in any other fashion, you won’t have fun with it. You might as well invest in the market or some other venture. The individual investment has to be a car that you’ve had some type of connection with. If you start there, you’ll never be wrong. Even though it may not give you financial return, it will give you a personal investment, which far outweighs any financial reward.”

For the novice, choosing the perfect antique is not quite as easy as perusing the local car lot, although it’s not tremendously difficult either. Fall is the ideal season for making a purchase, when classic car dealerships cut their prices and individual sellers are concentrating on freeing up winter garage space or getting rid of unfinished summer project cars.

The most resourceful way of finding the perfect car is through updated guidebooks such as Hemmings (the car collecting “bible”), National Automobile Dealers Association (NADA) guides, and Collector Car Market Review, among others. Luckily, the Internet throws the door to antique auto shopping wide open, and many of these guides are available online. In addition, the Antique Automobile Club of America, the oldest car club in the U.S., offers valuable resources, events and priceless networking (www.aaca.org). Also remember that it is not uncommon to stumble upon several local auto shows, auctions and other gatherings in a single weekend.

Guide books rate cars offered for sale or auction on a scale of one to five, with one being in perfect condition and restored to the highest standards, and five being in desperate need of restoration. Be wary of the lowest rated cars. Gaining a return on investment from a car with a five rating will be nearly impossible.

Regardless of guide book ratings and advice from friends and experts, nothing can compare to personally and physically reviewing the car to ensure it is the best purchase for the cost. No short cuts are offered there. First, and most importantly, get the car inspected by a competent and trusted mechanic of your choosing. Check for soundness first, then aesthetics. A broken radio is not as detrimental as a rusty engine.

“The inspection process is very important,” said Braaton. “If you can, always go and physically see the car. Sit in it. Drive it. See the car yourself. That way you get the feeling and not just reading a report. You can’t just buy (the car) sight unseen. Check for rust areas. Rust is a cancer. If you have a problem with rust, you have problems with other things you can’t see.”

Make yourself a list: Are there any car clubs that take a special interest in the model? (Such an association could help you find replacement parts in the future.) Have any significant components of the car been altered or replaced with different ones? Do the body panels meet properly? Did the previous owner cut corners on restoration? Perhaps one of the most important questions: Does the Vehicle Identification Number (VIN) on the car’s title match the official VIN

tag? Also, once a purchase is made, obtain all paperwork, ownership histories and receipts for all work done on the car.

Decide at this point how much work you want to put into the car. A burnt-out project typically results in a loss.

In addition to perusing guidebooks, another way to purchase a car is through an auction event.

Keith McCormick, owner of Palm Springs Exotic Car Auctions, one of the top ten classic auction companies in the country, used a lifetime of expertise to offer advice to the car collecting, auction attending novice.

“Do not bid on anything first time. Don’t get caught up in the euphoric rush of bidding. Look closely at the cars you personally would like to drive as a toy at weekends. Check the value guides which will be on sale by vendors at these events. If the guide says a two-year-old restored 1965 Ford Mustang coupe to be worth \$15,000, set your sights on pretend bidding it to, say, less than \$13,000. By the end of the sale, see how many times you were successful.



Photo courtesy of Keith McCormick, Palm Springs Exotic Car Auctions

“With that in mind, by the next sale, you will be ready for your first investment ... Hold it for a year, perfect it while in your possession, then enter it back in a sale. Don’t be greedy. Try for a 10 percent profit the first time.”

Some of the advantages to purchasing through an auction are that they often draw large crowds of car collectors from around the world, investors and all around experts in the field. Also, when a car is on the block, reputable companies will be forthcoming with vehicle faults such as engine, transmission, etc. To the buyer’s advantage, “Ringmen” are placed specifically within the crowd will act as agents between the auction house, the seller and the bidder. They are there to help translate the fast bidding dance. Likewise, selling a car through an auction will allow the seller the advantage of having hundreds of worldwide buyers at one place. In fact, some sellers have reported 30 percent profit. If one chooses to go this route, just be sure to stand next to the vehicle and let bidders see that it was an object of desire, not just a dealer trying to “make a quick buck,” advised McCormick.

At the point of ownership, the burden falls upon insurance, care and storage of this beloved appreciating possession.

Not surprisingly, it is necessary to obtain specific insurance for your collector car. Not just any auto insurance will do. And although the car may not be your primary means of transportation and may not be as prone to road accidents, it is still subject to theft, vandalism and Mother Nature. Keep in mind that while a daily use vehicle depreciates in value, a collector car’s value increases.

“The type of insurance used to insure a regular car and collector car are fundamentally different,” said McKeel Hagerty, President of

Hagerty Insurance Agency, which specializes in hobby insurance, offering advice and protection for new antique car owners. "There are two kind of limitations on collector car insurance: cars have to be stored in a garage, and you have to have a daily use vehicle that is insured somewhere else. This sort of presumes limited usage. We don't look at mileage, because these cars are not used everyday for normal transportation."

For new owners looking to insure their car, Hagerty recommends submitting a detailed description of the car, including current condition, photos, whether it is a modified car, street car or custom car. If it is a custom car, they need to know what the custom features are. Even if the car is in the process of being restored, Hagerty urges owners to keep up with the insurance – the car appreciates even as it is being repaired.

"Why do you insure anything?" asked Hagerty. "Because you put a lot into it. For people truly storing vehicles and not driving them at all, we have ways of reducing how much you pay. The main thing to think about if you have (a collector car) or are thinking about buying one, is that it's not just about price. Every collector car should be insured with ... a specialty company like ours. Larger companies can insure it, too, but they're not set up for it as well. If you don't get help from us, get help somewhere. If you have a collector car, go with specialty insurance."

Once the new car owner arrives home, fine tune it. Spruce it up. As with anything antique, remain as close to the original parts as possible. "Originality sells what the true collector wants," he said.

Surprisingly, an antique car is not one to be shelved like most antiques. Car collector experts recommend driving the vehicle if not

**"I never want to part with her you see ...
This little car means a heck
of a lot to me"**

–Beach Boys

once per week, at the very least twice per year, or 200-300 miles every season. In fact, leaving them in the garage is the worst thing a car owner can do. Older cars (particularly from the 1950s) have gaskets manufactured with seals that will dry out, resulting in a leaky transmission. If that happens, take the car out of the garage and drive it around a while to help those seals to swell back up.

McCormick put the principle of car ownership into perspective. "Things need to be used. Compare it to yourself. If you sit around and watch TV, you will deteriorate."

When it is not in use, keep it covered either in your home garage or at a storage facility. Be aware of moisture promoting the growth of rust, as well.

Know that with owning such a car comes pricey purchases in the way of parts and service. All of the restoration and care goes back to the thrill of the ride. An investor who views the car as an object to be shelved and then sold may be greatly disappointed in the monetary outcome. However, if a car is purchased simply for the love of the hobby, the return is always going to be priceless. **N**

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