



Value vs. Liquidity – Spoiler Alert: Liquidity Usually Wins

Most assets add value to your net worth, but some are more valuable to your financial health than others. I've written about my mother's recent passing, and our downsizing efforts have made this abundantly clear.

Our home includes items that have been part of our family since before I was born – since before my parents were born, in fact. Beautiful antique furniture, multi-generation jewelry, coins, china, ceramics that you might see in museums. These items have been part of my family's story, and also part of the household net worth calculation for some time. My mother spoke often about the monetary value of certain furniture pieces, decorative items, and cherished tchotchkes, especially anytime I brought up cleaning “stuff” out of the house.

Since her passing, we've spoken with a few dealers and auction people to assess the salability of several items, and it's here, in these conversations, that we've learned a few lessons about how value and liquidity converge.

Lesson 1: Markets change

Some assets have consistent, sustainable value, and some (many) are subject to the whims of market forces. Twenty to thirty years ago when Mom waxed about how valuable these things were, “the market” valued antiques and collectibles based, at least in part, on their rarity and effort of acquisition. Decades ago, antique lovers would have to search for desired items. Now, for example, finely hand-crafted furniture from 1850 is still “rare” by definition, but internet sites and online auctions have made it easier to access. It's all a few keystrokes away.

Another market factor is in how item use changes desirability. My grandmother had three sets of china – *three* – one for breakfast and lunch, one for dinner, and one for special holidays and events. All lovely, and all had to be washed by hand. People don't live like that today. I often eat meals out of the container they were microwaved in. As for furniture, if you can't fall into it and recline, if the dog can't sit on it, it doesn't go in the house. My mother would never have imagined that lifestyles would change that much in 15 to 20 years. Who knows what my children or grandchildren will value in 20 years?

The point is that change in value of many assets, not just antiques, can happen for a wide range of reasons that are completely outside of your control. And when that value changes for the worse, your asset becomes illiquid to some degree. You're forced to sell it for less than you planned or hang onto it for an undefined amount of time to see if the value returns, an increase that is also often due to factors that are largely outside your control.

Lesson 2: Seller beware

We've had more than one dealer assess items; all professionals with decades in business. We'll talk to more. Here's why. One person told me that an antique corner cupboard was worth \$8,000+, the second told me they'd get about \$1,500 at auction. A gold/silver/coin shop in town said my father's coin collection wasn't worth more than the actual denominations, while a dealer said \$5,000 *conservative*. The head of a respected auction house in our region told me about a client of his that took some family jewelry to one of those "we buy jewelry" events at the local mall store and was told they'd pay \$1,000 for all of it. He put it in his next auction and it sold for \$34,000. Every dealer has their own unique client/customer base that looks for particular things. Ergo, that dealer values those things over others, regardless of appraised value. And there are a surprising number of people and store fronts marketing themselves as experts in certain assets, but the credentials that enable them to claim expertise are unclear.

In all asset types, you need to know the background of the people you're dealing with and know that they are working in *your* best interest. Some "experts" are better at some things than others.

Lesson 3: Liquidity often trumps value

Value is made up of several different and changeable elements. Liquidity is clearer – how much will someone give you for that asset, and how quickly? This also applies to any asset. Value can go up or down, sometimes down significantly, and sometimes it may not recover for years. If you own something because it "brings you joy," that's great. If you are collecting something(s) or holding onto something because you believe it has high monetary value and/or you can liquidate it for cash, that may not be true when it matters most.

Irrational investors make this mistake, as do collectors of fine items. Good financial behavior in building a portfolio means divorcing yourself from the emotional entanglements of what you think might become valuable. It's investing, not gambling. If your risk tolerance and financial profile don't align with buying individual stocks, don't pine for the next hot offering, because building single stocks in your portfolio may increase illiquidity. Instead, listen to your advisor, apply sound principles, and follow your plan.

And never undervalue liquidity. I frequently meet with clients who say they need help improving their current financial state. Yet they are making high contributions to retirement funds – funds they can't access (at least without penalty) no matter their need. Other clients say their money is tight, but they are making extra payments on mortgages with 3-5% interest rates because they read paying off faster is a good thing to do. In both cases they've exchanged a liquid asset (cash) for an illiquid asset (401k funds or home equity). Lack of liquid assets is often a factor in credit card debt, compounding current financial issues.

Lydia Palmer, Registered Representative and Financial Advisor of Park Avenue Securities LLC (PAS). OSJ: 600 DELAWARE AVENUE, BUFFALO NY, 14202, 716-8177109. Securities products and advisory services offered through PAS, member FINRA, SIPC. Financial Representative of The Guardian Life Insurance Company of America® (Guardian), New York, NY. PAS is a wholly owned subsidiary of Guardian. Higher Purpose Financial is not an affiliate or subsidiary of PAS or Guardian. Tracking: [9100304.1](#) Exp: 08/28