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Prudent Portfolio: The Junk Car in the Garage May Not Be Junk

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By Kevin Peters – Have you been out to the garage to kick the tires on that old coupe lately, or taken your antique roadster on a road trip?

If not, you may want to rethink your attitude toward America's love affair with the automobile, because depending on the year, make and model, many are once again "hot." Finding a classic, antique or vintage car or truck, or in some cases even motorcycles and scooters, is as near as your computer or hand-held device.

Automobiles in myriad forms are sold in the classified sections of news outlets as well as Internet advertising and auction sites. But to really stoke the interest of potential investors, it is worth noting that quite recently a 1963 Ferrari 250 GTO sold for $52 million, making it the most expensive sale of any car in history.

The vehicle was purchased from a Connecticut man who bought it in 1974. But it was not in a hermetically sealed room for 40 years only to be released when the market was right. The seller reportedly took the Ferrari to vintage auto events, so it certainly didn't acquire dry rot.

The previous record price paid for an automobile – only 18 months ago – was $35 million, for a 1962 Ferrari GTO in May 2012. The $52 million sale price represents a staggering 49 percent premium over that prior record Ferrari GTO sale.

The previous $35 million record for a Ferrari was held by the purchaser of a model that was built for racer Sterling Moss. It was sold in 1996 for $3.5 million and roughly nine years later it was sold again for about $8.5 million.

The price jumped from $8.5 million to $35 million when the Moss Ferrari was sold in May 2012, and while Ferraris hold a special place in the hearts of wealthy buyers, the sale also gives a good indication of the value of classic and vintage automobiles in general.

Collector cars become deceptively more attractive when yields on stocks and cash investments are low. But potential buyers should beware and educate themselves on the nuances that are small but ever so important when purchasing older vehicles.

The three primary definitions with which to be familiar are:

- **Antique:** In most cases a car that is over 45 years old, that has been maintained in keeping with the original manufacturer specifications.

- **Classic:** A vehicle that is at least 20 years old, but not more than 40 years old and is not be modified or altered.
- **Vintage:** Generally, cars that were manufactured between 1919 and 1930, but some end it at 1925. Unlike the other two classifications, having had modifications does not necessarily keep a car from being classified vintage.

With the New York Auto Show this month, I cannot help wonder if any cars being featured will someday end up being termed a "classic." My guess is you probably will get a better investment return steering elsewhere.

An obvious question is whether the prices of such vehicles will continue to rise and how high? I am skeptical. What will happen to the market for these cars if Cuba suddenly is opened to trade and all those cars from the 1950s are suddenly on the market?

While I am always open to considering alternative investments, I am far more comfortable with a different sort, real estate investment trusts, for example, with typically high yields.

Of course, investing in a classic car may be more fun than buying a particular stock or bond. However, if you need to liquidate the asset to pay for a child's college or for retirement income, the car probably won't be the right "vehicle" for you.

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