



# WEALTH

FINANCIAL AND LIFESTYLE PERSPECTIVE FROM NORTHERN TRUST

Special Edition

## the art of collecting



NORTHERN TRUST



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## A PROUD PARTNERSHIP

Northern Trust's support of EXPO CHICAGO goes beyond the standard commitment of a presenting sponsor. Year-round events are held across the country with EXPO CHICAGO President and Director Tony Karman, and it's become a highly anticipated event each September.

"We think it's a great event for the city of Chicago and for the arts," says Rick Waddell, Chairman and Chief Executive Officer of Northern Trust Corp.

Waddell and many other Northern Trust partners have developed lasting relationships with artists and galleries who visit the exposition each year. Waddell, an avid appreciator of the arts, has even purchased a couple of pieces at EXPO CHICAGO for his personal art collection, including one by famed photographer Annie Leibovitz.

But not all exhibitors are as internationally recognized as Leibovitz — and EXPO CHICAGO provides a platform for emerging artists and galleries, offering them unparalleled exposure to the show's nearly 40,000 visitors.

"We like the vibrancy and the diversity of the styles, galleries and geographies," Waddell says. "We're proud to have partnered with them over the years."

Published by  
**Northern Trust**  
50 South La Salle Street  
Chicago, IL 60603  
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Northern  
Trust's CEO  
& President  
both share a  
passion for art  
and making  
it accessible  
to the  
community.



EXPO CHICAGO PRESIDENT AND DIRECTOR TONY KARMAN AND NORTHERN TRUST CEO RICK WADDELL UNVEIL THE 2016 NORTHERN TRUST PURCHASE PRIZE RECIPIENT AT EXPO CHICAGO 2016. PHOTO BY SEAN BRADY/EXPO CHICAGO 2016

# From Corporate to COMMUNITY



“Our objective is to be the most trusted financial partner for our clients. So anything that relates to wealth, which includes art, we want to provide the service, knowledge and expertise to them.”  
— Mike O’Grady

Since opening its doors in 1889, Northern Trust has had a strong connection to the arts. The bank’s founders, the Smith family, were not only avid art collectors but fervent supporters of art and its creators.

Support of the arts has steadily remained over the last 128 years said Rick Waddell, chairman and chief executive officer of Northern Trust.

“The DNA of our commitment to the arts came from the Smith family,” he said. “We’ve maintained that interest and support over the years not just because many art organizations are our clients, but because we truly want those organizations to be successful.”

Like his predecessors, Waddell — Northern Trust’s CEO since January 2008 — is also an arts enthusiast. During his time as an undergraduate student at Dartmouth College, it was a required art history class that sparked his interest.

“I learned about Greek and European art,” he said. “I really enjoyed it, and it provided a strong foundation and started my appreciation for art.”

That appreciation only grew stronger upon marrying his wife, Cate. As young newlyweds fresh out of college, the Waddells began collecting art to decorate their first apartment together. With their limited budget, they purchased mostly posters from the Art Institute of Chicago and a few small paintings from lesser-known local artists.

But as their careers and

family grew, so did their art collection, which now includes various oil paintings, watercolors and photography. One of his favorite pieces is a photograph of Niagara Falls by world-renowned photographer Annie Leibovitz. The photograph’s subject is not only where the Waddells visit several times a year, but it is also where the young couple went on one of their first dates.

“My wife and I have certain galleries and artists we like, but we want art that we can connect to,” he said. “We’re always looking for pieces that say something to us and who we are as a family.”

Waddell’s appreciation for art deepened in 2003 when the Art Institute of Chicago asked him to join its board as a trustee.

“Being on the board is not just about approving art acquisitions or going to openings, it’s about strategizing, planning and budgeting,” he said. “I’m not there as an art collector but as someone who realizes the tremendous value of the Art Institute and who wants to make sure it’s around for another 100 years.”

Waddell is not the only senior Northern Trust member to serve on the board of a major Chicago art institution. Mike O’Grady, who was named president of Northern Trust in January 2017, has served on the board of the Museum of Contemporary Art Chicago (MCA) since 2011.

While traveling and when time permits, O’Grady enjoys visiting local museums and galleries. Favorites include: the Tate museum in London, the



Uffizi Gallery in Florence, the Musée Picasso in Antibes, and the State Hermitage Museum in St. Petersburg, Russia.

Closer to home, O’Grady and his wife, Claire, visited Marfa, Texas — a small city in west Texas that has become an American arts destination — and were impressed by minimalist artist Donald Judd’s large-scale art installations in the town.

“Seeing something as simple as 100 metal boxes arranged in multiple warehouses was incredible and very different from what I was once drawn to,” he said.

Though he still appreciates traditional paintings and sculpture, his interest in contemporary art — such as that in Marfa — was piqued upon accepting his position on the board of the MCA.

“I thought it would be an interesting opportunity because of my interest in art, but it’s been even more fulfilling than I thought it would be,” he said. “They are as passionate about their business as I am about ours,

and I enjoy being a part of their mission and vision.”

That passion for art is often found in Northern Trust clients, who from time to time seek financial advice related to significant works.

“Our objective is to be the most trusted financial partner for our clients,” he said. “So anything that relates to wealth, which includes art, we want to provide that service, knowledge and expertise to them.”

Northern Trust’s involvement in the community is not limited to the arts, nor does it only involve our top executives. All employees are offered two paid days off for volunteer activities with approved nonprofits, including arts organizations.

“Our strategy has always been to give back and make sure the community is well supported,” Waddell said. “We want to make sure that where we live and work and where our clients live and work are all thriving communities.” ■

NORTHERN TRUST  
PRESIDENT MIKE  
O’GRADY IN  
NORTHERN TRUST’S  
GLOBAL CONFERENCE  
CENTER. PHOTO  
BY SEAN BRADY/  
NORTHERN TRUST 2017





Visitors to the Transformer Station in Cleveland, Ohio are treated to an exceptional collection of contemporary photography. The clean, modern gallery space, housed in a refurbished electrical station, is perfectly suited to showcase the emotion and provocation of the art on display.

Yet the Transformer Station is neither a museum nor a commercial gallery — at least, not in the traditional sense. Though it is free and open to the public — and its interior space complies with museum standards governing temperature, humidity, security and light — it is a private museum operated by a nonprofit foundation founded by local art collectors Fred and Laura Bidwell.

The Bidwells' collection grew steadily over two decades during which they formed close relationships with emerging photographers and often commissioned original work. As the collection grew, the couple envisioned Transformer Station as a place to showcase the art and artists that were so important to them.

## Serving the Public

Consider the advantages  
of displaying your  
collection for all to see.

PORTRAIT OF FRED AND  
LAURA BIDWELL. PHOTO  
COURTESY OF FRED  
AND LAURA BIDWELL



“What’s really motivating this is our desire to work with artists and empower them to take new steps in their careers and with their work,” says Fred Bidwell.

Transformer Station is also part of an emerging trend toward private museums, which offer tax benefits to collectors while preserving some control over where and how their art is exhibited. While public museums like the Metropolitan Museum of Art accept donations from the public, private museums are funded by an individual or a small group of donors and may not have to answer to as many stakeholders.

“There’s been some ambivalence among art collectors regarding the best way to make a charitable gift of art. Art collectors are increasingly considering how they might take advantage of tax rules while also maintaining as much control as possible,” says Marguerite Griffin, senior vice president and director of Philanthropic Advisory Services at Northern Trust.

Private museums — such as the Transformer Station; Pier 24 Photography in San Francisco; the Glenstone Museum in Potomac, Maryland; and the Brant Foundation Art Study Center in Greenwich, Connecticut — are taking a middle road, one that allows collectors to maintain oversight of their art while enjoying a tax-advantaged position.

Traditionally, privately owned collections have not conferred any tax benefits while gifts to museums are fraught with the risk that the donated works may disappear into storage, away from view. By donating their art to a dedicated, tax-exempt private operating foundation, collectors are able to claim a tax deduction equal to the fair market value of their collections — up to 30 percent of the collectors’ adjusted gross income.

## Reframing the museum

The first step in establishing a private museum is to create a private operating foundation that will oversee the art collection and is

dedicated to conducting tax-exempt activities. Tax-exempt activities can include making the art available for public viewing and conducting educational seminars and workshops. This generally requires a designated, publicly accessible space to display the art — along with all the operational efforts required to make that happen, ranging from hiring curators and security personnel to training docents, educators and volunteers to lead tours and otherwise help bring the collections to life for visitors to the museums.

Transformer Station maintains a full-time staff of two, not counting the Bidwells, along with 30 volunteers. The museum also benefits from a co-programming arrangement with the Cleveland Museum of Art (CMA), where Fred Bidwell serves on the board of trustees. As part of the arrangement, the Bidwells promised to give the building to the CMA in 15 years. Even now, the museum is able to display anything they like at Transformer Station, with one caveat: “The only string attached is that they must put on contemporary shows that are more daring than those they would normally do in their conventional space,” says Bidwell.

The museum partnership helps keep Transformer Station running, but Bidwell says a do-it-yourself approach also can be effective.

“I think it’s totally valid to do it on your own. Be prepared, though: It’s an awful lot of work unless you can afford to fund a lot of staff,” Bidwell says.

## Spotlight on access

The Transformer Station is located in a bustling, up-and-coming Cleveland neighborhood and is open five days a week to walk-in visitors, but that level of accessibility is not a legal requirement for private museums. Pier 24 in San Francisco requires an appointment in order to visit but is located on the waterfront at Embarcadero, a tourist-friendly spot. In contrast, Maryland’s Glenstone Museum is located more remotely in a rural wooded area that neighbors the estate of the museum’s



TOP: INTERIOR OF EXHIBITION AT THE TRANSFORMER STATION;  
BOTTOM: EXTERIOR OF THE TRANSFORMER STATION. PHOTOS COURTESY OF FRED AND LAURA BIDWELL



founders, Mitchell and Emily Wei Rales.

Overall, the tax code does not include definitive rules regarding the operating requirements for private museums other than that they be open to the public, although that may change. A 2016 review of private museums by U.S. Senate Finance Committee Chairman Orrin Hatch was critical of private museums that require reservations or keep limited hours.

“Tax benefits associated with private giving to a public cause are a privilege with a long history,” says Suzanne Shier, senior vice president and chief wealth planning and tax strategist at Northern Trust. “As we anticipate tax reform, Senator Hatch and the full Senate Finance Committee are expected to be keenly focused on preserving our tradition of giving and curbing any perceived tilt to private benefit. Accessibility of private museums to the public likely will remain an area of close scrutiny.”

Hatch’s message is that collectors who opt to establish private museums should do so as philanthropists committed to broad public access to art, rather than as a move made with tax advantage as the top priority. Northern Trust’s Griffin says that is the right perspective regardless of the legal landscape.

“For most collectors, I think of private museums as a second resort — something to pursue if you aren’t able to find or come to an agreement with an existing institution that really values your collection,” explains Griffin. “You can save so much money and energy if you’re able to find the right institution that already has the resources to support your collection as opposed to starting an entirely new institution.”

But for collectors such as the Bidwells, self-described “activist-philanthropists” who are also leading the charge on Cleveland’s first triennial

for contemporary art, FRONT International, in 2018, the private museum provides a forum through which they can achieve their own artistic vision — one that both exposes the public to challenging works of art and plays a role in the creative processes of the artists whose work they commission and collect.

“We like to develop relationships with artists, to get an understanding of the work that they’re doing or would like to do, and then empower them to realize those projects through exhibitions at the Transformer Station,” says Fred Bidwell.

## Philanthropy on display

The Bidwells’ private museum makes sense for them because it serves an artistic and altruistic purpose as they attempt to influence and support a generation of photographers. Their long-term plans for their collection are more traditional: It has already been promised as a future gift to not only the CMA but also the Akron Art Museum.

In the short term, the Transformer Station is a creative vehicle through which the Bidwells can maintain tax-advantaged control of their art collection and a way to influence the community they love. “In a very friendly way, we see what we’re doing as a challenge to the Cleveland Museum of Art — a way to make sure that they continue to innovate and move quickly and engage with the art of today,” says Bidwell. ■





# Navigating the World's Uncertainties

Maneuvering the art market can be unsettling for collectors, dealers, gallery owners, auctioneers and artists.

PHOTO BY JIM PRINZ/  
EXPO CHICAGO 2016

**T**he global nature of today's art market provides opportunities for collectors to ride out highs and lows — especially if they are willing to explore new and emerging regions.

In 2016, the art market faced the first down year in total art auction sales since 2009. But the first six months of 2017 brought record-setting prices on pieces by Jean-Michel Basquiat, Constantin Brâncuși and Peter Doig, which

prompted murmurs of a potential economic bubble in the contemporary art market.

"The art world's cross-currents are complex and can be downright mystifying," says Mac MacLellan, president of the central region for Northern Trust Wealth Management. "It's critical to understand what's going on globally because it could have a long-term impact on your collection, no matter how big or small."

Through a series of discussions with

*Wealth*, three art experts offered their insight and analysis of the current state of the art market: London-based Bomi Odunade, director of global art advisory at Dash & Rallo; Adriano Picinati di Torcello, a director with Deloitte Art & Finance in Luxembourg; and Canice Prendergast, a professor of economics at the University of Chicago and chair of the University of Chicago Booth School's Art Collection Committee.

**Wealth:** To start, how does the art world currently fit into the broader global economic and social landscape?

**Prendergast:** I think it's important to distinguish between the art market and the art world. The art market is very bifurcated in that the top 1 to 2 percent of galleries are part of an enormous boom in the auction world, but outside of that, there's a quiet



desperation. Meanwhile, in the art world, there's a sense of almost existential angst. Between Brexit, the last U.S. election, the situation in Syria and the refugee crisis in Europe, contemporary art's role in social discourse is very low.

**Odufunade:** Globalization allows for a quite fluid art market, so downturns may now be viewed as opportunities. For example, as Portugal's economy has recovered over the last couple of years, it has re-energized and regenerated cities such as Lisbon, which now has a flourishing art scene. We have to embrace the possibility that new challenges can lead to cultural explosions.

**Picinati di Torcello:** Countries, especially those with old economies, have to find new ways to support economic growth and many are looking to art and culture. For example, in France, they're not just focused on art creation but attracting tourists through culture, which increases spending and creates

more interest in France in general.

**Wealth:** Turning to Brexit, how could the United Kingdom's exit from the European Union (EU) undermine current conditions?

**Odufunade:** Everyone I talk to is very cautious. More cautious than, say, during a recession, because with a recession, you know it will come back up. But with this, nobody knows what's going to happen. Plus, it's not just how the trading, currency exchanges or taxing matters could change in the London market, but it's managing the gallery staffs, which come from all over Europe. The freedom of movement granted by the EU has been key for the art world. But if galleries suddenly have to pay for visas for each of their staff, I don't believe they'll all do it, especially the small and midsized galleries.

**Prendergast:** Ultimately, whatever happens in London's financial sector is going to

affect the art market there because of the connections between those two industries. That said, I've heard some debate that Brexit could lead to a more decentralized European art market since London won't have the pre-eminent position anymore. And that feels a little healthier if we start to see more active markets and galleries in cities such as Paris, Amsterdam, Brussels and Frankfurt, in addition to, of course, Berlin.

**Wealth:** Looking ahead, what else could potentially influence the art world?

**Picinati di Torcello:** The penetration of technology and the internet has disrupted the market to a certain extent in terms of sales, transparency and the way business is done — not only in the growth in art dealers using online sales tools, but in the ability to use technology to resolve issues around authenticity, security and provenance, which can enhance trust matters related to the providers as well as the actual art objects.

**Odufunade:** I think the globalization of the art market has created interesting opportunities for collectors. Art fairs are more regionalized, so you have a chance to see something new from different countries. It opens up an awareness of other artists and gives them a profile within the contemporary art market. I think we have all realized that these differences have made the market more interesting and it is an opportunity to engage in various cultures. The idea of going to Art Dubai to sample what is artistically happening in the Middle East is interesting, or going to Joburg Art Fair in South Africa, or even Zona Maco in Mexico. I think it is important that this is organically evolving and not being dictated by one singular voice. After all, if every art fair were the same, then they would be incredibly repetitive and boring.

**Prendergast:** For almost the first time in history, we seem to have a lot of high

wealth individuals who seem to want to spend their money on contemporary art, and that's certainly leading to historically high prices. Recently, however, I've been struck by the prices of objects that have historical, monumental importance, relative to the price of contemporary art. For example, original copies of the Emancipation Proclamation and the 13th Amendment — both signed by Abraham Lincoln — sold for less than \$2.5 million each in 2016. Yet there are hundreds and hundreds of paintings in the contemporary art world that you cannot buy for \$2 million — that part is concerning.

**Wealth:** What about the creative core of the art world, the artists?

**Picinati di Torcello:** When prices go through the roof on high-end pieces, a limited number of artists directly benefit. On the other hand, the higher prices tend to generate more intrigue or interest from a larger audience, and with that visibility, more people become more active in the art world. And that allows more artists to live off their creations.

**Odufunade:** Having worked in a museum, a commercial gallery and now with artists, I do know that when an artist's work has gone crazy at auction, it makes the artist nervous. Everyone enjoys success and the money that comes with it, but some are cautious over how quickly that success happens.

**Prendergast:** I think the current market conditions prompt a question that nobody has a good answer to yet: To what effect does demand by collectors determine the production of certain kinds of art? Is it the case where great Masters of Fine Arts students are saying that's where the money is and where I should be? In the market for cultural goods, you sometimes want such avant-garde work that initially we all think it's totally dreadful. I don't know if we're getting that [level of experimentation] today, and I think it's certainly a concern. ■



TOP, LEFT TO RIGHT: PHOTO BY SEAN BRADY/NORTHERN TRUST 2016; PHOTO BY CORY DEWALD/EXPO CHICAGO 2016; PHOTO BY SEAN BRADY/NORTHERN TRUST 2016  
BOTTOM, LEFT TO RIGHT: PHOTO BY CLAIRE DEMOS/EXPO CHICAGO 2016; PHOTO BY SEAN BRADY/NORTHERN TRUST 2016; PHOTO BY SEAN BRADY/NORTHERN TRUST 2016




# SARAH ARISON: When Passion Meets Purpose

**It may sound obvious, but art is** not confined to the walls of famed museums and galleries. Even for the museum-averse, art enriches our lives on a daily basis. It is in the clothes we wear, the movies we watch, the music we listen to, the houses in which we live and the furniture with which we fill them.

“There isn’t one aspect of our lives that isn’t touched by an artist,” says Sarah Arison, president of the Miami-based Arison Arts Foundation, a private grantmaking organization that provides support for emerging artists and the institutions that foster them. “There’s a designer, an architect, a director or a musician behind almost everything.”

To Arison, art is not a luxury: It is a necessity. And that is why she has made it her mission to support the arts and those who create it.

In addition to leading the foundation, which her grandmother Lin Arison founded in 2005, Arison is a trustee for the National YoungArts Foundation, founded in 1981



PORTRAIT OF  
SARAH ARISON.  
PHOTO COURTESY OF  
SARAH ARISON



by her grandmother and grandfather, Ted Arison, founder of Carnival Cruise Lines. YoungArts' signature program is a merit-based arts competition for the most promising artists aged 15 to 18 from across the United States. Each year, more than 8,000 applications are submitted, and approximately 170 are chosen as finalists.

YoungArts winners in dance, photography, voice, theater, writing, visual arts, cinematic arts, design, jazz and classical music receive financial awards of up to \$10,000. They are also provided educational experiences with master artists such as Frank Gehry, Debbie Allen, Plácido Domingo and Mikhail Baryshnikov, and opportunities to perform and showcase their work at cultural

institutions across the country. YoungArts alumni include singer Josh Groban, playwright Tarell A. McCraney, and actors Viola Davis and Anna Gunn.

"Every one of our winners has different talents, backgrounds, hopes and aspirations, but seeing the joy they have when given the opportunity to pursue an education, start a career and create a community with other artists is invigorating," says Arison, who is also a trustee of the New World Symphony, MoMA, Americans for the Arts, MoMA PS1 and American Ballet Theatre.

But Arison, who lives in New York with her husband, Thomas Wilhelm, was not always so inspired by art. She used to, admittedly, not even understand it. It wasn't until a trip to France that art finally began to make sense. After her grandfather died, a 15-year-old Arison and her grandmother went to the

Auberge Ravoux in the village of Auvers-sur-Oise to visit the small room where Vincent van Gogh spent the last two months of his life. It was there that she read private letters between van Gogh and his brother.

"Reading those letters, I began to understand the passion and drive that artists have," she says. "It's not like picking a career randomly. It's something so innate. It's something they have to do."

A self-proclaimed math and science nerd, Arison never intended to have a career in the arts. When her grandmother asked her to head Arison Arts Foundation during her third year in college, the young Arison changed course. She majored in French and business at Emory University in Atlanta and learned how to lead the organization by watching her grandmother.

"My grandmother was still heavily involved then. We went to board meetings and did everything together. It was a real learning process for me," she reflects. "When she finally stepped away five years ago, I felt ready to handle it."

Arison has also found her own outlet in art: as a film producer. Her first feature film, "Desert Dancer," starring Freida Pinto, debuted in 2015, and her second film, a documentary called "The First Monday in May," opened the Tribeca Film Festival a year later. The documentary tracks the creation of the Metropolitan Museum of Art Costume Institute's show "China: Through the Looking Glass" and the 2015 Met Gala, a major annual event in fashion, another one of Arison's passions.

**"There isn't one aspect of our lives that isn't touched by an artist."**

— SARAH ARISON



PHOTOS COURTESY OF SARAH ARISON



While Arison credits her grandparents for immersing her in the art world from a young age — they took her to the symphony when she was only 4 years old — she admits that experiencing art does not have to mean traveling to France to retrace van Gogh's final footsteps. It can be as simple as visiting a local museum or watching a performance at a small community theater.

"So many of our cultural institutions have incredible year-round educational programs that allow kids to interact with and create art," she says. "Just that exposure can do amazing things."

Arison is already working with the executive team at YoungArts on a new endeavor. Her focus has long been on teenagers, and will remain so, but she now wants to also help artist professionals in the beginning stages of their careers.

"Currently, there's a lack of professional

development in arts academia," she says. "So many artists come out of school and don't know how to start a career."

Her plan is to use mentors who have successfully navigated a career in art to teach new graduates how to find a job and prepare themselves professionally. Because after all this time in the art world, she gets it: Passion does not always follow a clear path.

"Young artists are vital to our society. They're creating the next generation of things that will impact our everyday lives," she says. "If we don't support them, can you imagine what the world will look like?" ■



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