



What You Need to Know
Before Buying
Luxury Holiday Gifts

Whether this year's perfect gift is a Swiss-made watch or a bespoke designer handbag, purchasing luxury items for the holidays can involve a bit more than grabbing a gift off the shelf at the nearest big box store.

Consider these factors before making a luxury holiday gift purchase.



1. *Leverage the skills of a personal shopper.*

Personal shoppers aren't just for fashionistas who want to stay up on the latest trends. These professionals can be a valuable asset when it's time to choose and purchase gifts for the people you love and value. Top personal shoppers charge a premium for their time and expertise—but it's an investment that pays off when you're shopping for the holidays.

Some personal shoppers specialize in a specific area, like fine art or memorabilia. This helps them efficiently source gifts for you, and it reduces the risk you'll purchase counterfeit merchandise. Other specialists might find and arrange the perfect experiential gifts, like a trip to a French winery that includes private dinners and tastings.

No one wants to spend more money than necessary—and that's just as true when you're considering luxury gift ideas. A personal shopper may be able to find a better deal on a particular item than you could on your own because they can more efficiently source the items or negotiate better discounts with vendors or merchants.

A high-quality personal shopper makes gift-giving easier as well by getting to know you and the people in your life. They can recommend perfect gift ideas you may not have thought of yourself, and they can keep an eye open for new ideas for future holidays or special occasions.

2. Paperwork can add time to the gift-buying process.

The paperwork an expensive or luxury gift entails can be more involved than simply remembering where you put the receipt. Sometimes the additional paperwork is relatively straightforward, like obtaining a certificate of authenticity (COA) for a Hanadama pearl necklace. Keep in mind, this type of paperwork may be necessary if you or the recipient decides to insure the item.

Other gifts demand much more complex paperwork. Consider that a partnership agreement for a racehorse involves legal documentation that requires time and planning to craft. This adds complexity to luxury gifting, so you may need to factor in additional time to handle the logistics before giving the gift.

3. Understand regulations for imported gifts.

If you're giving a present that involves importing an item from another country, review the regulations both for exporting from the country of origin and importing into this country, or work through a vendor that understands the process.

For example, certain items, like agricultural products are highly regulated. So, for instance, if you want to import a rare plant for your horticulturist mother, you'll want to purchase through a vendor or merchant that understands the guidelines and ensures the gift enters the U.S. properly.

In addition, you could be subject to state regulations regarding certain imported products, so check state government regulations as well.

4. There may be tax implications—for you.

When you're giving high-value gifts, like a down payment for a home or a pricey piece of memorabilia, it's important to understand the tax implications.

The IRS imposes a gift tax on gifts over a certain amount—a tax the gift giver must pay. In 2017, you can give a gift tax-free up to \$14,000 per recipient. Or you and your spouse may be eligible to give a tax-free joint gift of up to \$28,000 (half from you, half from your spouse) to a third party. The annual exclusions rise to \$15,000/single and \$30,000/joint in 2018. Gift amounts over the annual exclusion are subject to the tax.

Gifts of any amount given to your spouse are excluded from the gift tax.

Always consult your tax professional to learn the exact tax implications of your purchase. They can also tell you if you might be liable for additional state or local gift taxes.

5. Consider the long-term costs of your gift.

The costs to keep a gift over time can be significant for certain luxury items. For example, you may be considering buying a yacht for a loved one, but the long-term price of ownership includes fuel costs, regular maintenance, repairs, winter storage, and transportation. Depending on the size of the yacht, you may also need to consider crew salaries, benefits, etc.

In other cases, a gift might require special conditions to store and maintain. A valuable first-edition book, for instance, might need safeguards like a protective covering or low-humidity environment to prevent mildew and mold. Likewise, a bottle of vintage wine may require storage at a particular temperature or humidity level. You'll need to consider whether you or the recipient have the resources and willingness to bear those long-term storage or maintenance costs.

6. *Protect luxury gifts with insurance.*

Whether they're fine art pieces or rare baseball cards, high-value gifts can be significant investments—make sure you protect your investment with proper insurance coverage. An insurance professional with experience working with high-net worth clients will offer the insights and expertise to develop a plan that meets your unique needs. They will customize insurance solutions that fully and properly protect fine art, jewelry, collectables, couture fashion, and other luxury gifts.

In some cases, you may need highly specialized coverage. A yacht may require insurance protection that includes hull coverage, wreck removal, onboard personal valuables, as well as coverage for additional tenders or personal watercraft. It may also require additional coverage to protect your wealth if a claim exceeds your primary liability policy.

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