



# The superrich are doing you a favor

Stop whining and act grateful; the sales of private jets, yachts, artwork and jewels are fueling the economy and fending off a recession. Even better, you could get rich off the rich.

## Latest Market Update

April 05, 2007 -- 16:20 ET By [Jon Markman](#)

The superrich are different from you and me. It's not just that they have more money. It's that they spend more. Much, much, more.

In fact, the superrich spend so much more of their mountains of money, according to a new line of thinking among academics, that they may provide a public service by smoothing out the little dents and valleys in the global economy. As scads of Russians, Chinese, Indians and South Americans have joined the billionaires club due to the rise of emerging markets' industrial might, worldwide recessions have become much fewer in number and far slighter in severity than in past decades.

This makes sense, even if it doesn't make you feel better. For just when many average people in the United States or Europe are slowing down their consumption of goods and services due to the loss of a job or pending home foreclosure, there are an increasing number of superrich worldwide to fill in the spending gap. It's sort of a perverse fulfillment of the trickle-down theory.

Rather than being resentful of the superrich, perhaps we should all be grateful. The next time you run into a superrich guy at your local Bentley dealer, give him a hug.

## Plutonomics

The numbers are staggering and almost incomprehensible. According to research by Ajay Kapur, an analyst at Citigroup, the wealthiest 1 million people in the world account for as much spending as 60 million other households.

**The disparity between the bottom 99% and the top 1% has made any other class distinctions in the richest countries almost irrelevant. Welcome to the new world "plutonomy," where economic growth is powered by, and largely consumed, by the wealthy few.**

**Money in U.S. home prices could sink the U.S. economy, for it only takes one new free-spending Mumbai or Moscow zillionaire to make up for tens of thousands of faltering Americans missing their mortgage payments.**

Fortunately, there are plenty more than that in Russia alone. The swift rise in the value of natural gas -- sometimes called "blue gold" -- as well as nickel, aluminum and titanium, has helped create at least two dozen Russian billionaires and thousands more multimillionaires who are spreading their wealth around.

The Wall Street Journal reports that the new "Blingsheviks" are buying castles in Germany, Warhol prints in New York and polo ponies in Argentina. One in five homes in London's exclusive Mayfair district are now owned by a Russian, according to the Journal. A leader in this category is Roman Abramovich, the 11<sup>th</sup> richest man in the world, who has three yachts that stretch 161 feet, 282 feet and 377 feet, respectively, and who has commissioned a fourth that will eclipse the world's largest Arab-owned yacht, at 525 feet plus. **Sotheby's** ([BID](#), [news](#), [msgs](#)) sold \$3.65 billion worth of fine art at auction last year, 30% more than in 2005 -- and Russian art is a fast-growing category.

China, meanwhile, is now home to 500,000 millionaires who are proud to show off their gold-plated toilets, Versace-designed bedrooms and driveways loaded with BMWs, Escalades and Ferraris. In India, where the economy is growing at 8% per year, BusinessWeek reports that 83,000 people are millionaires, up 16% from two years ago. To help them spend their fortunes, Louis Vuitton, Hugo Boss, Valentino, Gucci and Fendi have opened stores in the major Indian cities.

Here in the United States, the share of total income going to the richest 1% of Americans rose to a record 17.4% in 2005. Meanwhile, the average worker's take-home pay, adjusted for inflation, has advanced just 0.3% since 2001 while the economy has swelled by 16%..

## Nouveau stocks

**In addition to big yachts and big homes, the superrich are naturally into big jets, big vacations, big jewels, big art and lots of fancy clothes.** If you're looking for an investment angle and conclude that you should focus on things that these folks buy, you're on the right track. The obvious plays are jewelry retailer **Tiffany** ([TIF](#), [news](#), [msgs](#)), leather goods maker **Coach** ([COH](#), [news](#), [msgs](#)) and auctioneer Sotheby's -- and all are trading at all-time highs. They'll all probably continue to do well in this environment, so if you don't already own them, by all means add them to your portfolio on dips.

A less well-exploited way to play the plutonomy is through the rapid advance of the sale and leasing of jet aircraft. I mean, what's the point of being a billionaire unless you can zoom from your home in Monte Carlo to a meeting in Berlin without ever scuffing your Ferragamos in a public airport. **In London alone, the number of private jet journeys has reached 300,000 a year and is growing by 10% annually, according to a published report.**

The king of the skies in the 10-seat category is the Gulfstream 550, complete with sofa, two beds and interior panels made from mahogany. No plastic allowed. That and numerous cousins are made by a division of **General Dynamics** ([GD](#), [news](#), [msgs](#)), which is a great buy right now at \$77. With prospects bright both for private and defense jets, and valuation reasonable, shares should ascend to \$100 over the next 12 months. A much riskier name in the business is Canada-based **Bombardier** ([CA:BBD.A](#), [news](#), [msgs](#)), which makes the Global Express jet owned by director Steven Spielberg and steel magnate Lakshmi Mittal. The plane can fly between any two points in the world with only one stop, and zooms from New York to Tokyo without a break.

A more unusual play on billionaires, and in my opinion potentially the best, are three recently floated companies that own fleets of jets and lease them to fractional ownership service providers, airlines, public companies and cargo haulers. **Aircastle** ([AYR](#), [news](#), [msgs](#)), based in Connecticut, sports a \$2.3 billion market capitalization, owns 65 planes and pays a 5.6% dividend yield. **Genesis Lease** ([GLS](#), [news](#), [msgs](#)), based in Ireland, is in the process of acquiring 41 aircraft from General Electric and has a commitment to purchase as much as \$300 million more. It offers a 7.4% annual dividend yield. **AerCap** ([AER](#), [news](#), [msgs](#)), based in Amsterdam, is a \$2.4 billion company that owns around 300 planes and also manages and services planes on behalf of others. Trading at \$36, \$26 and \$28, respectively, they all have an opportunity to plug into the wave of global wealth and commerce to trade as much as 25% higher, with dividends, over the next 12 months.

Keep that up for a couple of decades, and you could buy your own Gulfstream.