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FOOTNOTES

Taxes

A Fund To Savor

When it comes to liquid investments, nothing beats fine wine. If you don't have the expertise to assemble your own collection or a suitable place to store it, you might consider one of the new wine funds. They work like a mutual fund: investors pool money and a manager buys and sells wine -- mostly from top producers in Bordeaux and Burgundy. Such funds are often based in Europe and the Cayman Islands and they're lightly regulated. That means fees can be high and disclosure spotty.

But wine funds could be heading to the U.S. Richard Bakal, Executive Director of the Wine Trust, a collector and seller of fine wines in Ridgefield, Conn., plans to launch his own fund, Wine Trust II, in the next 18 months. Bakal, who has been collecting since the late 1960s, says his portfolio increased by an average of 12% a year after expenses since 1980. Annual returns on the 2000 Bordeaux vintage, considered one of the best ever, have been in excess of 20%. Of course, wine is meant for enjoyment, not just for financial gain, so Bakal plans to allow investors to take all or part of their profits in drink.

By Amy Cortese