

Private Investments: *Now Is The Time*

The SEC's modification of "accredited investor" has laid the groundwork for individual investors to access private market strategies such as private equity. Now is the time to open the door for everyone. Thanks to advancing technology and democratization, opportunities once considered only for those considered privileged are now available to everyone.

Private Markets and the Public

Over the past 20 years, a fundamental restructuring of public markets has moved much of the economic growth to private markets. Today, private firms outnumber public firms, and those privately-held companies remain private for longer. As a result, more significant growth opportunities are in private markets, in which most ordinary individual investors couldn't participate.

Family offices and institutional investors have long recognized the advantages of investing in private markets such as pension funds, foundations, and endowments. These wealthy, knowledgeable investors frequently allocate 15% to 40% or more of their assets to private equity. Given their success in the private markets, it's no wonder that many are clamoring for the SEC to level the playing field by allowing more institutional investors access to these private market strategies.

More Private Market Improvements to Benefit Investors

There are more improvements that may benefit investors. Such as making low-cost, unbiased data on private market fund managers available to assist advisers and investors in making more educated decisions. The performance disparity between the top and bottom-performing managers in private markets is more significant than in public markets. Fortunately, institutional investors and family offices are already well-represented in these private market funds.

Suppose the pool of eligible investors is extended. In that case, much of the current high-quality research most likely be made available to individual investors and their advisers sooner rather than later.

Finally, enabling investors with a vehicle through which they can access private market funds is essential. To fulfill this need, wealth managers in the industry have urged registered private market funds to grow, even though they are challenging to form and operate. As a result, general partners have not displayed motivation to provide registered

Knowledge Is Power

We've all heard the cliché, "knowledge is power." But when it comes to taking advantage of the SEC's amendment of the definition of accredited investor, it's true. Enabling investors with the appropriate professional or educational qualifications to make an informed decision to participate in exempt offerings has been a long time in coming. The amendment also intends to allow joint counterparts to combine assets to meet the accredited investor requirements. The new provisions are appropriate for investors as portions of the SEC proposal requirements emphasize:

- An understanding of these strategies is crucial since private markets can be sophisticated and illiquid.
- Individual investors working with a professional or educationally certified advisor may be able to avoid the same certification if they are aware of the capital commitment criteria.
- Investors must acknowledge an understanding of the risk and liquidity characteristics of the fund in question.

products, limiting access to top-quartile managers for retail investors. Registered private market funds often demand more significant fees than institutions would pay if they had invested directly in the same strategy. For individual investors, this reduces the value of private market assets.

Section 3(c)(7) feeder funds, which pool smaller assets into a single investment with a private fund manager, may provide a more suitable strategy with simple regulation adjustments. These funds allow ordinary investors to engage in private market funds alongside institutions, with lower investment minimums and cost structures than registered funds. Because they provide GPs with a seamless means to get into the retail sector, top-quartile managers are significantly more likely to adopt them — in fact, many already do. However, only approved buyers have access to these funds at this time. More people would be able to participate in high-quality private market funds if they were made available to authorized investors.

Access Into Private Markets May Fix The Retirement Savings Gap

According to the World Economic Forum, the retirement savings gap is growing at a rate of \$3 trillion per year and will reach \$137 trillion by 2050. One solution to this crisis is expanding access to private markets beyond institutions. Opening private markets to more investors would enable the "average Joe" access to previously unavailable alternatives, perhaps improving overall portfolio outcomes. With improved availability of high-quality information on funds and increased awareness of the risks and concerns of investing in private markets, private equity may become as frequent in investor portfolios as public equities and bonds.