

Singer Wealth



How the Wealthy Invest

One of the world's largest private equity firms called KKR did a survey among their ultra-high net worth families to find out how they are investing. The results may seem surprising.

These families have almost 46% of their money in alternative investments and only 29% in publicly traded stocks. Of the alternatives over half 52% is invested in private equity and a sizable chunk is in private credit.

Private equity is an investment in companies that are not publicly traded, and private credit funds make secured loans to companies that are not publicly traded. Private credit offers much more yield to investors than bonds.

On a global level private equity outperformed the public stock market basically every year between 1986 and 2020. According to Cambridge, as an asset class, private equity produced average annual returns of 14.28% over the 36-year period ending in 2022 vs 9.24% for the S&P 500. Putting that into perspective, during that time \$1 million in the S&P 500 grew to over \$26 million yet the same million in private equity would have grown to over \$139 million.

These are average private equity returns, if you worked with the best private equity managers, you could have earned much more. Historically these investments were only available to the ultra-wealthy or institutions. Today that is changing. Some of these investments are available to qualified purchasers who have at least \$5 million and many of these funds are available to those who are accredited investors with at least \$1 million of investable assets.

Initially when this definition was created by the SEC in 1982 only about 1% of investors qualified as accredited, now because of inflation, a million is not what it used to be. Today, about 15% of investors qualify. If your portfolio consists mostly of stocks and bonds you may want to consider adding private credit and private equity to your portfolio. Numerous studies have shown that adding private equity to a typical stock and bond portfolio has the tendency not only to reduce volatility but also increases returns.

Source: Bain Capital

Have you heard about our Vision Quest Process? Watch the video below to learn more!

Singer Wealth

www.singerwealth.com

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We are committed to helping you achieve your financial goals. Please feel free to contact us with any questions, comments, or a more in-depth discussion.

Sincerely,
Keith Singer

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