

Singer Wealth



Private Equity for Everyone

Historically investing in profitable growing companies that are not publicly traded (private equity) has been a key strategy for large institutions, wealthy families, and endowment funds. Between 2000 and 2023, the global private equity index as measured by Preqin delivered an annualized return of 10.5%, while a global public equity portfolio produced 7.0%, resulting in an average annual return premium of about 3.5%.

When compounding this excess return, a dollar invested in private equity at the end of the year 2000 grew to almost \$10, which is just over double the amount you would have received in public equities if you remained invested over that duration.

Why has private equity outperformed? Public companies are required to publish all their financial information quarterly and update it immediately as new material information becomes available. All investors have access to the same information. With limited exceptions, investors in public equities tend to make decisions based on the same set of publicly available information such as quarterly earnings, financial statements, and third-party analyst reports. As a result, it's almost impossible to make investment decisions based on information that not everyone else is aware of.

In private markets, transactions and financial updates occur infrequently, contributing to the inefficiency of private markets and rewarding those who have an information edge. Currently, there are many private equity funds that are available to accredited investors that have at least a \$1 million net worth. When the SEC created the threshold for accredited investors in 1982, only the wealthiest 1.8% of Americans qualified for these more complex investments. However, because of inflation, in 2022, about 18.5% of U.S. households, or 24 million households, qualified as accredited investors, according to the SEC.

The wealth thresholds that determine accredited investor status have not been adjusted for inflation since 1982. If they had, fewer households would qualify. Historically, private equity funds required investors to invest millions of dollars to participate in investment funds that were locked up for many years. Now accredited investors can invest as little as \$50,000 in funds that allow for quarterly redemptions.

Source: www.plantemoran.com

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

Singer Wealth

www.singerwealth.com

561.998.9985



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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