

Accredited Investor Checklist

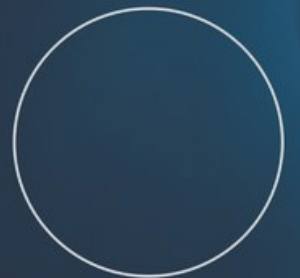


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A Comprehensive Guide to Understanding If You Qualify — and What That Means

This checklist is for educational purposes only and does not constitute investment, legal, or tax advice. Accredited investor status is defined by U.S. securities laws and should be confirmed with a qualified professional before making any investment decisions. This ebook structures the original document into a clear, step-by-step reference you can use to understand qualifications, avoid common misunderstandings, and plan prudent next steps. While we expand explanations and provide context, we preserve all original content verbatim. Use the following pages to evaluate eligibility based on income, net worth, or professional knowledge; then review common misconceptions, potential opportunities, and the crucial risks and responsibilities that accompany private investments.

What Is an Accredited Investor?

An accredited investor is an individual or entity that meets specific financial criteria established by the U.S. Securities and Exchange Commission (SEC). Many retirees qualify without realizing it. In practice, the SEC's framework aims to ensure that participants in certain private offerings have the financial capacity or sophistication to shoulder the risks. This status can open doors to investments that are not broadly marketed to the public, yet it also places a premium on investor self-education and due diligence. If you suspect you may qualify—especially if you are a retiree with significant savings, investment real estate, or past high earnings—use the checklists ahead to assess your situation before consulting a qualified professional for verification.

How to Use This Ebook

Start by reviewing Part 1, which presents the official qualification pathways: income-based, net-worth-based, and professional-knowledge-based criteria. Part 2 addresses common misunderstandings that often cause people to overlook their eligibility. Part 3 explains why accredited status matters and what it may allow you to access. Part 4 highlights material risks. Part 5 outlines prudent next steps and emphasizes that education should always come first. Throughout, remember that none of the information herein is a recommendation; it is an organized guide to help you talk productively with your financial, legal, and tax advisors.



Part 1: Accredited Investor Qualification Checklist

You may qualify as an accredited investor if any ONE of the following applies to you. The SEC allows multiple paths so that investors can demonstrate either financial capacity (via income or net worth) or professional sophistication (via certain licenses or employment with specific funds). Carefully consider each category below and document supporting evidence—such as W-2s, tax returns, account statements, or proof of licensure—before engaging an issuer or a verification service.

Income-Based Qualification

- I earned \$200,000 or more in each of the last two years and expect the same this year.
- I earned \$300,000 or more combined with my spouse in each of the last two years and expect the same this year.

Income thresholds are assessed over the two most recent years with a reasonable expectation of the same for the current year. If your income fluctuates, consider whether bonuses, equity compensation, or consulting income pushed you above these thresholds. For married couples, combined income can qualify even if one spouse individually does not meet the \$200,000 mark. Maintain records that substantiate the consistency of your earnings.

Net Worth-Based Qualification

- My net worth exceeds \$1,000,000, individually or jointly with my spouse.
- This does NOT include the value of my primary residence.
- Assets may include retirement accounts, investment real estate, business interests, cash, and brokerage accounts.

Net worth equals total assets minus total liabilities. Importantly, the value of your primary residence is excluded from the asset side, and certain mortgage considerations may apply. However, many assets do count: IRAs and 401(k)s, taxable brokerage accounts, cash reserves, interests in private businesses, and investment properties. Ensure that valuations are realistic and that liabilities—such as margin loans or lines of credit—are properly netted out. Retirees often qualify via accumulated savings even without current high income.

Professional Knowledge Qualification

- I hold certain professional securities licenses (such as Series 7, 65, or 82).
- I am a knowledgeable employee of a private investment fund.

Professional pathways recognize individuals who have demonstrated financial sophistication. Maintaining an active Series 7, 65, or 82 license may satisfy the knowledge requirement. Likewise, being a knowledgeable employee of a qualifying private fund can confer accredited status in specific contexts. Always confirm the scope and applicability with counsel or the issuing firm, as documentation standards can vary.



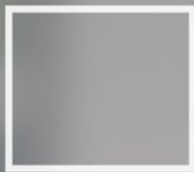
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Part 2: Common Misunderstandings

- Most of my wealth is in retirement accounts.
- My wealth includes real estate.
- I do not feel wealthy.
- My advisor never mentioned accredited investor status.

Reality: Retirement accounts and investment real estate may count toward net worth for accredited investor status. Many investors dismiss their eligibility because their assets are not in easily spendable cash. The SEC's net worth test focuses on total assets minus liabilities, excluding your primary residence—but including retirement accounts, cash, brokerage holdings, business equity, and investment properties. If you feel you “do not feel wealthy,” remember that perceived wealth and regulatory definitions often diverge. A disciplined saver who has accumulated diversified assets over decades may qualify even without high current income. If your advisor has not discussed accredited status, that does not mean you are ineligible; advisors differ in focus, and some prefer public markets. Use this section as a prompt to revisit your full financial picture and request a formal review from qualified professionals.

Bringing Clarity to Net Worth and Eligibility

To translate misunderstandings into clarity, itemize your assets and liabilities. Separate your primary residence from other real estate holdings. Gather current statements for retirement accounts, brokerage accounts, cash, certificates of deposit, and private investments. For real estate, obtain recent valuations or broker opinions and subtract outstanding debt. For business interests, consult a CPA for valuation guidance. With organized documentation, a verification provider can more efficiently confirm your status, reducing friction when you pursue potential opportunities.



Part 3: Why Accredited Investor Status Matters

Accredited investors may have access to private investment opportunities such as private real estate, private credit, energy investments, and private equity. These opportunities may behave differently than public markets. In practical terms, private offerings can provide exposure to return streams less correlated with traditional stocks and bonds, potentially enhancing diversification. Some strategies offer specialized income characteristics, while others are oriented toward long-term capital appreciation. However, access is not an endorsement; each offering varies widely in quality, fees, governance, and transparency. Thorough due diligence is essential, including manager experience, track record, strategy fit, risk controls, fee structures, and alignment of interests.

Evaluating Fit and Building a Framework

Before engaging any private investment, develop a framework: clarify objectives (income, growth, inflation hedging), risk tolerance, liquidity needs, and time horizon. Map how a prospective allocation would interact with your broader portfolio. Stress test scenarios—such as prolonged illiquidity, capital calls, or underperformance—against your cash flow needs. Seek independent perspectives from advisors or consultants who can help you benchmark offerings and avoid concentration risk. Remember that diversification within private markets themselves can be as important as diversification between public and private assets.



Part 4: Important Risks to Understand

Private investments can involve limited liquidity, longer time horizons, higher minimums, and reduced public disclosure. They are not suitable for everyone. Liquidity constraints can limit your ability to access funds for emergencies or changing goals. Longer timelines may require a decade or more of capital commitment, during which interim valuations can be opaque. Higher minimums can concentrate risk if your total net worth is modest relative to the ticket size. Reduced disclosure and less frequent reporting can make ongoing monitoring more challenging. In addition, private offerings often include complex fee structures and may employ leverage, which can amplify both gains and losses.

Risk Management in Practice

Approach private investments incrementally. Cap position sizes relative to liquid net worth, set liquidity buffers, and stagger commitments across vintages and strategies. Scrutinize offering documents for fee waterfalls, preferred returns, clawback provisions, and key-person risks. Understand capital call mechanics, distribution policies, and tax reporting (e.g., K-1 timing). Consider scenario planning for market stress, interest-rate shocks, and sector-specific downturns. When in doubt, decline opportunities that you cannot fully underwrite or that impair essential liquidity.



Part 5: Education First — Next Steps

Confirm your status with a professional, understand risks, and never invest based on status alone. Education should always come first. Begin by compiling the documents outlined earlier—tax returns, account statements, real estate valuations, and license records if applicable. Contact a qualified verification service or consult your advisor, CPA, or attorney to confirm eligibility. Next, articulate investment objectives in writing and design an investment policy statement that covers target allocations, diversification, liquidity reserves, risk limits, and due diligence standards. Maintain a learning cadence: read offering memoranda carefully, attend manager webinars, and compare multiple options before committing capital.

Practical Checklist for Your Next Conversation

- Restate qualifying path: income, net worth, or professional knowledge.
- Assemble evidence: tax documents, statements, valuations, licenses.
- Define objectives and constraints: return goals, liquidity, time horizon.
- Outline diligence questions: strategy, fees, risk controls, conflicts, reporting.
- Decide position sizing and pacing for commitments across time.

Continue Learning

Explore additional retirement education at VarioAdvisors.com. Expand your knowledge with reputable sources on private markets, the SEC's accredited investor rules, and investor protection best practices. The more context you have, the better equipped you will be to filter opportunities, ask incisive questions, and align decisions with your long-term plan.

