



# Accredited Investor Requirements & What You Need To Know



**ACCREDITED INVESTOR REQUIREMENTS** & What You Need To Know

**ACCREDITED INVESTOR**

**REQUIREMENTS**

- NET WORTH EXCEEDS \$1M**  
excluding primary residence
- ANNUAL INCOME EXCEEDING \$200K**  
with the same or higher expected income in the current year
- COMPANIES WITH >\$5M IN ASSETS**  
or has equity owners who are considered accredited investors

**PERKS**

- EXCLUSIVE OPPORTUNITIES**  
legally authorized to purchase unregistered securities

**RISKS**

- UNREGISTERED SECURITIES ARE RISKIER**

**WHY ACCREDITED INVESTORS WORK WITH BAM CAPITAL**

- LOW-RISK BUSINESS MODEL**  
focuses on A to B+ multifamily assets to provide low-risk opportunities
- AWARD WINNING TEAM**  
all investors, partners, and employees feel like a part of our BAMFAM

## Accredited Investor Definition

An accredited investor is someone who is considered “financially sophisticated” enough to buy unregistered securities. Generally speaking, unregistered securities are riskier because they don’t require the normal disclosures that come with offerings registered with the Securities and Exchange Commission (“SEC”).

But since accredited investors tend to be more knowledgeable and financially secure, they are able to better handle the risks of buying these unregistered securities. The SEC believes these accredited investors have a reduced need for the protection provided by regulatory disclosures.

Both individuals and business entities may be considered accredited investors as long as they meet designated requirements. These requirements are related to their income, net worth, or professional experience.

## Cash on Hand or Liquid Holdings: What Do You Need to Become an Accredited Investor?

In order to become an accredited investor, an individual or an entity must meet a few requirements. A person is considered an accredited investor if their net worth exceeds \$1 million. This can either be cash on hand or liquid holdings. This can be achieved individually or jointly with their spouse. However, requirements vary depending on individual versus spousal.

According to the SEC, an accredited investor can also be a general partner, executive officer, or director for the company that is issuing the unregistered securities.

## Yearly Income Requirements for Accredited Investor Status

Another requirement in order to become an accredited investor is to have an annual income exceeding \$200,000 for the last two years, with the same or higher expected income in the current year. For joint incomes, it must exceed \$300,000.

If a person shows one year of their individual income and then shows a joint income for the next two years, the income test cannot be satisfied.

What people need to understand about accredited investors is that there is no specific "process" that individuals or entities have to go through in order to get accredited. There is no government agency or independent body that reviews an investor's credentials.

There is also no certification exam or a document that shows someone has become an accredited investor.

The responsibility of determining whether or not someone is qualified to buy unregistered securities falls upon the companies that issue them. They need to conduct diligence prior to the sale. [2]

## Does Your Home Equity Count Toward Accredited Investor Status?

Although it used to be that someone's home equity could count as an asset, it is no longer the case. This means your primary residence is no longer counted as an asset in the calculation of your net worth. Because of this, a lot more investors are no longer able to meet the requirements for the accredited investor status.

For those who feel that they qualify to become an accredited investor, the issuer of securities may give a questionnaire to see if they fit the bill. You may also be required to attach your financial statements and information of other accounts. Some companies may evaluate your credit report to assess any debts.

## Why Would Someone Want to Be an Accredited Investor?

Being an accredited investor comes with its perks. They are legally authorized to purchase unregistered securities. A lot of companies even offer these securities to accredited investors directly. This opens up plenty of exclusive opportunities for them. This is called a private placement.

Accredited investors are legally authorized to buy securities that are not registered through the SEC and other regulatory authorities.

## Why Does the SEC Put Restrictions on Accredited Investors?

Despite the benefits, being an accredited investor also comes with its cons—the main one being the fact that unregistered securities are naturally riskier. The reason these investors need to be “accredited” beforehand is because authorities want to make sure they are financially stable and knowledgeable enough about ventures that may be slightly riskier. Accredited investors need to know exactly what they are doing. That is the whole purpose of the SEC restrictions and all the requirements.

Regulators also want to protect less-knowledgeable investors who may not have the financial cushion to survive high losses. That’s why these provisions exist. Accredited investors are financially well-equipped and experienced.

Individuals who want to be accredited investors can simply approach the issuer of the unregistered securities and respond to their questionnaire. If the applicant is qualified, they can become an accredited investor. Some companies may ask for attachments such as salary slips, tax returns, W-2 forms, and even their credit report.

Because of these risks, it is important to vet any business that works with accredited investors. You should always use a sponsor who can provide details on their track record and reputation.

## Example of an Accredited Investor

Net worth is one of the biggest requirements for becoming an accredited investor. Net worth is calculated as assets minus any liabilities. So if someone had an income of \$200,000 for the last three years, they need to calculate their net worth to see if they are qualified to be an accredited investor.

If their net worth is over \$1 million, they are considered an accredited investor. So for example, someone with a primary residence value of \$1 million and a mortgage of \$200,000, plus a 401(k) account with \$500,000, a car worth \$100,000 with an outstanding loan of \$50,000, and a savings account with \$450,000, they have a net worth of exactly \$1 million. This is because their net worth cannot include the value of their primary residence.

So, if there are liabilities that drop someone’s net worth below \$1 million, then they are not qualified to become an accredited investor.

## Can Companies Become Accredited Investors?

A company can become an accredited investor if it is a private business or an organization that has assets exceeding \$5 million.

If an entity consists of equity owners who are considered accredited investors, it is also an accredited investor by extension. However, organizations cannot be created for the sole purpose of purchasing unregistered securities.[1]

## Benefits of Being an Accredited Investor

The main benefit of being an accredited investor is that it opens a lot of doors and gives you a potential significant financial advantage over others. Being an accredited investor allows you to see investments that are closed to other investors with less wealth. This could help you increase your wealth even further.[1]

These unregistered securities may have higher rates of return as well as better diversification. These investments have many attributes that could allow you to build more wealth—and in a shorter period of time.

Being an accredited investor also allows you to invest in hedge funds, which is one of the many benefits of getting accredited. The reason why hedge funds are only accessible to accredited investors is that they require a high minimum investment amount. The risks associated with them also tend to be higher—with a great return potential.

[1]

## Why Do I Need to Be Accredited to Invest in Products or Securities?

The benefits also come with a few risks from the investments themselves—and that's primarily the downside of being an accredited investor. You need to invest wisely or else you could lose money in the process.

For example, the strategies used by many funds come with a greater risk just for the goal of beating the market. Regulatory authorities aim to promote these investments, but they also want to make sure investors are protected. That's why you need to be accredited before you can invest in these securities.

Accredited investors tend to commit to a few hundred thousand dollars—or even a few million dollars to invest in these securities. If the investment doesn't work out, they can lose a significant amount. Not to mention there are higher fees associated with these investments. Being an accredited investor has its perks, but you also need to be very careful.

## Why Accredited Investors Work with BAM Capital

BAM Capital is an Indianapolis-based company founded in 2010 that specializes in the acquisition and management of income-producing properties, primarily multifamily apartment communities. Also known as **multifamily real estate syndication**. BAM Capital is trusted by accredited investors because it provides an array of real estate services that work to achieve maximum benefit. Investors love the low-risk business model that the company offers.

BAM Capital has been focusing on buying the most profitable assets and staying disciplined in its investment thesis. Currently, BAM Capital has over \$700 million AUM and 5,000+ units. [3]

BAM Capital finds opportunities for accredited investors. From start to finish, BAM Capital handles the process of finding some of the best real estate opportunities and negotiates the purchasing and financing on the investor's behalf.

BAM Capital focuses on B++, A-, and A multifamily assets to provide low-risk opportunities with lucrative assets. Investors reap the benefits of their cash flow-positive assets. [3]

What makes BAM Capital different is its people. The award-winning team makes all investors, partners, and employees feel like a part of our BAMFAM.

Want to learn more? Schedule a call with BAM Capital today.

### Sources:

[1]: <https://www.sec.gov/node/172921>

[2]: <https://www.sec.gov/education/smallbusiness/exemptions/rule506c>

[3]: <https://capital.thebamcompanies.com/>