# Unlocking New Wealth Strategies Through Private Opportunities

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*Azure Erickson, Head of Ignite Investments.*

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Optimized risk-adjusted returns have long been the goal for portfolio managers, financial advisors and individual investors. Since Harry Markowitz introduced modern portfolio theory in 1952, the focus has largely been on balancing risk and return. The foundation of investment theory establishes that an optimal portfolio arises from a precise blend of assets, historically accomplished by individuals through a blend of public stocks and bonds.

However, the financial landscape has meaningfully evolved with more investment options becoming available for investors, and the traditional stock/bonds mix has required refinement to meet contemporary return expectations.

## The Changing Financial Landscape

Several key factors have recently disrupted the U.S. financial markets, driving significant changes in investment strategies and altering the landscape for both institutional and individual investors. These disruptions have each contributed to a more volatile and complex market environment pushing investors to seek greater autonomy and resiliency for their portfolios.

• Geopolitical Uncertainty: The past decade has been marked by significant geopolitical events such as Brexit, the Covid-19 pandemic and increasingly divisive politics, which has normalized a higher degree of volatility and highlighted the need for investment into non-correlated asset classes.



• Interest Rate Volatility: The U.S. Federal Reserve's actions to combat inflation and slow the country's economic growth by raising interest rates have prompted investors to reassess their exposure to interest rate-sensitive assets.

• Technological Advancements: Technological advancements have already significantly impacted the markets, and with the advent of AI, markets are on the verge of another transformative shift. Technology has not only redefined market dynamics but has also made accessible new opportunities for individual investors to participate in areas once dominated by institutional players.

## A More Nuanced Mix

Today, an updated portfolio composition may aim for 60% public market and 40% private market investments. Alternative assets—ranging from real estate and commodities to hedge funds and private equity—form a substantial portion of private market investments. Alternatives draw considerable attention for their potential for higher returns and their ability to offer diversification benefits when added to a traditional portfolio of stocks and bonds. Although the greater chance for reward subjects investors to greater risk, alternatives offer compelling growth prospects and may reduce portfolio correlation with traditional assets.

The shift toward incorporating more alternative assets and adopting an updated 60/40 portfolio strategy reflects a broader move toward more dynamic and tailored investment approaches.

## Greater Freedom Of Choice

Institutional investors have been tapping into the private alternative market for years, steadily increasing their allocations and providing a clear road map for family offices, financial advisors, and ultra- and high-net-worth investors looking to pursue similar strategies. And now qualified investors are finally able to join in, too.

The accessibility of private alternative investments is growing as Regulation A offerings proliferate. Regulation A offerings are a Securities and Exchange Commission exemption that allows companies to raise capital from accredited and non-accredited investors with fewer regulatory requirements. These offerings may have minimum investment requirements of $1,000 or less, allowing those without high-net-worth status to participate. This is significant given the primary barrier for Americans to invest in private markets is a misbelief that they do not have enough money to participate, according to a national Ipsos poll conducted by Ignite Investments in April.

## A Pain Point

Navigating this market can be challenging for novice investors, who may wonder if they are getting the best deals or just those with fewer takers. Evaluating these opportunities properly requires significant expertise, which can be a hurdle for those new to the field.

However, investors don't need to become experts on timber futures or multifamily development; they can vet the reputation and historical track records of the offering sponsors to evaluate the opportunities. Despite this challenge, the growing availability of Regulation A offerings marks a significant step toward democratizing investment opportunities in private markets.

## The New Wealth Frontier

According to Cerulli Associates, over the next 20 years, over $53 trillion in assets will transfer from Baby Boomers to their heirs, a capital infusion that can reshape the investment landscape as platforms and advisors increasingly make alternative investment strategies mainstream and more individuals gain access. Imagine the possibilities when these younger, tech-savvy Americans with newfound resources realize their agency within the alternative investment economy.

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**Azure Erickson**

Azure Erickson, Head of Ignite Investments. Read Azure Erickson's full executive profile here.