

Accredited Investor

What is the role of accredited investors?

For companies raising capital, the [accredited investor](#) definition largely determines who is in their pool of potential investors, and for investors whether they are eligible to invest in many early-stage companies. Many of the offering exemptions under the federal securities laws limit participation to accredited investors or contain restrictions on participation by non-accredited investors.

How can individuals qualify as accredited?

Individuals (i.e., natural persons) may qualify as accredited investors based on wealth and income thresholds, as well as other measures of financial sophistication.



Financial Criteria

- Net worth over \$1 million, excluding primary residence (individually or with spouse or partner)
- Income over \$200,000 (individually) or \$300,000 (with spouse or partner) in each of the prior two years, and reasonably expects the same for the current year



Professional Criteria

- Investment professionals in good standing holding the general securities representative license (Series 7), the investment adviser representative license (Series 65), or the private securities offerings representative license (Series 82)
- Directors, executive officers, or general partners (GP) of the company selling the securities (or of a GP of that company)

- Any “family client” of a “family office” that qualifies as an accredited investor
- For investments in a private fund, “knowledgeable employees” of the fund

How can entities qualify as accredited?

Depending upon the structure of the entity or its assets, entities may qualify as an accredited investor.



Investments

Entities owning investments in excess of \$5 million



Assets

The following entities with assets in excess of \$5 million: corporations, partnerships, LLCs, trusts, 501(c)(3) organizations, employee benefit plans, “family office” and any “family client” of that office



Owners as Accredited

Entities where all equity owners are accredited investors



Investment Advisers

Investment advisers (SEC- or state-registered or exempt reporting advisers) and SEC-registered broker-dealers



Financial Entities

A bank, savings and loan association, insurance company, registered investment company, business development company, or small business investment company or rural business investment company

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Have suggestions on additional educational resources? Email smallbusiness@sec.gov.

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