



# 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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