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# **Exploring Accredited Investors and Private Market Securities Ownership**

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## **EXECUTIVE SUMMARY**

Accredited investors include categories of individuals and entities that meet certain criteria thought to be indicative of financial sophistication or the ability to bear financial risk (such as a net worth or income test and certain professional certifications or designations in the case of individuals). Individuals and entities that qualify as accredited investors may participate in private offerings conducted by issuers relying on Rule 506 of Regulation D.

The Office of the Investor Advocate (OIAD) is interested in better understanding the characteristics and capabilities of accredited investors to inform potential SEC activities and policy initiatives related to these investors. The OIAD's Office of Investor Research (OIR) conducted research in furtherance of this goal and to understand investor behavior and decision making.

In this report, we analyze data from OIR's nationally representative survey panel, known as THRIVE, to document the characteristics of accredited investors and non-accredited investors. THRIVE is a survey panel designed and maintained by OIR to facilitate research projects that address SEC interests and serve investors' needs. THRIVE is employed by OIR within the investor testing project known as POSITIER.

Overall, based on this survey research, we find that:

- Approximately 12.6% of the U.S. population qualifies as an accredited investor, primarily based on net worth rather than on income or other avenues such as holding certain professional certifications or designations.
- Accredited investors have higher overall income, educational attainment, and indicators of financial sophistication (namely, financial literacy, mutual fund knowledge, and numeracy) than those who do not qualify as accredited investors.
- Accredited investors are more likely to own various asset types than non-investors, including 4.3% who report owning private market securities, as compared to 1.1% of non-accredited investors.

## **ACKNOWLEDGEMENTS**

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## 1. Background

Individuals and entities that qualify as accredited investors on the basis of certain net worth, income, or other criteria related to financial sophistication may participate in investment opportunities such as private offerings that qualify for the exemptions set forth in Rule 506 of Regulation D. Individuals qualify for accredited investor status if they, among other things, (1) have a net worth or joint net worth with a spouse of over \$1 million, excluding their primary residence; (2) have individual income that exceeds \$200,000 in each of the prior two years and a reasonable expectation of that income level in the current year; (3) have joint income (with a spouse or spousal equivalent) that exceeds \$300,000 in each of the prior two years and a reasonable expectation of that income level in the current year; or (4) hold certain professional certifications or other credentials (e.g., the Series 65 investment adviser representative license).<sup>1</sup> Entities may qualify as accredited investors based on their structure, their assets, or a combination of both factors.

The proportion of U.S. households qualifying as accredited investors has grown sharply over time. According to a recent SEC staff report that analyzes the Survey of Consumer Finances (SCF) (hereafter referred to as “2023 Staff Report”), for instance, around 18.5% of U.S. households qualified as accredited investors in 2022, a marked increase from around 1.8% in 1983.<sup>2</sup> These increases are largely pursuant to the net worth and income tests, which have not been adjusted for inflation since the early 1980’s – raising concerns among some commentators about whether the specific thresholds under these tests remain appropriate. While various changes have been made to the definition of accredited investor since the definition was first adopted in 1982, these thresholds have largely remained unchanged over time.<sup>3</sup>

Outside of the 2023 Staff Report, there is limited research on accredited investors. An important area of nuance in analyzing accredited investors is that the characteristics of accredited investor *households* differ from the average characteristics of *individuals* who live in those households. For example, a financial professional holding an investment adviser representative license may live in a household with individuals who do not independently participate in the stock market – leading to a potential mismatch between statistics at the household and individual levels.

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<sup>1</sup> See Rule 501(a) of Regulation D, or <https://www.sec.gov/education/capitalraising/building-blocks/accredited-investor>. Individuals may also qualify under Rule 501(a)(4), which includes any director, executive officer, or general partner of the issuer or Rule 501(a)(11), which covers knowledgeable employees of private funds investing in these funds, but these qualifications were not covered in the current research.

<sup>2</sup> The 2023 Staff Report is available at <https://www.sec.gov/files/review-definition-accredited-investor-2023.pdf>. See Table 1 for this statistic.

<sup>3</sup> As stated in the 2023 Staff Report, in 2011, the Commission amended the net worth standard to exclude the value of the primary residence from the net worth calculation.

To better understand the prevalence and capabilities of accredited investors, at the individual level, this report analyzes the characteristics of a nationally representative sample of U.S. individuals using survey data collected by the SEC’s Office of Investor Research (OIR). In particular, we describe and analyze survey data from THRIVE, OIR’s nationally representative panel, to answer the following research questions:

- What proportion of the U.S. population qualifies as an accredited investor?
- Do accredited investors primarily qualify based on income or net worth, or through other means such as holding professional certifications or designations? How would the proportion of qualifying individuals change if retirement wealth is excluded?
- What are the demographic and financial characteristics of accredited investors compared to non-accredited investors?
- How many accredited investors report owning various financial assets, including private market securities?

## 2. Data and Methodology

For this report, we primarily analyzed data from the January 2024 wave of THRIVE. The THRIVE panel is a nationally representative, longitudinal survey panel used for ongoing data collection.<sup>4</sup> For the January 2024 survey, 7,500 individuals were invited to respond, of which 6,392 fully completed the survey.<sup>5</sup> All analyses are weighted to address non-response. The survey contained questions designed to measure accredited investor qualifying criteria, recent investment behavior (if any), and household events, such as employment changes. Supplementary household characteristics (e.g., mutual fund knowledge) were merged in from two sources: the October 2023 THRIVE survey wave and background data collected on all panelists as part of standard recruitment and retention procedures.

The January 2024 survey contained six questions that were designed to measure certain qualifying criteria for being an accredited investor. Specifically, OIR designed these questions to measure four of the qualifying criteria (personal income, household income, specialized expertise, and household net worth; see Table 1). The wording of the survey items was designed to reflect legal thresholds, while acknowledging that survey participants may have difficulty with

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<sup>4</sup> The THRIVE panel was sampled from the AmeriSpeak® panel, a probability-based panel funded and operated by NORC at the University of Chicago, and designed to be representative of the US household population, including all 50 states and the District of Columbia, with oversamples of certain respondents. Responses to the January 2024 survey were weighted to account for panel recruitment design, sample selection, and non-response, and to align the survey sample to population benchmarks. Sociodemographic characteristics were weighted to benchmarks from the March 2023 Current Population Survey. For more information on THRIVE, see Carman, et al. (2024).

<sup>5</sup> Overall, 6,653 responded and 6,392 qualified as completed surveys. Respondents had to reach the end of the survey to be considered complete. Respondents who completed the survey in less than one-third the median duration of their pathway (determined by the number of loops they viewed) and respondents who skipped or refused more than 50% of the eligible questions were flagged for data cleaning and omitted from the analysis.

legal and regulatory jargon that may make questions difficult to interpret.<sup>6</sup> Additionally, to combat potential misunderstanding about the term “net worth,” that question was prefaced with the following text:

*In the next few questions, we will ask about your household’s “net worth,” which is the value of all of the assets you own, minus the value of all of the debts you have.*

- *Assets include property like your home, real estate, investments, and retirement accounts.*
- *Debts include mortgages, student loans, credit card borrowing, car loans, and personal loans.*
- *Retirement accounts include 401(k)s, IRAs, and other similar accounts.*

Table 1 also shows the survey responses that were required for a respondent to be treated as an accredited investor. All questions had a response scale of “Yes,” “No,” or “Don’t know.” For most questions, the rate of “don’t know” responses was 5% or less. Specialized expertise, for which just over 7% report don’t know, was an exception; however, the percent reporting don’t know decreased significantly with education, suggesting that many who reported don’t know were reporting unfamiliarity with these licenses.

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<sup>6</sup> For instance, Chin, Scholl & VanEpps (2023) show that jargon related to mutual fund fees can hinder investor comprehension and decision quality.

**Table 1.** Accredited Investor Qualifying Criteria and Corresponding THRIVE Survey Questions.

Qualifying Criteria	Question Wording	How Respondents Qualify, Based on Survey Responses
Personal income (part 1)	I, personally, made \$200,000 or more in income in 2022 and 2023.	Respondent must report (1) making \$200,000 or more in the prior two years and (2) expecting to make \$200,000 or more in 2024.
Personal income (part 2)	I personally expect to make \$200,000 or more in income in 2024.	
Household income (part 1)	<i>[Only asked if the respondent is married]</i> My spouse/partner and I, together, have made \$300,000 or more in income for the past two years.	Respondent must report (1) jointly making \$300,000 or more in the prior two years and (2) expecting to jointly make \$300,000 or more in 2024.
Household income (part 2)	<i>[Only asked if the respondent is married]</i> My spouse/partner and I, together, expect to make \$300,000 or more in income in 2024.	
Specialized expertise	I have a Series 7, Series 65, or Series 82 license in good standing to act as an investment professional.	Respondent must report “yes” to this statement.
Personal or household net worth	My household’s net worth – not including the value of my primary home or any mortgage debt on that home – is \$1 million or more.	Respondent must report “yes” to this statement.

### Comparison of Methodology to 2023 Staff Report

The methods used here differ in multiple ways from those used in the 2023 Staff Report, and these methodological differences affect estimates of the prevalence of the accredited investor population. Some aspects of the current methodology are relatively more likely to yield a higher estimate of the prevalence of the accredited investor population; however, the same is true for analyses using the SCF. Consequently, the two reports yield complementary views. The primary differences between the two reports include the following:

1. **Unit of analysis:** The SCF is a household survey, and the breakdown of total household income is difficult to attribute to specific individuals within the household. If all income in a household is attributed to a single member of a household, members of households with more than one income-earning individual may appear to qualify as accredited investors when they do not actually qualify. For example, a household with four income earners, each of whom makes \$75,000 a year, could be confused for an accredited investor (with a total income of \$300,000) when no one qualifies individually. As such, the 2023 Staff Report does not estimate the actual number of natural persons who satisfy the accredited investor threshold, but rather “estimate[s] the number of U.S. households

that satisfy the financial qualifications as a proxy".<sup>7</sup> The 2023 Staff Report further states that the true number of individuals who qualify based on their individual income is likely to lie between the percent they report qualifying based on individual income (13.8%) and the percent they report qualifying based on joint income (7.5%).<sup>8</sup> In contrast, the unit of analysis in THRIVE is the individual, and the survey directly asks about personal income.

2. **Survey timing:** There are differences in the timing of the SCF and THRIVE surveys, conducted in 2022 and January 2024, respectively, which could lead to variation in the proportion of the U.S. population that qualifies. Additional information on income and wealth changes over time (due to, for example, changes in the value of stock market assets) would be necessary to estimate the magnitude of the differences between these two time periods. Furthermore, because THRIVE asks about income expectations over 2024, it would be instructive to understand consumers' expectations at the onset of 2024.
3. **Accredited investor qualifying period:** In THRIVE, the questions on accredited investor qualifying criteria were designed specifically for the purpose of research on accredited investors. As such, questions correspond to concepts required to qualify; for instance, respondents are asked to estimate their income over the past two years and their expected income in the current year (see Table 1). In contrast, the SCF was not designed specifically to analyze accredited investors, meaning that certain concepts are missing. For instance, the SCF collects information about the household's income and assets in the past year, but does not attempt to assess income expectations over the forthcoming year. Income growth and volatility mean that there could be a difference between the share of individuals or households whose income is above the relevant threshold in one year, versus three consecutive years.
4. **Itemization and aggregation:** Direct survey questions, as asked in the THRIVE survey, may mirror questions that investors are asked in an actual investment setting to determine if they meet the accredited investor criteria. In contrast, in the SCF, survey respondents are asked to report their wealth across a number of categories, from which net worth can be calculated. When individuals are directly asked for a measure like net worth, they may not consider a comprehensive list of assets and debts, which could lead them to underestimate these values – and this could be the case even when respondents are

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<sup>7</sup> Accordingly, the 2023 Staff Report states, "Because the Commission lacks a source of data on the number of natural persons who satisfy the financial qualifications in the accredited investor definition, we estimate the number of U.S. households that satisfy the financial qualifications as a proxy for the number of natural persons who would qualify financially." (p. 21). Here, we use the term "individual" to signify a natural person.

<sup>8</sup> See footnote 100 on pages 21 and 22 of the 2023 Staff Report.

instructed about the term “net worth.” To address this possibility, prior to asking about total net worth, the THRIVE survey prompts individuals to think of different categories of assets and debts, as described above.

There may be similar discrepancies with income. When answering surveys, individuals may underestimate total income if they think about their primary employment and ignore other sources of income. Alternatively, individuals may be more likely to report “zero” income instead of a loss, which would overstate their income.<sup>9</sup> Survey respondents may also make errors in aggregating the value of different income categories, which could lead to over- or under-estimation.

### 3. Results

#### Accredited Investor Qualification

Based on the THRIVE survey results, we find that 12.6% of individuals meet the criteria to qualify as accredited investors (Table 2).<sup>10</sup> Individuals primarily qualify based on their reported net worth (capturing 9.7% of the population), followed by personal income (capturing 2.8% of the population) and household income (capturing 2.8% of the population). Least common is qualifying based on specialized expertise (capturing 1.7% of the population).<sup>11</sup> The majority of accredited investors (75%) satisfy only a single criterion, while the remaining 25% satisfy two or more. These statistics paint a somewhat different picture of the accredited investor population than the 2023 Staff Report. While the estimates are not directly comparable due to their emphasis on individuals versus households and the aggregation of types of wealth or income, we can compare the relative likelihood of qualification by qualifying criteria. In the 2023 Staff Report, the estimate is that households were most likely to qualify based on personal income or household net worth (at 13.8% and 12.5% of households, respectively), with

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<sup>9</sup> Johnson and Moore (2008) suggest that, for this reason, “broad business income” (which includes sole proprietorship and farm income, capital gains, subchapter S corporation income, and other components) is consistently higher on the SCF than estimates generated using Internal Revenue Service data.

<sup>10</sup> Note that, in supplementary analysis, we find a small number (20 respondents) report that they meet one or more of the criteria to qualify as accredited investors under these qualifying criteria, but do not report holding any investments (i.e., retirement accounts, brokerage accounts, 529 accounts, cryptocurrency, stocks, and bonds, or mutual funds held outside of an account). Non-participation in financial markets, even among wealthy households, is a known phenomenon in economics (see, e.g., Haliassos & Bertaut, 1995; Choi & Robertson, 2020; Merkulova & Veld, 2022). When we use the term “accredited investor” in this report, we include these 20 individuals.

<sup>11</sup> This estimate can be compared to industry registration statistics. According to FINRA (2024), there were 628,392 registered representatives at the end of 2023, with 37,346 individuals leaving FINRA membership and 44,865 individuals entering FINRA membership in 2023. According to the Investment Adviser Association (2024), there were 401,000 investment adviser representatives at the end of 2023, of which 38.6% have taken the Series 65 exam. The share who respond “yes” to the THRIVE question may partially represent error on the part of respondents. These errors may arise for multiple reasons, including people perceiving themselves as acting as an investment professional, unfamiliarity with the licenses, or recent licenseholders responding yes (even though the question implies that they should currently hold the license).

household income qualification being less common (at 7.5%). In other words, the two methods diverge in terms of the likelihood of qualification based on personal income, relative to net worth.

Columns 2 through 6 of Table 2 provide insight into the share of each subgroup who qualify based on only one or multiple criteria in THRIVE. For example, of those who qualify as accredited investors based on their household net worth, 73% meet only that criterion, 17% and 16% qualify based on the personal and household income criteria, and 5% meet the specialized expertise criterion. These numbers do not sum to 100% because individuals may qualify under more than one combination of criteria.

**Table 2.** Proportion Qualifying as Accredited Investor Under Each Qualifying Criterion and Multiple Criteria.

Qualifying Criteria	Individuals Who Qualify (% of U.S. Population)	Share who do not qualify under other criteria	Share of subgroup who also qualify based on...			
			(1)	(2)	(3)	(4)
Household net worth	9.7%	73.1%	-	17.3%	16.3%	5.0%
Personal income	2.8%	21.2%	59.0%	-	46.5%	14.4%
Household income	2.8%	26.4%	56.9%	47.6%	-	8.7%
Specialized expertise	1.7%	61.0%	28.1%	23.9%	14.1%	-
Any (total)	12.6%					

*Note.*  $N = 6,392$ . The values in Columns 2-6 do not sum to the total, as each survey respondent can qualify based on multiple combinations of criteria (e.g., under the net worth and personal income thresholds, as well as the net worth and household income thresholds). Columns 3 through 6 represent the share of those in each row who meet other criterion. For example, the 17.3% figure in the “Household net worth” row shows that, among those qualifying based on household net worth, 17.3% also qualify based on the personal income criterion. All estimates are weighted.

Column 1 of Table 2 shows that roughly equal shares of the population meet the personal and household income criteria (at approximately 2.8% each). However, these two criteria do not capture the same sets of people. The subsequent columns show that 21% of individuals who qualify based on their personal income do not meet any of the other criteria, and only 46.5% meet only the household income criterion. Similarly, 26% of individuals who qualify based on their household income do not meet any of the other criteria, and only 47.6% meet only the personal income criterion.

### Accredited Investor Qualification when Excluding Retirement Accounts

For contrast, we also examined the extent to which a potential change to the net worth criterion would affect the overall proportion of qualifying individuals. This alternative threshold omits the value of retirement accounts, and was assessed by asking survey respondents to provide a “yes,” “no,” or “don’t know” answer in response to this statement:

*My household’s net worth – not including either 1) the value of my primary home or any mortgage debt on that home or 2) my retirement accounts – is \$1 million or more.*

We find that this threshold would reduce the percentage of the population who qualify as an accredited investor from 12.6% to 9.4%, with the net worth qualifying percentage dropping from 9.7% to 6.3%. The 2023 Staff Report also considered the effect of excluding retirement assets from the net worth calculation and found the percent of households meeting the net worth criteria would drop by a similar amount, from 12.5% of households to 8.8% of households.<sup>12</sup>

### Characteristics of Accredited Investors vs. Non-Qualifying Individuals

We examined differences between those who qualify as accredited investors and other individuals. To do so, we compared respondents using data drawn from existing THRIVE surveys, including demographic characteristics, measures of financial knowledge and sophistication, and financial experience.

#### Demographic Characteristics

NORC collects demographic characteristics from all AmeriSpeak panelists – and thus all THRIVE panelists – as part of their standard recruitment procedures, and these variables are refreshed typically every two years. Due to the potential timing difference between the latest demographic variable refresh and the fielding of the THRIVE survey in January 2024, these provided data may not fully reflect a respondent’s situation as of the time of the survey. For example, income and location may change over time (whereas year of birth will not change). In addition to this timing difference, demographic questions are worded differently between the standard NORC collection and the THRIVE survey; the provided demographic questions ask

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<sup>12</sup> See Table 4 of the 2023 Staff Report.

about total household income, while the THRIVE questions ask only about the income of the respondent and their spouse or partner. Notwithstanding these potential differences, we used these data on background characteristics to analyze accredited investors' demographic characteristics.

Table 3 (and all of the following tables) report results for (1) those who meet the accredited investor criteria ("Accredited Investor" shown in column 1); (2) people who do not meet the accredited investor criteria but who are investors ("Non-Accredited Investor" shown in column 2); (3) people who do not meet the accredited investor criteria and are not investors ("Non-Investor" shown in column 3); and (4) results from our survey that are representative of the population as a whole ("U.S. Population" shown in column 4). An individual is considered to be an investor if they report holding any investments (i.e., retirement accounts, brokerage accounts, 529 accounts, cryptocurrency, stocks, and bonds, or mutual funds held outside of an account).<sup>13</sup> Using respondents' zip codes, an individual is classified as living in a Metro Statistical Area (MSA) or not, as defined by the Office of Management and Budget (OMB).<sup>14</sup> Finally, they are classified into one of four U.S. regions as defined by the Census Bureau: Midwest, Northeast, South, and West.<sup>15</sup> In discussing results, we sometimes compare the results for accredited investors and non-accredited investors on a univariate basis (i.e., considering only a single variable at a time) and perform statistical tests to assess whether the numbers reported are statistically significantly different. Elsewhere, we perform regression analysis, which allows us to examine whether accredited investors differ from non-accredited investors while statistically controlling for multiple variables.

Table 3 shows the demographic characteristics of accredited investors. In particular, over 65% of accredited investors have a bachelor's degree or advanced degree, whereas approximately one-third of accredited investors do not have a bachelor's degree. Accredited investors have a median household income level of \$125,000 to \$149,000 and a median age of 45-59 years old. The majority are married and live in metro regions.

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<sup>13</sup> As described in footnote 10 we find a small number (20 respondents) report that they meet one or more of the criteria to qualify as accredited investors under these qualifying criteria, but do not report holding any investments.

<sup>14</sup> NORC generates the classification of MSA. The SEC does not receive information on respondents' zip codes.

<sup>15</sup> Each of the four census Regions is defined as follows (see Census, 2021):

- Northeast Region: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont
- Midwest Region: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin
- South Region: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia
- West Region: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming

**Table 3.** Demographic Characteristics Grouped by Accredited Investor Status.

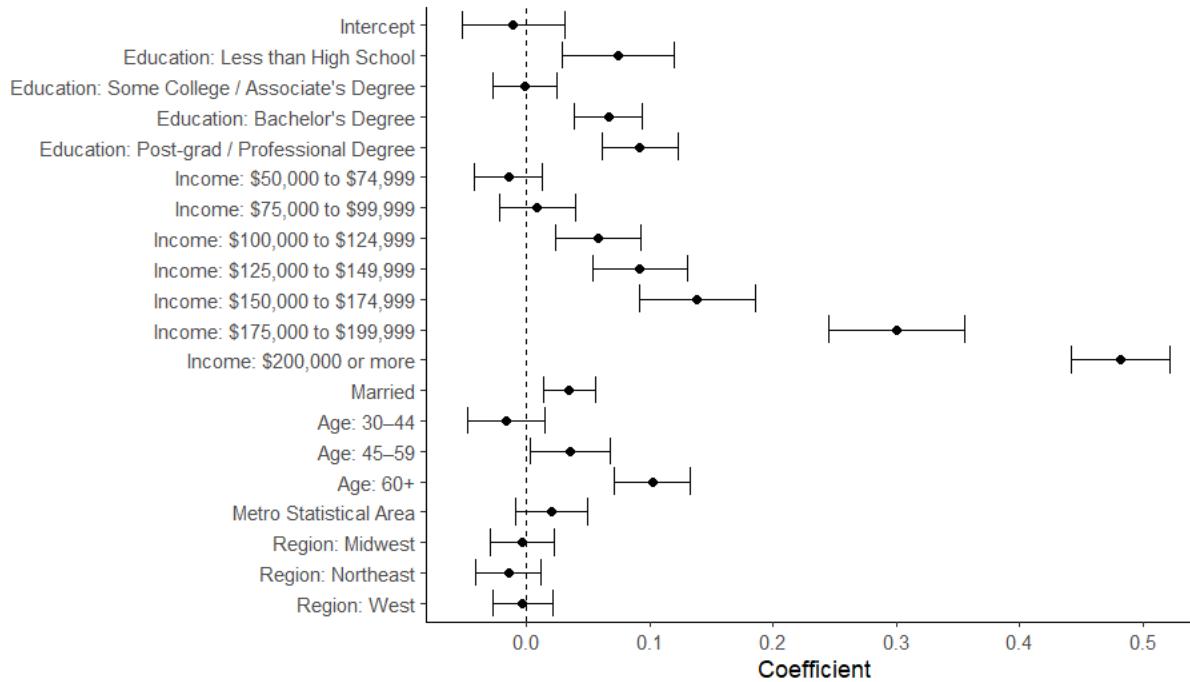
Characteristic	Accredited Investor	Non-Accredited Investor	Non-Investor	U.S. Population
<b>Education</b>				
Less than HS	4.9%	5.7%	19.9%	9.2%
HS graduate or equivalent	12.9%	26.4%	43.1%	28.9%
Some college/associate's degree	16.8%	28.7%	25.6%	26.4%
Bachelor's degree	32.4%	23.7%	8.0%	20.9%
Post-grad study/professional degree	33.0%	15.4%	3.4%	14.6%
<b>Annual Household Income</b>				
Less than \$50,000	12.7%	31.0%	67.9%	37.9%
\$50,000 to \$74,999	9.1%	22.6%	17.1%	19.5%
\$75,000 to \$99,999	10.3%	16.7%	7.5%	13.6%
\$100,000 to \$124,999	12.0%	11.5%	3.5%	9.6%
\$125,000 to \$149,999	9.8%	7.8%	1.2%	6.4%
\$150,000 to \$174,999	7.5%	4.4%	1.3%	4.0%
\$175,000 to \$199,999	8.5%	2.4%	0.5%	2.7%
\$200,000 or more	30.1%	3.8%	1.1%	6.4%
<b>Married</b>	70.2%	51.6%	28.9%	48.2%
<b>Age</b>				
18-29 years old	9.2%	17.7%	29.4%	19.6%
30-44 years old	17.7%	27.4%	28.1%	26.3%
45-59 years old	28.1%	23.2%	20.0%	23.0%
60 years old or older	45.0%	31.7%	22.5%	31.1%
<b>Metro Statistical Area</b>	91.8%	86.9%	83.3%	86.7%
<b>U.S. Region</b>				
Midwest	18.2%	20.6%	21.2%	20.4%
Northeast	19.6%	18.1%	14.2%	17.3%
South	36.5%	37.9%	41.2%	38.6%
West	25.7%	23.4%	23.4%	23.7%

*Note.* Statistics are based on 881 accredited investors and 4,160 non-accredited investors, 1,351 non-investors, and 6,392 people in total. The demographic variables are displayed as a percent of each column. Statistics may not sum to 100% due to rounding. All estimates are weighted.

In Figure 1, we compare accredited investors to non-accredited investors using a regression that contains all of the demographic characteristics shown in Table 3 and appropriate statistical weights. Specifically, we use a linear regression where accredited investor qualification is coded 1 and non-accredited investors are coded 0. This allows us to interpret

regression coefficients in terms of the percentage point difference in the likelihood of being an accredited investor. For example, the coefficient of 0.035 on “married” suggests that married respondents are 3.5 percentage points more likely to be accredited investors, after controlling for all other demographic characteristics in the regression. Figure 1 shows that individuals with higher educational attainment, household income above \$100,000, married individuals, and those aged 45 or older are more likely to be accredited investors. After controlling for other characteristics, metro statistical areas and U.S. regions are not significant predictors of accredited investor status. In other words, while accredited investors are slightly more likely to live in metro statistical areas (91.8% vs. 86.9% from Table 3), this difference appears to be driven by differences in the underlying characteristics of people who live in metro statistical areas versus not.

**Figure 1.** Regression Results Estimating Accredited Investor Qualification (vs. Non-Accredited Investors).



*Note.* Figure 1 presents coefficient estimates from a linear regression predicting accredited investor qualification (coded 1) versus non-accredited investors (coded 0). Non-investors are omitted. All variables are coded as indicator variables, and omitted categories are: high school graduate or equivalent, annual household income of less than \$50,000, 18-29 years old, and South region. Lines show 95% confidence intervals for each coefficient. All estimates are weighted.

## Measures of Financial Sophistication

We next calculated three measures of financial sophistication for each respondent, based on THRIVE data collected in October 2023:

1. Mutual fund knowledge (Scholl & Fontes, 2022): an 11-item scale of knowledge about mutual fund fees, risks, and other characteristics. For each of the items, respondents can answer “true,” “false,” or “don’t know.” The mutual fund knowledge score is calculated as the number of correct answers; “don’t know” answers are scored as incorrect. An example item is: *It is possible to lose money in a stock mutual fund. (TRUE)*
2. Financial literacy (Lusardi & Mitchell, 2011a): a three-item, multiple-choice scale that captures knowledge of interest rates, inflation, and risk. The financial literacy score is calculated as the number of correct answers. An example item is: *Please tell me whether this statement is true or false. “Buying a single company’s stock usually provides a safer return than a stock mutual fund.” (FALSE)*
3. Numeracy (based on Cokely, et al., 2012): a three-item, multiple-choice scale that measures probabilistic reasoning. The numeracy score is created as the number of correct answers. An example item is: *Imagine we are throwing a loaded die (6 sides). The probability that the die shows a 6 is twice as high as the probability of each of the other numbers. On average, out of 70 throws, how many times would the die show the number 6? (20)*

In prior research, these measures correlate well with other financial outcomes. For instance, Chin, Scholl, and Van Epps (2023) find that investors have higher levels of mutual fund knowledge and financial literacy than non-investors. Lusardi and Mitchell (2011b) find that those with stronger numeracy skills are more likely to plan for retirement and accumulate wealth, and Christelis, Jappelli, and Padua (2010) find that numeracy is positively correlated with stock ownership.

We find that accredited investors score higher than individuals who did not qualify as accredited investors in terms of mutual fund knowledge, financial literacy, and numeracy. For instance, Table 4 shows that accredited investors answered 5.9 of the mutual fund literacy questions correctly, as compared to 3.7 questions among non-accredited investors.

**Table 4.** Financial Sophistication Grouped by Accredited Investor Status.

Characteristic	Accredited Investor	Non-Accredited Investor	Non-Investor	U.S. Population
Mutual Fund Knowledge (0-11)	5.93 (2.84)	3.73 (2.67)	2.33 (2.35)	3.66 (2.82)
Financial Literacy (0-3)	2.47 (0.86)	2.09 (0.97)	1.33 (1.01)	1.95 (1.39)
Numeracy (0-3)	1.60 (0.99)	1.37 (0.96)	1.14 (0.88)	1.34 (1.16)

*Note.* Statistics are based on 881 accredited investors and 4,160 non-accredited investors, 1,351 non-investors, and 6,392 people in total. Mutual Fund Knowledge, Financial Literacy, and Numeracy are displayed as means with standard deviations listed in parentheses. We tested for differences between Accredited Investors and Non-Accredited Investors using t-tests finding all differences were statistically significant at the level of  $p < .001$ . All estimates are weighted.

#### Measures of Financial Experience

We calculated three measures of financial experience, based on survey questions administered in the January 2024 survey wave:

1. Financial well-being is a state where an individual can meet their current and ongoing financial obligations while also feeling secure about their financial future. Here, it is measured by the CFPB’s validated Financial Well-Being scale (CFPB, 2017). Although the scale goes from 0-100, in practice the CFPB interprets scores in ranges, with scores below 38 rated as low, scores between 38 to 57 as medium, and above 57 as high.
2. Financial advisor use was measured by asking respondents: *Do you use a financial professional for any financial decisions you make in your household (e.g., investing advice, tax advice, household budgeting, credit counseling, retirement planning)?* If they responded “yes,” they were then asked: *Do you use a financial professional for any investment decisions you make in your household?* In the current research, we analyze this latter question.<sup>16</sup>
3. Experience with potential financial fraud was measured by asking respondents: *Has anyone ever convinced you to invest your money in something by promising a high or guaranteed rate of return?* This question was based on a previous survey conducted by AARP and explicitly does not mention fraud because research suggests that people are reluctant to directly report that they invested in a fraudulent investment.<sup>17</sup> However, some respondents may have been thinking of an investment in a safe asset such as a CD.

Accredited investors report greater financial well-being on the CFPB’s Financial Well-Being Scale than non-accredited investors. Accredited investors are more likely to use financial

<sup>16</sup> Earlier in the survey, the term “financial professional” was defined: *In other questions, we will ask about financial professionals. In those cases, please think about those whose job it is to help people make decisions about their finances, such as advisors, brokers, and financial planners.*

<sup>17</sup> See Deliema, Shadel, and Pak (2020)

professionals for investment decisions (45.3%), compared to non-accredited investors (19%). Accredited investors are also more likely to report past experience with potential financial fraud, however, with 16.6% stating that they had ever been convinced to invest in something promising of a high or guaranteed rate of return, compared with 10.1% of non-accredited investors.

**Table 5.** Measures of Financial Experience Grouped by Accredited Investor Status.

Characteristic	Accredited Investor	Non-Accredited Investor	Non-Investor	U.S. Population
Financial Well-Being (0-100)	64.63 (13.73)	55.12 (12.93)	46.01 (12.51)	54.04 (14.08)
Uses Financial Advisor (yes/no)	45.3%	19.0%	1.7%	18.0%
Experience With Financial Fraud (yes/no)	16.6%	10.1%	5.8%	9.9%

*Note.* Statistics are based on 881 accredited investors and 4,160 non-accredited investors, 1,351 non-investors, and 6,392 people in total. The rows for Uses Financial Advisor and Experience with Financial Fraud are displayed as a percent whereas Financial Well-Being is displayed as a mean with the standard deviation listed in parentheses. We analyzed differences between Accredited Investors and Non-Accredited Investors using chi-squared tests for Uses Financial Advisor and Experience with Financial Fraud, and a t-test for Financial Well-Being, finding all differences were statistically significant at the level of  $p < .001$ . All estimates are weighted.

### Asset Ownership

We next examined how accredited investor qualification aligned with ownership of different types of financial assets. Respondents were asked to report which investment types they owned, using a list of different investment categories (e.g., derivatives, precious metals). This question included an option for private market securities described in the question as “private funds or offerings,” and further specifying that investing in these types of assets typically require investors to meet certain criteria.<sup>18</sup> A limitation of the question about “private funds or offerings” is that it does not perfectly align with the regulatory definitions. However, the question was worded to allow people to answer even when they unsure of which category

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<sup>18</sup> As we were unaware of prior survey questions eliciting private market securities ownership, we randomly assigned respondents to report ownership in two ways. The first was “*Private fund* or *private offering*, which typically requires certain income, wealth, or knowledge levels to participate.” The second was “*Private fund* or *private offering*, which typically requires you to be an *accredited investor*.” Ultimately, we did not find any statistically significant differences in reported levels of ownership between these two statements, so we combined them for aggregated analysis.

their investments fall into, while acknowledging that survey participants may have difficulty with legal and regulatory jargon that makes more precise wording difficult to understand.

As shown in Table 6, accredited investors are more likely than non-accredited investors to hold all asset types listed – derivatives, rental property, and precious metals – with the magnitude of these differences varying by asset type.

Overall, 1.3% of respondents reported owning private market securities through ownership of interests in private funds or securities acquired in a private offering. Respondents who meet the accredited investor qualifications are more likely to report owning private market securities (4.3%) than non-accredited investors (1.1%). About one percent of those who did not qualify as an accredited investor report owning private market securities (Table 6). Certain non-accredited investors with knowledge or experience in financial and business matters may participate in Rule 506(b) private offerings, meaning that ownership may be possible.<sup>19</sup> Alternatively, such affirmative responses could reflect measurement error, including uncertainty by respondents over what constitutes a “private fund or offering,” or individuals who previously purchased private market securities no longer qualifying as an accredited investor after, for example, income loss. With cross-sectional data, we cannot determine the reasons for this mismatch.

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<sup>19</sup> In addition, non-accredited investors may purchase securities in other securities offerings that are exempt from the registration requirements of the Securities Act of 1933. See, e.g., Rule 504 of Regulation D, Regulation A, and Regulation Crowdfunding.

**Table 6.** Ownership of Private Market Securities and Other Assets by Accredited Investor Qualification.

	Accredited Investor	Non-Accredited Investor	Non-Investor	U.S. Population
Derivatives (e.g., options, swaps)	3.9%	1.6%	0.3%	1.6%
Rental property	23.3%	6.4%	3.4%	7.8%
Precious metals (e.g., gold, silver) held as an investment	11.0%	5.9%	2.8%	5.8%
Report owning “Private fund or offering”	4.3%	1.1%	0.5%	1.3%
Interested in investing in new or private companies	14.4%	4.7%	1.8%	5.2%

*Note.*  $N = 6,392$ . Statistics are based on 881 accredited investors and 5,511 non-qualifying individuals. We conducted chi-squared tests to compare the Accredited Investors and Non-Accredited Investor groups in terms of each asset, and interest in owning “private funds or offerings,” finding all differences were statistically significant at the level of  $p < .001$ . All estimates are weighted.

Table 6 also shows statistics for the percentage of each group that may be interested in private market securities. Specifically, we asked respondents to indicate Yes, No, or Don’t know in response to the statement “I have an interest in investing in new or private companies that have limited disclosures and could be the next big thing.” While this statement does not capture the legal intricacies of Regulation D offerings, we believed it could be a crude indicator of interest in future ownership of private market securities. As shown, 14.4% of accredited investors are interested in owning private market securities, as compared to only 4.7% of non-accredited investors.

#### 4. Discussion and Conclusion

Using novel survey data collected using OIR’s THRIIVE panel, we explored the prevalence and characteristics of accredited investors in the U.S. These results provide information about the accredited investor population in the U.S. that complement the 2023 Staff Report.

We report on four main findings. First, our results show that around 12.6% of individuals in the U.S. qualify as accredited investors, primarily based on net worth rather than on income or other avenues such as holding certain professional certifications or designations. A breakdown by qualifying criteria estimates the share who qualify under one criterion but not another,

demonstrating that the different qualifying criteria do not fully substitute for each other. Second, accredited investors have higher overall income and educational attainment than those who do not qualify as accredited investors. Third, accredited investors also display indicators of greater financial sophistication (namely, higher financial literacy, mutual fund knowledge, and numeracy), than those who do not qualify. They also demonstrate higher levels of financial well-being, financial adviser use, and potential experience with financial fraud. Finally, accredited investors are more likely to own various asset types than non-investors, including 4.3% who report owning private market securities, as compared to 1.1% of non-accredited investors.

### Limitations and Future Directions

This research, like all research, is not without limitations. As with other research that relies on survey data, there are questions about measurement precision. Respondents may answer questions incorrectly due to misunderstanding, recall bias, rounding, errors in calculations, or myriad other reasons. With questions that require mathematical calculations, such as those where respondents are asked to aggregate assets and debts, there is likely to be additional survey burden. We are unaware of any research that attempts to estimate the population who meet the accredited investor criteria using non-survey data; this remains an area of future research.

A second limitation is that, while questions about accredited investor qualification are particularly relevant with respect to private market securities, the measures of ownership and interest in private market securities that we analyzed are imperfect. Future researchers may consider projects to refine the measures of these constructs, including determining how investors understand terms like “private market securities” or “private funds.” Our test of two different survey questions is only an initial exploration of this topic.

Last, although our data generally show accredited investors to be more financially sophisticated than non-accredited investors, one potential contradictory point comes from the statistics on potential experience with financial fraud, which show a higher incidence among accredited investors. Measuring experience with fraud is thought to be challenging, as survey respondents may be reluctant to report these experiences truthfully, or may not yet be aware that they have fallen victim – both of which would likely lead to an underestimate of these experiences. However, asking questions about a “guaranteed” rate of return may lead individuals to think about products like certificates of deposit, not fraudulent offers. Appropriately estimating and addressing experiences with investment fraud is a topic that deserves further attention.

### Concluding Thoughts

Our results show that around 12.6% of individuals in the U.S. qualify as accredited investors. This result complements estimates of the number of *households* reported in previous SEC research using the SCF (18.5%). Methodologically, THRIVE and the SCF differ in

multiple ways, including that the THRIVE survey asks about multiple years of earnings; THRIVE was administered at the individual level, while the SCF survey was at the household level; and that THRIVE employed questions specifically designed to ask about the accredited investor qualifications. Ultimately, approaching measurement of this population using multiple methods helps to provide a more nuanced picture of the accredited investor population.

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