

# Alternative Investments by Individual Investors: The Next Frontier for Private Equity

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*June 2025*

In recent years, alternative investments such as private equity, real estate, and private credit have garnered significant interest from individual investors. Alternative assets offer managers a plethora of positives, including greater stability, more predictable cash flows, higher fee revenues, and stronger client retention. Hence, large asset managers have focused on expanding their alternative capital base and are looking to the relatively untapped individual investor segment to do so. While interest in these classes is significant, access has historically been limited to institutional funds, ultra-high net worth individuals, and family offices. This is beginning to change with the emergence of new fund structures and, to a lesser extent, innovative fintech platforms.

The institutional fundraising environment has become increasingly difficult, as many institutional investors are fully allocated and now favor top-performing funds, leaving underperformers behind. Fundraising has become more time-consuming, diverting attention from opportunity analysis and investing, and recent challenges with exits have further strained the process. As a result, the individual investor market is emerging as a significant opportunity for long-term continued growth.

Moving forward, companies such as Blackstone, Apollo, Kohlberg Kravis and Roberts, and more are looking to increase their sourcing of funds from individual investors to grow their businesses. Higher-net-worth individuals are most prepared to provide this demand due to their higher comfort level with illiquidity, desire for uncorrelated excess returns, and diversification among asset types. Furthermore, the role of regulators and rules, such as what constitutes an “accredited investor,” limits contributions from those who do not meet either the wealth or income requirement that is necessary.

## **Regulation**

The evolution of regulation has been pivotal to the democratization of alternative assets. Various reforms over the years have not only lowered barriers to entry but also increased transparency behind various investment vehicles.

The “accredited investor” designation both historically and currently controls which individuals are allowed to invest in private securities that are yet to be registered with public

authorities.<sup>1</sup> The reason for this limitation is to protect individuals who do not possess the requisite wealth or knowledge of the risks that can occur in markets that are less regulated than the public markets. This designation aims to ensure that individuals who invest in private markets have enough sophistication and investment knowledge to make a responsible decision. To qualify, an individual only has to possess one of the following requirements: “a net worth above \$1 million excluding primary residence; income over \$200,000 (individually) or \$300,000 (with spouse) in each of the prior two years (and expected to continue); investment professionals who hold a Series 7, Series 65, or Series 82 license; general partners, executive officers, or directors of a company that is issuing unregistered securities.” The combination of revised requirements and the growth of household wealth in the United States has increased the percentage of Americans who belong to this category from less than 2% in 1983 to around 18.5% in 2022.

Two fundamental legislative rules that have led to the proliferation of alternative investments, specifically private equity, are Rule 3(c)(1) and 3(c)(7).<sup>2</sup> These two rules separate the treatment of private funds from the regulation and registration required by the Investment Company Act, the legislative piece regulating investment companies. Section 3(c)(1) exempts funds from mutual fund regulation and allows for a wide variety of investment strategies so long as there are not more than 100 investors and those investors are accredited. Section 3(c)(7) is similar, but allows for an unlimited number of investors, so long as they are “qualified purchasers,” meaning the individual invests at least \$5 million or the institution invests at least \$25 million. Historically, participation in these investment vehicles has been limited due to the difficulties in acquiring “accredited investor” status. However, recent innovations, including interval and tender offer funds, have provided new avenues for access. These funds balance the line between private and open-end funds, allowing fund managers to provide alternative investments to a broader individual investor base.

The Jumpstart Our Business Startups (JOBS) Act of 2012 played an important role in relaxing restrictions on the solicitation and advertising of funds.<sup>3</sup> This allowed hedge funds,

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<sup>1</sup> “Accredited Investors.” (2025). *U.S. Securities and Exchange Commission*.

<https://www.sec.gov/resources-small-businesses/capital-raising-building-blocks/accredited-investors>

<sup>2</sup> Pandol, Holli Heiles. (April 17, 2025). “Sections 3(c)(1) and 3(c)(7) of the Investment Company Act.” *Carta*.

<https://carta.com/learn/private-funds/regulations/3c1-3c7/>

<sup>3</sup> “Jumpstart Our Business Startups (Jobs) Act.” (2025). *U.S. Securities and Exchange Commission*.

<https://www.sec.gov/rules-regulations/jumpstart-our-business-startups-jobs-act>

private equity firms, and venture capital firms to market their funds to a broader base of customers than previously allowed, as long as these clients were verified as accredited investors. This act also provided retail investors with higher maximums on money raised through crowdfunding platforms, leading to the current limit of \$5 million. Furthermore, the 2021 JOBS Act legislation provided new equity crowdfunding opportunities to individual investors that were not previously available. These regulated crowdfunding opportunities are significantly more accessible, as many have low minimum investment limits (~\$500).

Regulation Best Interest (Reg BI) is another piece of legislation that has helped to improve the private market investing landscape for individual investors.<sup>4</sup> This legislation aims to improve broker-dealer interactions through a variety of new standards and rules. These standards include: brokers placing the financial interest of their clients ahead of their own, their firm's, or another broker-dealer; providing material facts about conflicts of interest when disclosure has not been sufficient; and establishing written policies to help meet the standards provided by Reg BI. This framework simplifies the "disclosure, care, conflict of interest, and compliance obligations," which decrease the likelihood of fraud to protect investors.

## **Private Market**

The alternative investment market is expected to grow from \$25 trillion in 2023 to almost \$60 trillion by 2033, with this compound annual growth rate (CAGR) largely driven by the democratization of alternatives.<sup>5</sup> Interestingly enough, of the \$295 trillion of global wealth measured in 2023, \$150 trillion is held by individuals, while \$145 trillion is held by institutions. However, only 16% of assets under management (AUM) in alternative investments belong to individual investors, indicating a large runway for growth in the segment.<sup>6</sup> The mass-affluent segment of investors (\$100k - \$1 million) allocates close to nothing to alternatives, while the high-net-worth category of investors (\$1 million - \$5 million) invest around 1%-2% of their capital in alternatives. The very-high-net-worth segment (\$5 million - \$30 million) allocates

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<sup>4</sup> "SEC Regulation Best Interest." (2025). *KPMG*.

<https://kpmg.com/us/en/articles/2022/sec-regulation-best-interest.html>

<sup>5</sup> "Asset managers are embracing alternatives - are VCs ready?" (September 20, 2024). *Signal Rank Corporation*.  
<https://signalrankupdate.substack.com/p/asset-managers-are-embracing-alternatives>

<sup>6</sup> "Global Private Equity Report 2023." (2024). *Bain & Company*.

[https://www.bain.com/globalassets/noindex/2023/bain\\_report\\_global-private-equity-report-2023.pdf](https://www.bain.com/globalassets/noindex/2023/bain_report_global-private-equity-report-2023.pdf)

around 5% to alternatives, and the ultra-high-net-worth and family offices segment (\$30+ million) allocates around 20% of their wealth to these sorts of investments.

Over the next decade, Bain & Company forecasts individual capital allocation in alternatives to grow at a 12% CAGR per year, outpacing institutional capital allocation growth, which sits at a CAGR of 8% per year. These growth rates are projected to shift the proportion of individual wealth in total alternative assets under management from approximately 16% to 20% over the next decade. This bullish outlook is largely driven by megafunds and large asset managers such as Blackstone, KKR, and Apollo, where an influx of retail capital will help grow these firms' leadership in the alternative space as well as increase the amount of fee-bearing client AUM under their control.

While the bucket of alternative investments includes a broad range of assets, the three major categories for the accredited retail investor are private equity, private credit, and real estate. Private equity refers to equity investments in privately held companies, which offer a diverse range of opportunities that are not available on the public markets.<sup>7</sup> Over the past couple of decades, the public markets have become less attractive to companies, as alternatives have given companies new methods to raise capital without facing the regulatory scrutiny that comes with listing on an exchange. Hence, although the number of public company listings in the U.S. peaked around 7,522 during the mid-1990s, that number bottomed out at 3,602 in 2017, meaning retail investors limited to public markets have even fewer options.<sup>8</sup>

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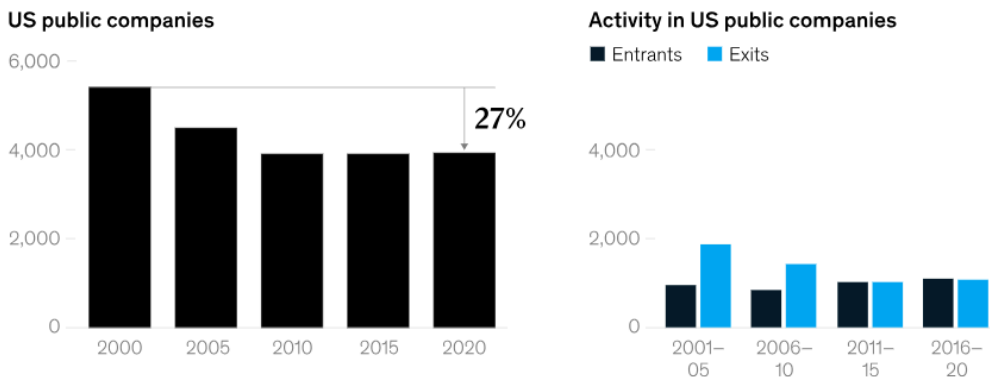
<sup>7</sup> "Private Equity." (2025). *Blackstone*.

<https://pws.blackstone.com/wp-content/uploads/sites/5/blackstone-secure/Essentials-of-Private-Equity-Brochure-Americas.pdf?v=1725567623>

<sup>8</sup> Gupta, V., Koeller, T., & Stumpner, P. (October 21, 2021). "Reports of corporates' demise have been greatly exaggerated." *McKinsey & Company*.

<https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/reports-of-corporates-demise-have-been-greatly-exaggerated>

**The number of listed public companies in the United States has declined over the past 20 years, but activity has remained stable since 2010.**



On the flip side, the take-private volume has outpaced IPO volume by 3.5x since 2022. The total number of private companies is magnitudes larger than that of public ones, and thus there is a lot of variety in terms of potential investments for holders of capital. The major types of private equity strategies are buyout, which establishes a controlling interest; growth capital, which provides funding to support expansion; and venture capital, which backs nascent companies aiming for long-term growth. Private credit or debt refers to investor capital that is lent directly to individual businesses.<sup>9</sup> Typically, this debt comes with higher yields than public debt, but there is significantly more liquidity and default risk. Lastly, private real estate investments refer to investments in commercial, income-generating properties, excluding residential homes.<sup>10</sup>

Investors oftentimes look to private markets when seeking higher returns and diversification. These investments offer investors the potential for high alpha and low beta returns, meaning they outperform their risk-adjusted expectations and have a low correlation with broader market movements. Various indices have shown that from 2007 to 2023, the average return for private companies has been 12%, 5% higher than that of public companies, with an average return of 7%.<sup>11</sup> Additionally, the investment opportunities and returns available are much larger in private companies, as 86% of companies that generate over \$250 million in

<sup>9</sup> "Private Credit." (2025). Blackstone.

<https://pws.blackstone.com/wp-content/uploads/sites/5/blackstone-secure/Essentials-of-Private-Credit-Brochure-Americas.pdf?v=1722562876>

<sup>10</sup> "Private Real Estate." (2025). Blackstone.

<https://pws.blackstone.com/wp-content/uploads/sites/5/blackstone-secure/Essentials-of-Private-Real-Estate-Brochure-Americas.pdf?v=1722562855>

<sup>11</sup> "Essentials of Private Equity." (2025). Blackstone.

<https://www.blackstone.com/pws/essentials-of-private-equity/>

revenue are private, and 66% of global corporate revenues come from privately owned businesses. Regarding private credit, when comparing fixed income indices from 2017 to 2023, private credit outperformed all other forms of debt.<sup>12</sup> Private credit over these seven years returned 8.9% annually, which outperformed leveraged loans (4.8%), high yield (4.6%), 1-3 month treasury bills (1.7%), investment grade bonds (1.3%), and treasuries (1.1%). The prevalence of private credit assets has expanded rapidly over the past couple of decades, from \$72 billion in 2005 to \$1.3 trillion in 2023. Lastly, private real estate is a massive market, as 94% of the \$24T U.S. commercial real estate market falls into this category. Over the last 30 years, these assets have typically grown faster than inflation and have a very attractive risk-reward ratio for investors. Typically, these assets have similar volatility profiles to debt alternatives (10-year treasury, municipal bonds), yet they outperform these assets by 3%-4% per year.

Individual investors can access and invest in private markets in a variety of ways. For real estate, investors can either directly own properties or contribute their capital to a real estate vehicle. Real estate vehicles allow individual investors to benefit from the returns and diversification of real estate, without having the requisite knowledge that is required to manage properties in the long run. As opposed to public real estate investment trusts that operate similarly to regular public stocks, many of the largest asset management companies provide semi-liquid private funds through which their clients can invest. Typically, these funds are open-ended and allow investors to contribute or withdraw their capital at common redemption intervals. Similarly, there is a variety of private equity and private credit funds that are offered by companies such as Blackstone and BlackRock, which allow accredited and high-net-worth investors to contribute capital.

While the major asset managers do not yet offer private equity funds to non-accredited investors, in recent years lower minimum funds have appeared such as Blackstone's Private Equity Strategies Fund L.P., which requires a \$50,000 minimum, and their Blackstone Private Multi-Asset Credit and Income Fund (planned to be opened mid-2025), which requires a \$2,500 minimum.<sup>13</sup> Emerging options for retail investors who do not qualify as accredited investors are

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<sup>12</sup> "Essentials of Private Credit." (2025). *Blackstone*.  
<https://www.blackstone.com/pws/essentials-of-private-credit/>

<sup>13</sup> "Blackstone Announces SEC Effectiveness for Private Multi-Asset Credit and Income Fund (BMCX)." (March 10, 2025). *Blackstone*.  
<https://www.blackstone.com/news/press/blackstone-announces-sec-effectiveness-for-private-multi-asset-credit-and-income-fund-bmacx/>

crowdfunding, tokenized funds, and fund-of-funds formats. However, retail investors who do not meet the accredited investors criteria are unable to access these funds. Moving forward, there will need to be significant changes made to the accredited investor status in order for all retail investors to gain access to private market funds. These changes are unlikely to occur in the short term, limiting the usefulness of many potentially innovative firms or fund structures.

Innovative financial platforms such as Moonfare, Fundrise (real-estate focused), and Yieldstreet are providing investors an opportunity to invest with significantly lower minimums and less stringent investor qualification requirements. For example, Yieldstreet's typical investor minimum is \$10,000 - \$25,000, well below the usual private equity investor minimum and does not require the investor to be accredited. While these platforms are intriguing for their accessibility and potential to expand access to more investors, they are not widely embraced by mainstream investors. For now, they remain relatively niche, with many investors taking a wait-and-see approach as the space continues to mature.

## **Major Players in Alternatives**

Private markets have been shaped primarily by a few large financial institutions, as their ability to scale and create investing infrastructure has attracted the majority of alternative capital providers. These private equity and asset management companies include companies like Blackstone, Apollo, and BlackRock. The impetus for these companies to continue to grow their alternatives business includes the higher fees these investments generate, the stickier nature of this capital, and the growth and performance of private markets relative to public markets.<sup>14</sup> These companies view the growing mass-affluent demographic in the United States as a key opportunity moving forward and an important new source of capital.

Over the past couple of decades, the growth of ETFs and index funds has compressed the fee structure for companies that focus on providing these investment vehicles. However, private markets and alternative investments provide companies with higher fee opportunities as alternatives require a "knowledge premium." Alternatives demand more active management due to their complexity, necessitating a hands-on approach to ensure strong negotiation, proactive structuring, and positive involvement. Additionally, investors expect a premium on these

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<sup>14</sup> "Private Markets - A Growing, Alternative Asset Class." (2024). *S&P Global*. <https://www.spglobal.com/en/research-insights/market-insights/private-markets#:~:text=Higher%20potential%20returns..ground%20floor%20of%20promising%20companies.>



investments due to their lower liquidity, and thus providing investors with higher return opportunities helps to justify these higher fees.

Private investments are generally longer term investments, as opportunities in private companies, infrastructure, and private debt involve assets that cannot be sold quickly. In many cases, it can take 5 to 10 years for these assets to significantly increase in value and it is not possible to remove capital without impeding their progress. The managers of these investments require long-term stability to make operational improvements, build and scale infrastructure, and hold assets throughout economic cycles.

As a result, these investments provide large private equity and asset management companies with long-duration assets under management that provide reliable and long-term fee revenue. Another important aspect of private markets is their historical overperformance relative to public markets. This is attractive for management companies because a higher return means a larger carry on top of their management fees. Carry is the share of a fund's profits that investment managers earn as performance-based compensation and is usually around 10 times the size of their fixed-management fee (given that the fund's performance exceeds the required return).

Over the next few decades in the United States, around \$84 trillion will be passed on from Baby Boomers to Millennials and Gen Z.<sup>15</sup> These younger generations are reshaping traditional investment preferences, with them much more likely to favor alternative assets, and representing a massive opportunity for many firms. Additionally, these individuals have higher levels of financial and technological sophistication, and many desire the opportunity to invest through unique, tailored products online. This transition and the inclusion of this new source of capital will be a key factor in determining the success of many of the industry's current leaders.

Historically, large companies (Blackstone, Brookfield, Apollo, BlackRock, KKR, The Carlyle Group, etc.) have deployed trillions of dollars in the alternatives market across the globe, and are instrumental in providing access to these investments for both institutional and individual investors. Regarding individual investors, these companies are looking to continue to expand into the high-net-worth segment as they are already well established in the institutional market.

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<sup>15</sup> "The Great Wealth Transfer: A new era in wealth management." (2024). *Fidelity International Strategic Ventures*. <https://fisv.com/perspectives/the-great-wealth-transfer-a-new-era-in-wealth-management>

Blackstone is currently the largest alternative asset investor in the world, with over \$1 trillion in client capital currently deployed.<sup>16</sup> This total portfolio breaks out into three main categories with real estate totaling around \$325 billion, private equity totaling ~\$345 billion, and credit totaling ~\$354 billion. Brookfield is another very large alternative asset manager with around \$1 trillion in client capital deployed in products such as private equity, private credit, real estate, insurance, and infrastructure.<sup>17</sup> Apollo Global Management is a high-growth alternative asset manager with around \$750 billion allocated across private markets, with its primary markets of focus being credit, private equity, and real estate. Kohlberg Kravis and Roberts (KKR) has around \$600 billion of assets invested in private equity, private credit, and real assets, primarily through their sponsored funds or portfolio companies. The Carlyle Group invests around \$440 billion in alternative markets, with around 80% of these funds concentrated on private equity and credit. Lastly, BlackRock invests around \$400 billion of its client capital in alternatives across the world and is looking to continue to contribute a higher percentage of its funds to these private markets, as it is currently the largest asset manager in the world with \$11T in assets under management.<sup>18</sup>

Overall, these companies' substantial size and presence in private markets give them a distinct advantage compared to many other firms, allowing them to structure unique deals, acquire large projects, and take advantage of economies of scale. Many of these companies are highly desired by investors due to their historical returns, diversification benefits, and wide variety of available products. Overall, the size and history of these companies have helped them grow relationships with large sources of capital such as sovereign wealth funds, pension funds, and endowments, creating a circular economy to grow their business. Looking forward, their continued presence in private markets will be highly dependent on their ability to solicit investment from individual investors.

Another major force in expanding individual investor exposure to alternatives is through the growth of insurance-private equity partnerships. One example of this is Apollo's partnership with Athene, which underscores how private equity investments are increasingly used to bolster

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<sup>16</sup> "Blackstone Reports Third Quarter 2024 Results." (October 17, 2024). *Blackstone*.

<https://www.blackstone.com/wp-content/uploads/sites/2/2024/10/Blackstone3Q24EarningsPressRelease.pdf>

<sup>17</sup> Gupta, N. (February 25, 2025). "Largest Alternative Asset Managers by AUM in 2025." *Investing in the Web*.

<https://investingintheweb.com/blog/largest-alternative-asset-managers/>

<sup>18</sup> "Alternatives - Institutional." (2025). *BlackRock*.

<https://www.blackrock.com/institutions/en-us/strategies/alternatives>

the finances of insurance companies.<sup>19</sup> Insurance companies are attracted to these investments because the alternatives have the potential to generate higher yields to support their products such as annuities. Not only can the portfolios of these insurance companies improve and generate better income, but indirectly, holders of these products now have exposure to private markets. This helps expand individual access to the returns of private investments as well as provide large alternative managers with new sources of capital.

A similar strategic partnership was announced in 2025 between Blackstone, Vanguard, and Wellington to help spread quality private market investment opportunities to individuals.<sup>20</sup> These companies are working together to offer a fund similar to evergreen funds, reflecting a broader industry trend of making private investments more accessible. Overall, this signals that top-tier companies in the asset management industry are willing to collaborate to create retail-friendly investment vehicles that have not previously been widely available.

### **New Access Opportunities**

Recently, large alternative managers are increasing access to their funds for individual investors by creating semi-liquid and interval opportunities, offering lower minimums, providing simplified tax reporting, and more.<sup>21</sup> These changes have made dealing in private markets more straightforward, accessible, and convenient for individual investors and their investment advisors. These funds are typically referred to as evergreen funds, meaning they are open-ended and continuously operate without an expected maturity date. They generally allow for higher levels of liquidity, periodic redemptions, simplified tax reporting, and are targeted towards individual investors through lower minimums.

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<sup>19</sup> “Apollo Completes Merger with Athene and Finalizes Key Governance Enhancements.” (January 3, 2022). *Apollo Global Management*.

<https://www.apollo.com/insights-news/pressreleases/2022/01/apollo-completes-merger-with-athene-and-finalizes-key-governance-enhancements-120051006>

<sup>20</sup> “Wellington, Vanguard, and Blackstone to collaborate on investment solutions combining public and private assets.” (April 15, 2025). *Wellington Management*.

<https://www.wellington.com/en/wellington-news/wellington-vanguard-blackstone-collaboration>

<sup>21</sup> Famiglietti, F. (August 9, 2024). “Alternative Investments: Increased Accessibility for Investors and What Advisors Need to Know.” *Morgan Stanley*.

<https://www.morganstanley.com/im/en-us/individual-investor/insights/articles/alternative-investments-increased-accessibility.html>

Apollo Aligned Alternatives is an example of one of these types of funds that are now available to individual investors who qualify as accredited investors.<sup>22</sup> This fund is attractive to investors as it offers monthly and quarterly redemptions, which enhance its liquidity for investors, lower investment minimums (as low as \$5,000 through some platforms), 1099 tax reporting, and real-time net asset value updates. This tax reporting is particularly attractive for retail investors as it simplifies the usual complex K-1 forms used in private markets and allows investors to file on time without extensions. Lastly, net asset value updates provide investors with increased transparency as they can observe the performance of their holdings over shorter intervals, a feature that is typically uncommon for private investments.

Blackstone Private Multi-Asset Credit & Income Fund is another example of how asset managers are providing individual investors with new products and features. This fund allows investors to invest a minimum of \$2,500, provides quarterly redemption windows up to 5% of net asset value, delivers regular income distributions, and allows for 1099 tax reporting. This fund is unique for Blackstone as its private credit business has typically been inaccessible without investments greater than \$1 million.

Another new fund is BlackRock's Private Investments Fund, which targets private equity investments through direct, co-investments, and secondaries, focusing on growth and buyout objectives.<sup>23</sup> This fund is diversified geographically and strategy-wise with investments across technology, healthcare, consumer products, and industrials. There are no capital expected end dates or capital calls, meaning investors can keep their capital invested beyond the typical 5 to 7-year period associated with private equity investments. This fund allows redemptions per quarter up to 5% of net asset value, 1099 tax reporting, and minimums ranging from \$2,500 to \$5,000, depending on the advisor channel.

Fund structures such as interval and tender offer funds are also providing individual investors with more exposure to private markets.<sup>24</sup> These funds are closed-end, which means they have limited shares, and provide their investors with varying levels of liquidity depending on their structure. Interval funds allow investors to withdraw their capital at specific times

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<sup>22</sup> "Apollo Aligned Alternatives." (2025). *Apollo Global Management*.

<https://www.apollo.com/wealth/strategies/products/apollo-aligned-alternatives-e1>

<sup>23</sup> "BlackRock Private Investments Fund." (2025). *BlackRock*.

<https://www.blackrock.com/us/individual/products/317628/blackrock-private-investments-fund-institutional-class>

<sup>24</sup> Formata, S. & Jones, A. (May 7, 2024). "An Introduction to Interval and Tender Offer Funds." *ACA Group*.

<https://www.acaglobal.com/insights/introduction-interval-and-tender-offer-funds/>

depending on a predetermined interval length (such as every 3 or 6 months), and tender offer funds allow investors to withdraw funds at the manager's discretion and in compliance with regulations. Closed-end funds have significantly lower liquidity requirements than public funds and therefore allow for investments in illiquid markets. Furthermore, these funds typically have lower minimum investment requirements and less stringent eligibility standards than comparable funds associated with private equity and other private markets.

### **Acknowledgements**

We sincerely thank all those who offered vital support and resources in the development of this report. We are especially grateful to Reena Aggarwal, David Vandivier, Maude Ashra, Andrew Devine, and Téa Anderson from Georgetown University's Psaros Center for Financial Markets and Policy for their valuable collaboration throughout the drafting process. Their insights and feedback greatly enhanced the depth and quality of our work.