Let's Spring into Summer…

Today, we've written a piece on a subject that's captured headlines recently but has been around for a very long time.

Investing in Privates: A Primer, and What Investors Need to Know.

Whether it be due to Headline news around Private Credit, Venture Capital, upcoming IPOs (think SpaceX for example), or infrastructure projects to support the massive energy requirements needed to support Artificial Intelligence, investing in Private Markets has become 'mainstream'. Investors want to know, and need to know, about this space.

Before we begin, it's important to be on the same page, regarding terminology. For the purpose of today's discussion, I will refer to "Private Markets", which should be thought of as being different than the Public Markets. Public Markets include common investments we might find in the S&P500, including stocks like Apple, Microsoft and IBM, for example. They also include bonds (aka Fixed income), mutual funds, Exchange Traded Funds (ETFs) and more. Private Markets, on the other hand, are NOT traded publicly.

How it started: Private Market investing has been around for decades. Primarily it was catered toward large Institutions (such as pension funds) and Ultra-wealthy families.

There was a shift in interest after the Great Financial Crisis (GFC) of 2009. Many banks, due to regulatory handcuffs, were unable to continue to fund companies' needs for financing. The Private Markets stepped in to fill this need, lending to companies whose operations were typically funded with loans provided by banks. As time passed, and the size of the lending market grew substantially, the Private Markets opened to smaller investors. We refer to these investors as Retail (versus Institutional) clientele. More recently, since Covid, as the stock markets have ballooned due to increasing deficits, so has interest in the Private Markets.

What they are: Private Markets, broadly speaking, include Private Equity, aka 'PE', (think stocks and ownership in non-public companies, such as SpaceX and Skechers), Private Credit (think bonds, fixed-income, and interest-income producing investments), Private Real Estate and Private Infrastructure (Hydroelectric Dams, Electricity Generation and Grids, Solar Farms, Natural Gas). There are also Hedge Funds, Futures Trading, Long/Short funds, and more.

Why investors need to be smart about Privates: The availability of suitable investments for retail investors now expands well beyond the familiar publicly-traded markets. For example, no longer do we have to wait to own a company before it becomes publicly traded via an Initial Public Offering. Investors now have access to companies that don't trade on an exchange (yet, or ever), and can invest alongside professional institutions, as equals. As well, there are terrific companies that are not traded on public exchanges.

There's a common investor saying that goes like this: '*There's no free lunch in investing, except Diversification*'. This means that the benefits of diversification can be had for free. An investor can reduce risk in a portfolio by ensuring that investments are diversified appropriately, which protects them against a variety of potential maladies. We used to say "Don't put all your eggs in one basket.", which illustrates this perfectly. Apart from the principle of diversification, which doesn't cost anything to benefit from, "*for something gained, something must be given*." In the world of Privates, 'Liquidity' is one of the things typically given up. Whereas publicly traded stocks and bonds can be bought and sold quickly, Privates are less liquid, typically transacting only quarterly or monthly. For this lack of liquidity, investors expect something back; such a lower risk, or a higher rate of return.

Who can buy them: Due to current regulations in place, designed to protect the investing public, there are levels of qualifications for various types of Private Investments. The first entry level is called the **Accredited Investor**. Basically, the investor(s) must have at least 1 million (1mm) of investable Net Worth (not including a Primary Home), **or** earn $200,000 (200k) per year as an individual **or** 300k per year as a Joint couple. This is the starting point for access to Private Markets. Beyond this level, some investments require a higher Net Worth in order to take part in offerings. Given the performance of the investment markets over the past few years, many investors qualify to purchase some type of Private Investments.

What we should know: As a starting point, we believe it's critical that investors understand THAT Private Market investments are available, WHAT they offer, and WHICH are available for investment. After all, a diversified portfolio is typically made up of cash (for short term liquidity), equities/stocks (for growth and keeping up with inflation) and fixed income/bonds (for income and stability). Private Markets offer investments in these areas, and thus, ought to be at least considered when building a diversified portfolio.

What else is important: Many Private Market investments offer further benefits that can't be found in public investment markets. For example, 1031 exchange funds offer investors the ability to exchange low-basis, high value, investment real estate into REITs (Real Estate Investment Trusts). This transaction effectively allows investors to get out of the active management role as landlords and simply become a passive investor, all while deferring or eliminating income tax liability (Note, we cannot offer tax or legal advice, and all such strategies ought to be discussed with a professional tax or legal professional). Further, Opportunity Zone investments, as another example, offer further tax benefits starting in 2027, thanks to regulations inside the OBBB, One Big Beautiful Bill. The CPAs we work with are excited about these opportunities for clients.

As an example, imagine a couple that owns an investment, a multi-family home. Let's imagine it was purchased for $300k 30 years ago. Today it's worth $2,000,000 (2m) dollars. Clearly, there's quite a bit of Unrealized Gain hidden in there! They don't want to sell the property, because they don't want to incur the Federal and State Income Tax liability. However, they also want to get out of the 'landlord game'. Let's imagine that they have a further goal of leaving the home as an investment for their 3 children.

This family could, by following the appropriate rules and regulations, meet with their financial advisor and develop a plan to sell the real estate and transfer the funds into a 1031 exchange Private Real Estate fund. Executed properly, no capital gains will be due upon the sale of the multi-family investment property. And, after a few years, the owners will own shares of a Private REIT, earning potentially-tax-advantaged income without lifting a finger. And, if the fund shares are held till passing, there will be a step-up in cost basis. This means that no capital gains taxes will be owed when the REIT shares are sold. Thus, the heirs can equally split the shares of the REIT, rather than having to figure out how to manage a multi-family property together. For many, this option makes tremendous sense. And, it's only available in the Private Markets.

We all know someone who owns a multifamily, or a commercial building, or rental real estate. Today, there are options available to get oneself out of the landlord-role, while taking advantage of tax breaks, and setting up one's estate plan for easy division. Many investors are attracted to "Leaving their heirs with a solution, not a problem."

The Yalanis Private Wealth Management Group has been investing in the Private Markets for years. Our team guides families through various investment options to determine a 'good fit', and to ensure that potential investments fit within short and long term financial plans and liquidity needs. We combine this approach with our eMoney planning tool, one of the most sophisticated available today.

We have found that too many financial advisors and financial advisory firms either 1) Can't provide Private Investments to clients, 2) Don't understand or invest in them personally, or 3) Don't have the resources to build diversified portfolios.

Our team strives to fill that need for our clients. In the coming year, we will sponsor educational sessions designed to explore these offerings in further detail. *If you have interest in one or more of these areas, please reach out to us so we can ensure you're part of these meetings*. As well, we are scheduling one-on-one sessions to address particular financial needs. If friends or family have similar needs, please let us know and we'll ensure they get the education desired.

Today's investment climate requires knowledge of all investment vehicles available to investors. Our team knows this, and continuously seeks to be a trustworthy expert to provide guidance and advice when it comes to building and maintaining wealth.

In closing, we have several educational client events planned in 2026 (which are not tied to Private Markets). Please join us to learn about the investment markets and hear an economic update, together with our partners. Each event will be followed with a different gathering.

- 06.16.26: Happy Hour/Educational Seminar with Zig Kaknevicius from Franklin Templeton at The Gardiner Hotel
- 07.01.26: Market Update with Chris Hodgdon, Vice President First Trust Advisors - Wednesday July 1st at Ragged Island Brewery!
- 07.10.26: Newport Gulls Baseball, American Heroes night. Market update followed by free tickets and food at the ball game!

Sincerely,

Christopher P. Yalanis, CFP®, MBA
Managing Director – Investments
Branch Manager

Gregory Fater
Financial Advisor

Darcy F. Coyle
Senior Registered Client Associate

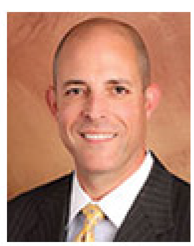
Hannah McNomee
Senior Registered Client Associate

PM-10292027-5434809

Click on my business card and its tabs to learn more.

Schedule a consultation	Are you on track?	Investment tools and insights

YALANIS
PRIVATE WEALTH MANAGEMENT GROUP
of Wells Fargo Advisors



Christopher P. Yalanis, CFP®, MBA
Managing Director - Investments
Senior PIM Portfolio Manager

Wells Fargo Advisors
7 Brown & Howard Wharf
Newport, RI 02840
Tel: 401-848-3009 | Cell: 401-935-0449
Text: 401-240-4740 | Fax: 401-847-0329
Toll-free: 888-848-9738

christopher.yalanis@wellsfargoadvisors.com
www.yalanispwmg.com

Save details to address book

Christopher P. Yalanis, CFP®, MBA
Managing Director - Investments
Senior PIM Portfolio Manager
The Yalanis Private Wealth Management Group of Wells Fargo Advisors

Named one of 2018, 2019, and 2021-2025 Forbes Best-In-State Wealth Advisors
Named one of 2012, 2014-2016, 2018-2019, 2021-2025 Wells Fargo Advisors Platinum Council

Wells Fargo Advisors | 7 Brown & Howard Wharf | Newport, RI 02840
MAC H4271-010
Tel 401-848-3009 | Toll-free 888-848-9738 | Cell 401-935-0449 | Text 401-240-4740 | Fax 401-847-0329

christopher.yalanis@wellsfargoadvisors.com | http://www.yalanispwmg.com

2025 Forbes Best-In-State Wealth Advisors; Awarded April 2025; Data compiled by SHOOK Research LLC based on the time period from 6/30/23 - 6/30/24 (Source: Forbes.com).
2024 Forbes Best-In-State Wealth Advisors; Awarded April 2024; Data compiled by SHOOK Research LLC based on the time period from 6/30/22 - 6/30/23 (Source: Forbes.com).
2023 Forbes Best-In-State Wealth Advisors: Awarded April 2023; Data compiled by SHOOK Research LLC based on the time period from 6/30/21 - 6/30/22 (Source: Forbes.com).
2022 Forbes Best-In-State Wealth Advisors: Awarded April 2022; Data compiled by SHOOK Research LLC based on the time period from 6/30/20 - 6/30/21 (Source: Forbes.com).
2021 Forbes Best-In-State Wealth Advisors: Awarded February 2021; Data compiled by SHOOK Research LLC based on the time period from 6/30/19 - 6/30/20 (Source: Forbes.com).
2019 Forbes Best-In-State Wealth Advisors: Awarded February 2019; Data compiled by SHOOK Research LLC based on the time period from 6/30/17 - 6/30/18 (Source: Forbes.com).
2018 Forbes Best-In-State Wealth Advisors: Awarded February 2018; Data compiled by SHOOK Research LLC based on the time period from 6/30/16 - 6/30/17 (Source: Forbes.com).

The Platinum Council (previously known as Premier Advisor) distinction is held by a select group of Financial Advisors within Wells Fargo Advisors as measured by completion of educational components, business production based on the past year, and professionalism. Additional criteria, best practices and team structure, may also be used to determine recipients.

Award Disclosures

[PM]-09122027-5280270