



What is the difference between Accredited vs. Crowd Investor?

The difference between an accredited investor and a non-accredited investor (sometimes referred to as a crowd investor) lies primarily in their financial status and regulatory classification. Here's a breakdown of the differences between the two:

1. Accredited Investor:

- **Definition:** An accredited investor is an individual or entity that meets certain income or net worth thresholds as defined by securities regulations. These thresholds are established to identify investors who are presumed to have the financial sophistication and ability to bear the risks associated with certain types of investments.
- **Income Threshold:** An individual is typically considered accredited if they have earned income exceeding \$200,000 in each of the past two years (or \$300,000 in joint income with a spouse) and expect the same income level in the current year.
- **Net Worth Threshold:** An individual is also considered accredited if their net worth exceeds \$1 million, either individually or jointly with a spouse, excluding the value of their primary residence.
- **Investment Opportunities:** Accredited investors have access to a wider range of investment opportunities that may be restricted from non-accredited investors, including private placements, hedge funds, venture capital, and private equity investments.
- **Regulatory Considerations:** Securities regulations, such as Regulation D under the Securities Act of 1933 in the United States, often require that certain types of investment offerings are limited to accredited investors to reduce the risk of fraud and protect less sophisticated investors.

2. Non-Accredited or Crowd Investor:

- **Definition:** A non-accredited investor, sometimes referred to as a crowd investor, does not meet the income or net worth thresholds to qualify as an accredited investor. These individuals may still invest in publicly traded securities such as stocks and bonds, as well as participate in certain types of private investments, but they may have fewer opportunities and face more restrictions compared to accredited investors.
- **Investment Opportunities:** Non-accredited investors may participate in crowdfunding campaigns, certain private placements conducted under Regulation



Crowdfunding (Reg CF), and other investment opportunities available to the general public. However, they may have limited access to private equity, venture capital, and other alternative investments typically available to accredited investors.

- **Regulatory Considerations:** Securities regulations may impose additional restrictions and disclosure requirements on investments made by non-accredited investors to ensure they are adequately informed about the risks involved. For example, investments made through crowdfunding platforms are subject to specific regulations designed to protect non-accredited investors.

In summary, the key difference between accredited and non-accredited investors lies in their financial status and regulatory classification, which determines their access to certain types of investment opportunities and the level of regulatory oversight and protection they receive. Accredited investors are presumed to have the financial sophistication to assess and bear the risks associated with certain investments, while non-accredited investors may face more restrictions and regulatory safeguards.

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