

Democratizing Private Markets: Private Equity Performance of Individual Investors

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November 2024

VERY PRELIMINARY, PLEASE DO NOT CIRCULATE

Abstract

Using new data on wealthy U.S. households, we provide the first systematic study of private equity investments by individual investors. Contrary to concerns about adverse selection, we find that private equity investments by individual investors perform similarly to those of institutions and outperform public markets. We identify three innovations that enable individuals to invest in private equity: the proliferation of funds with low minimum commitments, pooling capital via advisors, and leveraging advisors' networks to access fund managers. Our findings demonstrate how advisors and access to private equity funds can enhance household portfolio returns.

JEL Classification: D14, G11, G24

Keywords: Private equity, household finance, individual investors, financial advisors

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