

# Private markets:

What to ask before you invest



## Key takeaways

- Liquidity, fees and valuations can affect how an investment behaves and what you ultimately receive.
- An investment's potential role should be considered alongside your cash needs, existing portfolio and broader financial goals.
- A clear set of questions can help you evaluate an opportunity before deciding whether it belongs in your portfolio.

You may be hearing more about private equity, private credit, real estate or other investments that aren't traded on public markets.

These opportunities can sound compelling. But before adding a **private market investment** to your portfolio, it's important to look beyond the strategy or potential return and understand how the investment actually works. That context can help you determine how it may fit into your **overall financial plan**.

## When can I access my money?

Unlike publicly traded investments, some private market investments may limit when or how investors can redeem their holdings. The fund may have a stated term, redemption windows or other restrictions.

Ask how long you should expect to hold the investment and what happens if you need the money sooner than expected.

This matters because an investment that looks appropriate based on its strategy may look very different when you consider your household's cash needs, upcoming expenses and other sources of liquidity.

## What fees will I need to pay?

Ask for a complete breakdown of the costs associated with the investment. Depending on the structure, there may be management fees, performance-based fees, fund-level expenses or other costs in addition to the stated investment fee. Fees may also be charged at multiple levels, including by the fund itself or in connection with underlying investments.

Understanding the total cost can make it easier to compare the opportunity with other ways of pursuing a similar financial goal.

## How is the investment valued?

With publicly traded investments, prices are generally visible and frequently updated based on market activity. Private market investments, on the other hand, may be valued using estimates, models and other methods separate from the market price. This means their stated values may differ from what a buyer would be willing to pay at a given time.

A stated value can help you understand what the holding is worth on paper, but it may not represent the amount you could receive if you needed to sell. When considering a private holding for your portfolio, ask how often the value is determined, who is responsible for the calculation and what information is used to establish it.

Understanding how a private holding is valued, and how closely that number may reflect the amount you could ultimately receive, can help you set realistic expectations.



## How much of my portfolio do I want to allocate to private markets?

Just because an investment appears attractive on its own doesn't necessarily mean it's the right fit for your overall portfolio.

Before investing, consider how much of your portfolio you're comfortable having in holdings that are less liquid or harder to value. Setting a limit in advance can help prevent one investment or category from taking up a larger portion than intended. This can be especially important with private investments, which may become a larger-than-expected share of your portfolio as their value or your exposure grows.

That said, you don't necessarily need to set a universal percentage. Instead, focus on **establishing boundaries** that reflect your household's goals, cash flow needs and ability to manage less-liquid holdings.

## What does the exit or distribution process look like?

Before making a private market investment, you should have a clear understanding of how and when the funds will become available to you.

Ask what the expected exit or distribution process looks like. Is there a stated maturity or fund term? Does the investment sell underlying assets, distribute cash flow or depend on another transaction? Are there circumstances that could delay or change when you receive proceeds?

Getting clear answers to these questions can help you consider how the holding could affect your financial plan in the future, including your cash flow and the timing of other financial goals.

## Come to the conversation prepared

When considering a private market investment, it's important to assess how it might function within your financial strategy, not just whether the opportunity itself appears attractive. Consider how the holding would fit alongside your existing portfolio, cash flow needs and other financial priorities—and whether that fit would still make sense as your circumstances evolve.

A conversation with the investment issuer can be a useful step before moving forward. Our private markets due-diligence checklist gathers important questions and considerations in one place, helping you make the most of that discussion. Your advisor can then work with you to evaluate how the holding's liquidity, costs and valuation align with your broader financial plan and goals.



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The questions in this article and the accompanying checklist are not exhaustive and are not a substitute for reviewing an investment's offering documents, including its private placement memorandum or prospectus. Information provided by an issuer may be incomplete. Asking these questions does not ensure that an investment is appropriate for you.

Private market investments are speculative and involve significant risks, including the potential loss of the entire amount invested. They may be illiquid, may limit or suspend redemptions, may use leverage, and are generally subject to less regulatory oversight and transparency than publicly traded investments. Stated values are often based on estimates and models and may not reflect the price at which a holding could be sold. Fees and expenses may be charged at multiple levels and may be higher than those of publicly traded investments. Private market investments are not suitable for all investors, and many are available only to investors who meet specific income, net worth or other eligibility requirements. The information provided is believed to be reliable but is not guaranteed as to accuracy, timeliness or completeness. Opinions expressed are subject to change without notice.

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