Zach Miller ([00:06](https://www.rev.com/transcript-editor/Edit?token=aeA40sb16qySIuuQsdLZbA8AuAICqd7Sg3GVLwUamVGF4EGyjQSvRuMhd-FC80cZRhR7byWdua53yBRFeFXhOUB-Ccg&loadFrom=DocumentDeeplink&ts=6.16)):

Welcome back to the NFL Player's Podcast. I'm your host, Zach Miller. This week we're going to dive into private investments. This is an area that athletes constantly get taken advantage of. It's sad to see because they get exploited. I've seen plenty of guys I've played with, myself personally, private investments is an area that there's just less regulation. There's not as much oversight of this area, so it's constantly an area where we're athletes get defrauded. It's not good, and so you really need to understand when someone pitches you a private investment, how should you look at it? Does it even make sense for you as, should you even invest in any private investments?

Zach Miller ([00:47](https://www.rev.com/transcript-editor/Edit?token=khWMppCzcy2XoUamQ2CIvSbipNeVUVKzKNBfxRCqXNNeBnvj3eujj3RzjkwIvSsJwfZ4LCc4pdhApBMg40ljlAt6ek4&loadFrom=DocumentDeeplink&ts=47.36)):

We're going to do this whole series over the next few weeks, and we're going to go into venture capital, we'll go into private real estate, we'll go into hedge funds. Should you even own any of these? Is it worth it? What kind of returns do you get? What are the risks? I'm going to try to make this as quick as I can, and really give you, from an athlete's perspective, what you need to think about before making any of these investments, and how they can help. Once you have significant wealth, you can possibly allocate and get better returns, or better expected returns, I should say, in some of these investments, rather than what you can get in the public markets.

Zach Miller ([01:23](https://www.rev.com/transcript-editor/Edit?token=sQfnyHD2z4_QzTv-Vc7b8_i9LaQWW5WdSU04BpMk7jq8PJbf6Z8X8nGq4xZ1lZ7JJPECJhM1VNHAKhFU-38jABUOo38&loadFrom=DocumentDeeplink&ts=83.77)):

Before I talk about that, just seeing the Russell Wilson stuff in the news, just crazy to see the possibility of him not being in Seattle. I know, obviously, he's such a team guy. When I played there, and I know firsthand how you need a franchise quarterback. It helps the whole team to have a guy that you know can win in that place. If you look at what Brady did leaving New England and going to Tampa, and then you look at what Manning did going to Denver. I mean, proven winners are hard to find at the quarterback position, so I think Seattle needs him there, and I think it'll get worked out. But, man, they got to get better protection for him up front. I'm fully on board that. Even when I was there, he took too many hits.

Zach Miller ([02:12](https://www.rev.com/transcript-editor/Edit?token=fL_l3BVfRh55Tb6J9KKIgTewLyeo5s9mYr1NbEy1sLEccEyh7yJ-P5nHnfMl512Qj4_e19GqMndclLjIMn9HNpu29YI&loadFrom=DocumentDeeplink&ts=132.27)):

As we dive back into private investments, I just want to just run through them all. First of all, in the public markets, you have stocks and bonds. Stocks are just ownership in companies. Whether that's the big companies like Apple, Amazon, Microsoft, you get to own some of that company by buying stock in it. Then, the bond market. These are just loans to these companies, either companies, municipalities, federal government, you're loaning them money and they pay you interest back. Then, in the private market, you also have private equity and private debt, private bonds that are really the same, they're just less regulated and you have to really vet these deals a lot more so than I would say in the public markets.

Zach Miller ([02:55](https://www.rev.com/transcript-editor/Edit?token=EUDUsrAr8_RX9s-AwpTY0MY3POpiowiFxv1jwsjb9xMSiUcxe7TrHWEbmP9KFavYGo473b_rZmzn9sX5Y0LZyBoLzx8&loadFrom=DocumentDeeplink&ts=175.13)):

Private investments are really, I mean, everyone likes to talk about them in the locker room. They're definitely more sexy than a public market portfolio of owning good companies, and being diversified and all that. I can see why everyone wants to talk about their private investments, how much they got. It's just a more fun topic, and so you really need to understand where those returns come from, what the risks are associated with those. Then, what matters in hedge funds? What matters in venture capital? What matters in real estate investments? Why are you even allocating money to those, versus just owning a public market portfolio?

Zach Miller ([03:34](https://www.rev.com/transcript-editor/Edit?token=Rf_n7CKRi7AkhMVFKXOKEiBxBl4O1JRqo4AlE8QbZc-ObGESjpqoXXQ_eNypkEIYgZ1xLs37k0B8sJ-Wd5t0U8gAwOM&loadFrom=DocumentDeeplink&ts=214.83)):

I think the first one is confidence in returns. One thing, you want to always be confident when you're you're investing is, are those returns persistent, meaning, can they be re reproduced? Do they consist over time across markets? Then, are they pervasive? Throughout time, are they there over and over and over again, and can the same funds, can the same managers reproduce that, and is it not just possibly some luck involved? You really need to understand the returns, and with almost all private investments, they're a lot more complex than public markets. Especially with hedge funds, it's sometimes a black box, they call it, because you don't have any transparency of what's owned in that fund. It's tough to evaluate when you don't know what that fund owns.

Zach Miller ([04:30](https://www.rev.com/transcript-editor/Edit?token=PwR_WZJg0cBmNoZURNZ6tEqKaKqo-BVVhaFZN4EvB2hIURjw_cwdCx2yofKA-7BFVHHvWMXgwvAnG6IuRRmig-HgMdk&loadFrom=DocumentDeeplink&ts=270.17)):

As far as the risks go, I mean, this is where a lot of the return comes from, is the illiquidity and tying up that capital for so many years. You have to understand that, if you allocate to a private equity, a private investment, you might not be getting that capital for 10-plus years. You have to have enough liquidity outside of that investment to be able to wait out that kind of return. That's a cost that you have to constantly know, because there's that opportunity cost. You could have invested in a more liquid public market portfolio, and not had that money tied up for so long, for either other opportunities or just the return you get in the public markets. That's sometimes one that gets missed, and it definitely should be part of the equation, because you need to have a balanced approach to your wealth so that you evaluate all those opportunity costs, whether that's in the public or private markets.

Zach Miller ([05:30](https://www.rev.com/transcript-editor/Edit?token=9HMLIYVlC6IpzntXgFYiwHcRJOvamM7eGxeylHG7Itqm0CX_s44j9kY3L_0dew76liAa2ISlAeFqNXsapxPy0sDhLNw&loadFrom=DocumentDeeplink&ts=330.38)):

The other part of the private investments that a lot of people kind of gloss over, they love to pitch returns and how much two-X, 3-X you can get on your money, but they're not talking about the two and 20 expenses you're going to be paying. Two means 2% ongoing management fee, and then 20%, the 20% is of any profits made. You just have to always really question and be skeptical, that, is the manager I'm hiring or the money I'm allocating to, are they going to be able to clear that hurdle? I mean, you have to make so much more on your investment to be able to pay those expenses, that it really has to be that good of an investment, and there really has to be a good opportunity there, because that kind of a return to justify those fees has to be really, really, really good. We'll go into more detail on the hedge fund podcast about whether hedge funds really produce the returns that you should be getting as an investor. We have a ton of data on that.

Zach Miller ([06:34](https://www.rev.com/transcript-editor/Edit?token=ROOtksIcjZlKE-L5lPbJpoBVAovRevbpVFh5l1nOYvWfgpKJQ0Vd-ve_TnBIg3m2gwRzMsp2FBunfATxfouFguIatIQ&loadFrom=DocumentDeeplink&ts=394.01)):

Then, the other thing is, when it comes to other, whether it's a buddy's deal that you want to invest in, or someone you know pitches you individually, you got to really understand that, that's a private investment deal. That's a private equity deal usually. I know, I've played with guys that did restaurants, and they didn't make a lot of money. I mean, the restaurant game is really tough. You have to be really more involved than you think you do, even being a franchisee can be like that too. I would say that, make sure you do your homework on those types of investments, and never personally co-sign for a loan. I know in one instance, someone got sued because they personally co-signed a loan for a restaurant, and if that restaurant goes out of business, then they can come after you for your wealth on that investment.

Zach Miller ([07:26](https://www.rev.com/transcript-editor/Edit?token=eu0L5Y-0wU3REkiuoZAvRTUSsfGI_wmKNEkZvVP04Vq3r1e4WGGefhZUCqjhrBcummY-56Z0c_nQNjbMRDq4iURL6VU&loadFrom=DocumentDeeplink&ts=446.09)):

I really caution, when you're doing those one-offs, or those investing in friends to, as part of the relationship with them, I would just advise you to hire a team of professionals that has expertise in all these areas so that you can vet each individual deal. I mean, I'm not the expert in everything, but you can find the right team that has the experts, and they can get the right information to you, and they can look at a deal and tell you whether it makes sense within your financial structure. Because, if you have enough core capital, you got to have the public market portfolio before you should even think about investing in private investments. Then, once you get to that level of wealth, you can actually allocate to private investments, then you need the right eyes looking at a deal to see if it even makes sense for your situation. Because, most of the times it doesn't, and we'll get into this on the venture capital episode is, what kind of deals you're seeing.

Zach Miller ([08:26](https://www.rev.com/transcript-editor/Edit?token=v74Z1c0_ZXmM_wFdsY7cZSw8NdykmRSzVdsXKnJA0CIDj_LK4FISGGJAv26K_IuCrPrx0Uq21R4m9mCA9YPEdpeEGj8&loadFrom=DocumentDeeplink&ts=506.85)):

There's so many bad deals out there that, these venture capital firms, these private equity firms, they pass on so many deals that, the ones that are making it to you, you have to understand, and be humble on this. I should have been more humble on this too, is you have to understand that your money is not any different than someone else's, except for maybe a few special areas where they want to work with athletes, so allow special allocations. There's so much institutional money chasing so many of these deals, that you have to understand that you need to vet these deals, because so many people are looking for those deals, that you don't want to be the person to accept a lesser deal that everyone else passed on, and it's only coming to you because you're the easy mark. You never want to be the easy mark. Be skeptical.

Zach Miller ([09:22](https://www.rev.com/transcript-editor/Edit?token=Dpmv4UWTK3IaNVlDiAAb1LRYe9Ll6WCBr7RP63AS8bTkn2CiPWd6O3vgETpUepOQJnnZsT5NfCGWaIJmw5xlRTTjrzs&loadFrom=DocumentDeeplink&ts=562.19)):

If you don't have the right financial team to analyze these types of things, you need to move on. I mean, if your broker won't look at a financial investment outside of a stock and bond portfolio, and they won't help you in that private investment area, you really need to find a team that will. It's part of owning your wealth. It's part of, really, not being taken advantage of. Understand, the system is broken for athletes, and that you need the right team around you that understands your situations, that's been in your shoes, and they can really help you make a better decision, and show you all relevant facts, give you upsides, downsides, make sure it's not some fraud going on. That's what the wealthy do, and I can see now that, I have such a perspective and want to be able to help so people aren't taken advantage of. Especially athletes, especially NFL guys. Next week, we're going to talk about venture capital, really get into the details of that. Thanks for joining me, and I will see you next week.

Zach Miller ([10:44](https://www.rev.com/transcript-editor/Edit?token=O0A0pciGcsii8v4M1Yk1rU7HqsVD_T50DT0fIy0UIGNxBoZBw7F7PRbKB2bs3R1PXzx9y2zSSEdfMWp6sIihHF70DiU&loadFrom=DocumentDeeplink&ts=644.49)):

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