Aaron Goldberg ([00:05](https://www.rev.com/transcript-editor/Edit?token=Wu5EClVpg--7Ezx_VX2yYwFU8YTUIFdtemS-9SeAee_MsVQA9DshaNp357eVs8kfiSIWdyUa1m7_sRONAeEyhiPo9RY&loadFrom=DocumentDeeplink&ts=65.66)):

Hey everyone. Welcome back to the PGA Players Podcast. I'm your host, Aaron Goldberg, certified financial planner and private wealth advisor at AWM Capital. Today, we're going to talk about private investments. So we're going to talk about what they are, why we would use them and when it's appropriate to use them. When we're out there on the golf course, walking down the fairway in a practice round, we're not really talking about, Hey, how did my index fund do last year? Or, Hey, the return on my bond portfolio was awesome. How was yours? It's just not something we're going to end up talking about. Whether that's right or wrong is a whole another topic, but everyone seems to know someone that knows someone that has access to the best private deal out there, has huge upside and very little downside.

Aaron Goldberg ([01:08](https://www.rev.com/transcript-editor/Edit?token=Fd04XJ2ZG3mb153kLLdEy0u8chl_GxYflu8mlO7CtlkshC5DXKTX72Ek1J8R6Co7zYyfubY_FLBqvCMwoYyuZZpaodE&loadFrom=DocumentDeeplink&ts=128.76)):

That may be the case, but there's a lot of private deals out there and there's a lot that can go right and there's a lot that can go wrong. And that's what today's episode is going to start, a four-part series, where we explore private investments, what they are, why we would use them and when we would use them, and learn a little bit more about it, including myself. We're going to talk to some experts in the fields of these private investments, interview them, get a sense of what we should be looking for, what we should be looking out for and, and what are best practices. So I'm really excited to bring this to you all because I think this is a topic that gets talked about a lot on tour, but there's a lot of misinformation and there's a lot of locker room advice if you will, that goes around, that we want to make sure you have an expert in your corner helping you not only pick these investments, but get access to the best investments out there.

Aaron Goldberg ([02:05](https://www.rev.com/transcript-editor/Edit?token=pUPM2U9eOnMfKamDuZ8NJChUu6I0nyF-B84rwlAANi4UOfUfxcQLU-M_BA1MN8s6qyRPmWUXL5rMosWEAYj-acDIYlc&loadFrom=DocumentDeeplink&ts=185.82)):

So let's start by first defining the public market versus the private market. So the public market is going to be the public stock markets, the S&P or the NASDAQ, the Dow Jones, the New York Stock Exchange, all public companies that have their stock listed on a public stock exchange. Those are public entities and we can all invest in them and there's access for everybody, especially now with the companies like Robinhood and the ease of access of a Schwab or a Vanguard. Anyone can buy into these public companies and it's great. Also the benefit of this is there's a ton of information out there and it creates efficient markets. So that all information is accounted for in the pricing of these stocks and these equities, as well as bonds too, whether the bonds are issued by the U S government, by a state government, a city or county municipality, public entities and public stocks and bonds have a lot of information available so the markets run efficiently.

Aaron Goldberg ([03:22](https://www.rev.com/transcript-editor/Edit?token=69_dDaWHUF2NAG8ZyXZFNAqebl5475CblgDv0OBuRdzCOZHT21koreAnZ1MLDWOVcTDvkk5kXg1fxg_CQDC876nqXy8&loadFrom=DocumentDeeplink&ts=262.45)):

Now in the short term, there's a great quote by Benjamin Graham, who is one of the fathers of value investing and has written amazing books on investing. But one of his quotes is "In the short term, the stock market can be a voting machine, but in the long term it's a weighing machine." And what that means is in the short term, there's possibilities of run-ups and misvaluations based on public sentiment and maybe not necessarily as much on the financials and the financial wellbeing of the company. Just take a look at, what's been going on with GameStop and AMC and Bitcoin, if you will. That is a little bit more of a voting machine in the short term, but over the long haul, and we all want to be long-term investors, the stock market is going to be a weighing of value.

Aaron Goldberg ([04:14](https://www.rev.com/transcript-editor/Edit?token=kAX8bDCTozpahC_wPuZY8NPCAoWXgKXpKYfEmHZjbijMG_vqbGx7PfKkSduHIKe9oEeSgUJpi2XA_mKDSgagFprbV5U&loadFrom=DocumentDeeplink&ts=314.23)):

It's going to level out what the value is appropriate for the stocks and bonds in the public markets, because all the information is available to everybody. And it's a great thing. And that's what we should be using for our overall net worth. When we look at the private markets, this is where we actually believe in the private markets, that this is a place that we can get access to outsize returns and use skill, use access that not everybody has, to actually gain an advantage. So this is where we want to use the best managers out there, the best venture capital funds out there, the best real estate funds or entities out there, to try to get access to some of these private investments that may give us better expected returns, never guaranteed but expected returns, over the long haul. And it also can help us diversify some of our sources of return so that we're not just relying on the stock market or the bond market to give us returns year in and year out.

Aaron Goldberg ([05:32](https://www.rev.com/transcript-editor/Edit?token=W_sZGZwqyWMsJbc2bHzdNVV4rKoa9ehhDZGuE2coLegBc3AD-5lbO4Ooh55EdS5ow-UPMXFH14z09bXqD3szBxjE3BQ&loadFrom=DocumentDeeplink&ts=392.7)):

So it can diversify and smooth out the ride a little bit as well. One of the metaphors that I like to use for private access where private investments really have an advantage with what access you have, is look at the analogy of college football. Every team has the ability to recruit the same pool of players from high school, but year in and year out, the same teams end up making the playoffs. The same teams are at the top of the rankings. Now, every once in a while, another team will sneak in there but for the most part, the same teams are at the top. There's a reason for that. They have a reputation, they have the best coaches, players want to go there. So the best players immediately look there before they look at other teams.

Aaron Goldberg ([06:35](https://www.rev.com/transcript-editor/Edit?token=JFIWs6l7UMrJMJ7bz9f8IIcEUPfy-7XyocBFQfGsWPc7zQ46mt11zH8hHXgJn5pDVJuK56KWeGvnfD6bNEI3bxj9TIM&loadFrom=DocumentDeeplink&ts=455.44)):

It's very similar in the private investment world. If you have a small, a startup company that you're going to go get funding and you're you think it's going to be worth billions of dollars, you're not going to go to just some mom and pop venture capital fund down the street. Most likely you're going to go to the biggest, best funds and try to raise capital from them. They're going to offer, if they believe in you, they're going to offer better resources, better funding, and then better access to Wall Street and public markets when it's time to go public, if that's the route that they go. There's a reason why the top decile or the top percentage of these venture capital funds and private equity funds repeatedly do so well. And it's because of this competitive advantage that they have and have instilled and created over time.

Aaron Goldberg ([07:33](https://www.rev.com/transcript-editor/Edit?token=y4zuIzDDlPsTycY2-678OoSxTgPJ8jdv3e-YcHdxQ8BaTvENJIahi44ZWOAzbohTnLKKBpGl92luYQqpPb8Jv4xqbYs&loadFrom=DocumentDeeplink&ts=513.4)):

They also get better deal flow. These companies look at thousands of deals a year, and they may only pick five. They're very, very picky and that's what we want as the investor. So how do you get access to those? Well, you can't just go to them as Joe Schmoe and say, Hey, I want to put $10,000 into your venture capital fund. They wouldn't even answer the door or the phone. You need access to it. And that's where using a team that has access can be huge. With the athletes that we work with, we've been able to get access to a lot of these best funds, not only because of the money put in, but also because of the name recognition and the brand recognition that comes with it. So it is something to keep in mind when you're looking at those private investments.

Aaron Goldberg ([08:26](https://www.rev.com/transcript-editor/Edit?token=zRNgtCkcFDo26Pgw6Tf09WYyBPuXB9UB6K0J5uUQPd-QbtgK-yW_lP8qtQgmvQxUnrEEj_5FC9lDRHpGT6IsJBt9V2w&loadFrom=DocumentDeeplink&ts=566.39)):

One of the things we also want to look at is what are the different types of private investments? We have venture capital and that's startups and really the seed round of investing. We have private equity and that's where a private equity company will come in, buy an existing company, work the financials, usually do a takeover and management, change up some of the operations, try to create more value in the company, and then usually turn around and sell it for ideally a higher price. And then we also have private real estate. And I hear about this a lot amongst other players, is that they have access to private real estate deals. And there's a ton of them out there, but there's also a lot of different ones. There's developments, there's existing real estate that's already established. There's commercial, there's industrial, there's residential, multi-family.

Aaron Goldberg ([9:22](https://www.rev.com/transcript-editor/Edit?token=-IoxeNpGPXcdH1ougn8iOQBGms0F3g08enq2K3zd-DDs4kI40Jq7puMLXo2u6Pjt5txIA4RbrcHsg5WjImt6AZReM-g&loadFrom=DocumentDeeplink&ts=622.9)):

Do you want income now? Or are you looking for capital appreciation in the future? All questions that you need to think about before getting into one of these investments so that you find the right investment for you. Now why would we even think about getting into one of these investments? Well, the short answer is we expect higher returns from these private investments, the best ones at least. Now, do we always get them? Absolutely not. And that's why we say it's expected returns. Now, one thing that we want to make sure is that we're using the right funds and the right real estate deals to make sure that we're looking for these higher expected returns. And like I said earlier, we're also looking for different sources of return so that it diversifies where our returns are coming from and it's not just reliant on what the stock market does that year or what your bonds are paying out in dividends or what the bond market does. So there's a good reason for it, but what's probably more important is what are the risks that we need to look out for?

Aaron Goldberg ([10:33](https://www.rev.com/transcript-editor/Edit?token=cQplxW6_aovb9W9oSvsfgB7_DvZAT34C58FzYKzgfoSHPmX4uATeu5kHVapSCgzRy5tX3LAlROvw-a6HUuoNVxulLy8&loadFrom=DocumentDeeplink&ts=693.26)):

Number one, first and foremost, is liquidity. These investments are not, you put the money in and you can get it back whenever you want. That's one of the biggest things that people need to understand. There's usually a hold on it. And typically these are two, three, four, even 10 year investments that not only does the money going in have to stay in that long, but sometimes there can be a capital call where they say, Hey, you know what? Your $100,000 dollar investment, we're actually calling another 25%. So we need another $25,000 for you to keep your investment in tact. Definitely something you need to be aware of and make sure that from a time horizon standpoint, you're comfortable saying bye to that money for a while, and making sure that in 10 years, even 15 or 20 years, that's when you may get it back, hopefully at a much higher rate of return than you would if you were putting it in the stock market. That's why you're getting compensated for that lack of liquidity.

Aaron Goldberg ([11:32](https://www.rev.com/transcript-editor/Edit?token=YtHEbOUhTFjwBTPYppY7YMaImuTqc9lNWpnQBxPwF5mwaZ19Qe1xLaPo5xHczG-kOeAfHCzTtTfz5CVjn7riysGFnHs&loadFrom=DocumentDeeplink&ts=752)):

One of the other risks is access, like I've been talking about. Anyone can get into the bad deals, they're always looking for people, but it's do you have access to the best deals? And that's where working with somebody that is experienced and knows what they're looking for, can really, really help. And one thing that we need to keep in mind with all private investments is just by nature they're higher risk investments not being on the public market. They are a little bit more speculative. Typically they're earlier funded companies for venture capital. For real estate, a lot of it ends up being development or a refurbishment on existing buildings. So there can be some lag time in when they start to pay out. They're just higher risk by nature. So we can't be expecting them to pay a consistent return, even for those income generating investments like we would on going and buying even a corporate bond or something like that. So we just want to make sure that we know what we're getting ourselves into on the risk side.

Aaron Goldberg ([12:41](https://www.rev.com/transcript-editor/Edit?token=e0wTDv259fSMuxPUju7btMvubTAM4hqxRKPO5xQeTKKoiHYq_RTf48xfdvdnpsJGifwqlFRLkb_CcYdm-s9SJ8faDVg&loadFrom=DocumentDeeplink&ts=821.06)):

The other risk to look out for is term or time horizon. What is the expected time horizon for this investment? A lot of times for real estate deals they're going to give you somewhere in the five to seven year range of an exit. That doesn't mean that they're for sure they're going to get out in five to seven years. They could get out before that, they could get out way after that. That's why you need to make sure that you're comfortable not having this money for a very extended period of time.

Aaron Goldberg ([13:09](https://www.rev.com/transcript-editor/Edit?token=PPvCb-1knFhPxOSms4hYtrWxZtPBWw4mn-9jDdMvKjhQzZsmZvyga7IgZXVUC8_Z4-a4RH61hzqPETB4KE5iCOuiGIg&loadFrom=DocumentDeeplink&ts=849.4)):

And then the last, and probably the most important risk that you need to be aware of is the lack of transparency and regulation in the private market. They're not regulated just like public investments are. And that's why we've seen a lot of fraud in the private markets. And a lot of people don't want to talk about this, but we want to shine a light on it. This is exactly why a lot of athletes, whenever you read about an athlete getting screwed and having some deal with fraud and they invested $10 million in X investment, and now it's gone, almost always that is a private investment.

Aaron Goldberg ([13:49](https://www.rev.com/transcript-editor/Edit?token=9Mq1e6iCKKENz5dAlT51bOMRAmxmkX_3iaVRkeT8mOilgk_yTtaL51RVeh7Z7Xkk8Zd5817hbmYcIZxgxOt0np9MhHE&loadFrom=DocumentDeeplink&ts=889.01)):

So it is so important you to work with people that know exactly what they're looking at in private investments, have a team that has resources on the private side that can look through all the documents, all the legalese and make sure that it's all on the up and up and do all the due diligence and all the homework on it to make sure that you're getting into a deal that you should, and that there's something actually there for you at the end. You want to know what is your worst case scenario when you get into one of these deals. They're always going to tell you what the upside is and that's great. That's why we're getting into them, but we need to know what our downside is too, because if it's 100%, that may be okay with you, that's fine, but we need to know that going into it.

Aaron Goldberg ([14:35](https://www.rev.com/transcript-editor/Edit?token=QyGJm21kn_BZWVEHIqCfbqrP-1nZhs2ny9tie0wz0B_PQdxnicQ4-X1nbbeZlkFKHEgSS8QpRYTyFl44KuphGYgUCXQ&loadFrom=DocumentDeeplink&ts=935.68)):

So let's talk about now, when are these investments appropriate? This is not for you to say, Hey, you know what? I haven't saved enough. I need to make sure that I hit a home run here so that my financial future's secure. That's not when we're going to use these. We're going to use these investments once our financial future is secure through saving and investing in public markets, in public bonds, to our pension, our social security, making sure that our net worth on the public side is enough to cover our lifestyle and our needed expenses for the rest of our life. Once we're there, then we can start to look to private markets to get those excess returns, because it doesn't matter with that money if it takes 10 years to start getting those returns or to get it back, because we've already covered for the next 10 years or the next 50 years, the expenses that you need to pay on a year to year basis.

Aaron Goldberg ([15:39](https://www.rev.com/transcript-editor/Edit?token=qU6p2ikRY_OKNd0KBclFKO2HBJeIVeEyC6ZWIGQSEJCdv4jG9hnpeS_wFmImKxVclN8YRw_tu_gedNKXB7Ks1MeFMEs&loadFrom=DocumentDeeplink&ts=999.22)):

But that's how we can leverage and capitalize on the opportunity that you have by being a professional athlete and making the money that you do, to help it grow even more, is securing your future the traditional way, but then taking that excess funds and net worth that you have, and start to grow that with in the private markets and really take advantage of the access that you have.

Aaron Goldberg ([16:21](https://www.rev.com/transcript-editor/Edit?token=jFTF3roCiGc-4eATA_IkQ0uYRLZT6NfyI-DaH-jbvCNUI135HxRqmVqruv3Uq95B2RL62PlXcue46pAntmiJ_36XB3k&loadFrom=DocumentDeeplink&ts=1041.99)):

Another place that I see people use the private investments and where it is appropriate, is especially when you're getting towards the end of your career and starting to generate that passive income that you're going to need to replace the income that you're making now. Now, again, we want to make sure that we have enough saved up in normal investments. And when I say normal, the public side, to take care of the year to year expenses, the normal expenses, because even the income producing real estate investments, those aren't guaranteed. Those aren't like a treasury bond or a corporate bond where they're going to pay a dividend every month or every quarter. They should, but there's a good chance, or at least a more than zero chance that those aren't going to pay out at some point. And so we can't put all of our eggs in that basket. We got to make sure that we have access to the funds that we need on a yearly basis so that we're not selling out of other investments just to fund our lifestyle.

Aaron Goldberg ([17:26](https://www.rev.com/transcript-editor/Edit?token=7PwAal5BqucepD0dMT3ZycSgRl7VOFKjlb_TE743yyPM5c1ZCZ45oButrlTA-sQR2Fkwng3t8F9Jh-83F_8DA88dwoI&loadFrom=DocumentDeeplink&ts=1106.27)):

If they were that dependable, they wouldn't be paying the returns that they do. There's a give and take with the return you get and the risk you take. We're taking a little bit more risk in the private market to get better returns. And we need to be, if we are okay with it, we should be okay with that, but it's with certain dollars that we are going to be okay with that.

Aaron Goldberg ([17:48](https://www.rev.com/transcript-editor/Edit?token=wGYZ9ZiFK8hDzXyuZeUqLfqaopqfqe2qsS5_1yBwaY0d4x3KqcUIXbXU1N-8OPyqT8dZXYePIBw3ltIj4td8OsFEDJY&loadFrom=DocumentDeeplink&ts=1128.46)):

So I hope this introduces you to the private investment landscape. We're going to take a deep dive into all these private investments over the next few weeks. I'm really excited to do this. I think it's going to be a great way for not only you to learn, but for myself as well. I'm always trying to up my game on all these types of investments. So we're going to try to talk to the best people in their fields: people in real estate, people in venture capital, people in private equity, so that we can understand what are they looking at on a daily basis? What are they looking at when they're looking at deals to make sure that they bring the best possible deal to their investors so that we can all learn from that and make sure that we're looking at the same things, finding the same investment opportunities and getting access to those types of investments.

Aaron Goldberg ([18:45](https://www.rev.com/transcript-editor/Edit?token=RdqvgHhqYJXS31yxmPnBthB42JTgMRu4aZn-Y3SmHxQJE_Mp2emAgXYd_Tf1D6nYyvyUBdUMpoxjz_b1X4eAOInjupc&loadFrom=DocumentDeeplink&ts=1185.45)):

If you don't have an expert team to help you with this, I really, really encourage you to not try to do this on your own. You may find somebody that's going to help explain it to you. And that's great. And I know a lot of people that have invested that way and it's worked out and that's great, but that also exposes you to some risks that you don't need to take. You're at a level that you deserve the best advice out there. Why don't you have that best advice if you don't already? So I really encourage you to find that team that's able to bring you these investments, go over them with you, and they're not just bringing them to you because they're going to get a kickback or they're going to get a big fee or commission on it. Really make sure you understand the fee compensation as well.

Aaron Goldberg ([19:30](https://www.rev.com/transcript-editor/Edit?token=JCDvUYFn0lgArG1ekud8DBmJkqwlJSfvqfubo87kDpsU_lC6tK5YuICixODgfj80EuvEdcx82XlXsDEuUsIb3-NTgKs&loadFrom=DocumentDeeplink&ts=1230.32)):

And if your advisor, your wealth management team is a fiduciary, and they're going to make the same amount of money if you invest in this, or if you invest in the public market, or if you invest in some other private deal, you really want to make sure you understand that so that you understand the motivations behind that deal flow as well. So looking forward to hearing any questions you all have. If you want to ask any questions you can get at me at pgaplayerspodcast.com Players, and shoot me an email. Look forward to bringing you the rest of this series. And until next time be a pro and own your wealth.