The Fintech Times: Alternative Investment: What Myths are Holding Back New Investors?

November 24, 2024

Financial advice can be a sensitive topic – those giving it don't want to mislead customers, while customers are wary about the level of trust they can place in their advisers. Nonetheless, done correctly, investing can be a very beneficial way for someone to use their funds. This November we are exploring all the aspects of wealthtech and how the industry has developed this year.

Our next focus is on the accessibility of investing. The emergence of wealthtech on the market has made it that a much larger pool of people can get involved and enter the alternative investment space. However, many are still put off from it for a variety of reasons – so we set out to find out what these reasons were and if they were myths or not.

It's for anyone

Alex Blackwood, CEO and co-founder of the fractional real estate investing app **mogul Club** explains that one of the biggest myths the industry has faced is that it is just for the wealthy: "It's taken years to demystify that investing and generational wealth building is something anyone can participate in, not just multi-millionaires.

"Financial technology tools have lowered the barrier to entry, allowing for anyone to get started for a much lower starting investment. Millennials and younger generations are able to leverage the resources available to be educated about the opportunities out there and start their investment journeys sooner.

"It's important to still do your due diligence and find a tool you trust that's delivering strong returns because while the fintech boom raised the quality of resources available, it also meant a rise in entrepreneurs trying to jump on the bandwagon with a not-so-great product. Vetting the options available to you will help you find the best one to meet your goals."

Education is now available

Sharing a similar viewpoint, **Ashley Sawdaye** managing director, strategy and operations at **Reitreal**, the firm empowering capital access, explains that myths like price and strategies are now being tackled by firms.

"Alternative investments are often perceived as being prohibitively expensive. While management fees can be higher due to active management, many alternative funds now offer lower-cost options, including providing individual investors with reduced minimum investments and fees to overcome the barrier to entry.

"Alternative investments may involve more nuanced strategies or structures than traditional stocks and bonds and can get confusing. But many companies within this realm now offer educational resources to help investors make informed decisions and provide the guidance needed to help investors understand these investments."

Alternative investments are just as risky as traditional ones


Kelly Ann Winget, private equity powerhouse, alternative investments expert and founder and CEO of Alternative Wealth Partners

For [Kelly Ann Winget](), private equity powerhouse, alternative investments expert and founder and CEO of **Alternative Wealth Partners**, the private-equity firm, there are various myths that have previously held newcomers back from getting involved in alternative investing. She says: "One of the biggest myths about alternative investments is that they're some type of exclusive VIP event where you need a seven-figure invitation.

"Perhaps back in the day, private equity and hedge funds were the playgrounds of the ultra-wealthy, but now, with the JOBS Act and fintech platforms, the alternatives game has changed. You don't need a yacht to get in! Today, you can start with a fraction of the cash. No caviar necessary.

"Then there's the 'too risky' label. Let's be honest—if you think the stock market is a guaranteed safe bet, I've got a bridge to sell you. Risk is everywhere, but alternatives can actually diversify your portfolio and help protect against those market swings.

"And the idea that these investments are too complicated or illiquid? Thanks to fintech innovation, you can track your real estate or private equity returns from your phone. Transparency, data, and even some liquidity are more accessible than ever. It's time to retire those old myths and see alternatives for what they really are: a smarter, more diverse path to investing."

Is it a myth?

Although for the most part alternative assets are now more accessible, there are still some realities that remain. Exploring this, **Alicia Rich**, head of client and advisor digital enablement at **Broadridge Financial Solutions, Inc.**, the financial software and infrastructure provider, says: "Alternative investment vehicles usually are more complex than ETFs, mutual funds, stocks or fixed income putting an increased burden on advisors to communicate value.

"Many alternative investments require a minimum level of investment which in some instances can be as low as $25,000, but often are above six-figures. There are also several funds tailoring offerings more down market with reduced minimums, but this takes time.

"The typical tie-up period for an alternative investment is four to six years and the lack of an established secondary market for most alternatives means investors cannot easily buy and sell outside of the primary transaction. The minimums required to invest for mass affluent investors make up a greater portfolio percentage and present risks for unforeseen life events.

“Wirehouses and larger banks / BDs have an established alternative investment product offering that can be restrictive in what investments advisors can access and promote. Alternative investment marketplaces like **iCapital** will be key in expanding access and knowledge around alternatives, especially among independent advisors. Transparency and clear incentives for advisors is needed when offering alternative investment products.”