



## **Wealthward Capital Releases 506(c) Guide: What You Need to Know**

*November 03, 2022*

Cedar Park, Texas - November 03, 2022 - PRESSADVANTAGE -

Wealthward Capital, a private equity investment firm based in Cedar Park, TX, has recently released a guide on 506(c) investments, titled, "506(c) Guide: What You Need to Know." These are high-yield, unregistered securities that have been allowed to be offered to investors by Regulation D, Rule 506(c) of the Securities and Exchange Commission (SEC). These alternative investments are only open to accredited investors because they carry a slightly higher risk compared to the usual SEC-regulated investments. Most of these alternative investments are offered based on Rules 506(b) and 506(c) of the Securities Act. Wealthward Capital deals mostly with 506(c) investments which means they only accept accredited investors. While that may appear to be very exclusive, many people are already accredited investors but they are not aware of it. The above-mentioned article examines the pros and cons of 506c and 506b investments and their differences.

Regulation D, Rule 506, was a regulation in the Securities Act of 1933 that permitted companies to sell private equity to investors without the need to register those securities with the SEC. Rule 506 has recently been updated into separate subsections, a, b, c, etc. The previous version of Rule 506 allowed private companies to sell directly to the public but prohibited broad promotion. Thus, these investments were only

promoted by word of mouth, which was a stumbling block to many startups in obtaining the capital they needed to grow.

When the SEC introduced Rule 506(c) as part of the Jumpstart Our Business Startups Act (JOBS Act) in 2013, the old Rule 506 became 506(b). Rule 506(c) enabled companies to actively promote their investments under certain conditions. In addition, there are less reporting requirements for 506(c) offerings but they are only available to accredited investors. There are a number of differences between 506(c) and 506(b) offerings but a key point to understand is that advertising aside, 506(b) and 506(c) offerings are otherwise exactly the same but only accredited investors are to be involved. As soon as a 506(b) offering accepts a non-accredited investor, it will have a lot more filing and disclosure requirements.

Many tech employees are already accredited investors but they are not aware of it. Accredited investors are those who earn a salary of \$200,000 annually, or a joint salary of \$300,000 annually with their spousal equivalent. Federal security laws require companies that offer 506(c) investments to take reasonable steps to verify the accredited status of an investor. This may be done through bank statements, appraisal reports, pay stubs, brokerage statements, or other statements. An investor can also be verified via an official letter from a licensed accountant or lawyer.

Meanwhile, JOBS Act of 2013 had also introduced the Bad Actor Rule, which is designed to protect potential investors from fraud by eliminating people with "disqualifying events" in their professional history from offering such securities to the public. Both 506(b) and 506(c) don't allow a Bad Actor to make an offering. The issuer of the prospective investment is therefore required to take reasonable steps to verify that there are no Bad Actors in the company. Disqualifying events include: securities-related criminal convictions; securities-related injunctions or restraining orders; revoked registration by the SEC; and various fraud violations. As such, Wealthward Capital takes the Bad Actor Rule very seriously and conducts an extensive background check on anyone they work with.

Wealthward Capital is made up of a team of passionate individuals on a mission to attain true financial independence and help their tech employee investors do it too. Their leadership team is composed of Christopher Nelson, co-founder and principal; Regine Nelson, co-founder and general partner; and Chris Arias, director of outreach and growth. To accomplish their goal, they have collaborated with top-performing sponsors or operators with a robust track record for meeting or surpassing targeted investor returns and successful asset management. The team is made up of tech employees, financial analysts, real estate investors, marketers, designers, deal hunters, musicians, genealogists, writers, gardeners, immigrants, hiking and road trip enthusiasts, barbecuers, and more. Through the firm's existence, they have acquired more than 3,000 multi-family units with the help of over 100 tech employee investors, bringing their total portfolio value to \$294 million.

Those who are interested in knowing more about the 506(c) can check out the Wealthward Capital website.

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## **Wealthward Capital**

*Wealthward Capital is a private equity investment firm that educates investors and provides institutional quality investments. We help technology employees grow their careers, build wealth and make an impact.*

Website: <https://www.wealthward.com/>

