

Letter for Congressional Hearing Record from Tani Chambers
on the Need to Expand the Accredited Investor Definition

Submitted for the record of the House Financial Services Subcommittee on Capital Markets hearing:
[Sophistication or Discrimination? How the Accredited Investor Definition Unfairly Limits Investment Access
for the Non-wealthy and the Need for Reform](#) - February 8, 2023

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House Financial Services Committee
Subcommittee on Capital Markets
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Members of the Subcommittee on Capital Markets of the House Financial Services Committee,

Access to investment opportunities is critical to building generational wealth amongst diverse communities. And with increased access for diverse investors, startup funding itself will become more diverse, enabling scores of underrepresented founders to better launch and grow their startups, strengthening the innovation ecosystem. Today's hearing—Sophistication or Discrimination? How the Accredited Investor Definition Unfairly Limits Investment Access for the Non-wealthy and the Need for Reform—is a needed first step toward expanding the accredited investor definition. I am thankful for the opportunity to provide feedback on the need for reform and the impact doing so would have on Black founders and investors in the startup ecosystem.

My name is Tani Chambers and I am the founder and CEO of [RAVN](#), a New York City-based wealth-planning platform that pairs women with finance professionals and peer accountability groups based on their values and goals. I have been an entrepreneur for over two decades, and throughout my career, I've encountered countless women who have asked me for business and financial guidance. It became clear to me that many women lacked the resources they needed to navigate their personal and business finances. Like many challenges in the startup space, this barrier was particularly evident amongst Black and Latina entrepreneurs. These entrepreneurs face generational and racial wealth gaps and systemic roadblocks to capital access, which in turn restrict their ability to both retain and grow their finances.

The capital formation space is rife with the need for reform to embrace and grow a diverse startup ecosystem. From the inaccessibility of venture capital for many underrepresented founders to barriers diverse founders face in accessing federal funding including loans and grants, it is clear a lot of work is needed to uplift founders of color. Modernizing and democratizing the accredited investor definition would represent a significant step to bringing equity to our startup ecosystem. The ability to invest in promising startups is central to the ability to build wealth, but high income thresholds restrict many Americans, especially people of color, from participating. In fact, as of 2020, just over 10 percent of American households were estimated to be able to [qualify](#) as accredited investors. But the arbitrary income requirements do not speak to the financial acumen of would-be investors, nor do they speak to the financial reality of many people of color. Instead, it [perpetuates](#) income inequality and shuts out countless women and people of color, including many of the women my startup works with, who want to take charge of their finances and have an equitable opportunity to build

wealth. It continues an incorrect assumption that wealth is tied to knowledge, when simply put, not having significant wealth does not mean you don't understand money.

The Securities and Exchange Commission (SEC) [found](#) that over 77 percent of early stage investors are men. Over 87 percent of [angel investors](#) are white. And just 1.3 percent of early stage investors are Black, despite Black Americans [representing](#) more than 13 percent of the population. This means that only a fraction of that already tiny pool of Black accredited investors are Black women. But Black women are the demographic [leading innovation nationwide](#)—“17 percent are in the process of starting or running a new business.” For these women to be successful in their business ventures, we need equity throughout the startup ecosystem, including amongst eligible investors. [Studies](#) show Black investors are more likely—by a factor of three—to invest in Black founders. Women investors are [similarly](#) more likely to fund women founders. And while all investors should, and must, do better to ensure that women founders and founders of color receive equitable access to capital, there will not be equity in the startup ecosystem unless people of color can better join the ranks of accredited investors.

I encourage the committee to explore different avenues to expand the accredited investor definition. Allowing all Americans, for example, to invest up to a certain percentage of income or net worth would create more access. If an income threshold is maintained, lowering the threshold and adjusting it for cost of living would help. Finally, the committee should consider establishing an alternative certification process or criteria in order to qualify.

Failing to change the accredited investor definition means we are failing countless would-be investors, most especially women and people of color, preventing them from opportunity and from building generational wealth. It means we are slowing the pace of innovation and perpetuating long standing capital access barriers underrepresented founders routinely face. I thank you for your effort in holding this hearing on such a crucial topic and am grateful for the opportunity to provide feedback on why the accredited investor definition must be updated and modernized.

Sincerely,

Tani Chambers
Founder & CEO
RAVN