

After Foreclosure Assets

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The MCM 11 Framework

Eleven criteria for evaluating any asset class, applied to seventeen of them, from stocks and bonds to after foreclosure assets.

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Important Notice

This document is provided by Milan CM LLC (the “Firm”) for general educational purposes. It describes a framework for comparing asset classes and applies that framework to seventeen of them. It is not investment, legal or tax advice, and it is not an offer to sell, or a solicitation of an offer to buy, any security or other investment.

The scores in this document are the Firm’s qualitative judgments. They are not measured data, and reasonable investors may weigh the same facts differently. Return figures for other asset classes come from the published sources cited beside them. Return ranges described as typical or commonly cited are industry estimates, which vary widely by deal, manager and period.

The Firm has an interest in one of the asset classes evaluated here. The after foreclosure assets the Firm offers are described from the position of an investor purchasing confirmed claims under a Purchase and Sales Agreement. Current packages typically state a 14% return, and it varies by package. Past results do not guarantee future results, and every investment carries risk, including the loss of capital.

Readers should do their own due diligence and consult their own legal, tax and financial advisors before making any investment decision.

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01

THE FRAMEWORK

IN BRIEF

One set of criteria, applied the same way to every asset class, so the comparison is fair.

What Is the MCM 11 Framework?

The MCM 11 Framework is a structured way to compare investments. It replaces a single headline number, usually the return, with eleven criteria that together describe what owning an asset is actually like.

A high return means little if the capital is locked up for a decade, if the asset demands full-time management, or if a downturn can erase it. The framework asks the same eleven questions of every asset class: how much it can earn, how fast, how easily the investor can get out, how crowded the market is, how much work it takes, what can go wrong, what the rules are, what it costs to enter, whether it scales, how it is taxed and how much it depends on the broader market.

This document has three parts. Part one defines the eleven criteria. Part two applies them to seventeen asset classes and scores each one. Part three draws the conclusions, including where after foreclosure assets fit and where they fall short.

HOW THE SCORES WORK

- Each criterion is scored from 1 to 5, where 5 is always the most favorable to the investor.
- For competition, 5 means the least competition. For risk, 5 means the lowest risk. For entry cost, 5 means the lowest cost to enter.
- Scores are the Firm's qualitative judgments, informed by the published data cited throughout.

AT A GLANCE

ELEVEN QUESTIONS

Asked the same way of every asset class.

The Criteria at a Glance

Exhibit 1: The eleven criteria

NO.	CRITERION	THE QUESTION IT ANSWERS
1	Target annual return	How much can the asset reasonably earn in a year?
2	Time to initial return	How long before the first dollar comes back?
3	Liquidity	How quickly can the position become cash, and at what cost?
4	Competition	How crowded is the market, and who dominates it?
5	Operational complexity	How much work and expertise does ownership demand?
6	Risk mitigation	What can go wrong, and how well can it be contained?
7	Regulatory challenges	How heavy and how changeable are the rules?
8	Upfront cost and capital	How much does it take to get in?
9	Scalability	Can the investor grow the position without growing the burden?
10	Tax efficiency	How much of the return does the investor keep?
11	Market independence	How much does the asset move with the economy and the markets?

02

THE CRITERIA

IN BRIEF

Eleven criteria, each defined the same way: what it measures, what to look for and an example.

CRITERION 1 OF 11

AFTER FORECLOSURE ASSETS

4 Current packages typically state a 14% return, and it varies by package.

CRITERION 2 OF 11

AFTER FORECLOSURE ASSETS

5 8 to 12 weeks is typical from signing to payout. The longest on record is 126 days.

The Eleven Criteria

Each criterion below is defined in general terms, with what to look for. The side note shows how after foreclosure assets score, from the position of an investor buying confirmed claims.

Target annual return

The expected annual return is the starting point of any evaluation, but it is only meaningful next to the risk taken to earn it. A return should be judged against reliable historical data, current market conditions and the investor's own goals.

- Use long-run, published figures where they exist, not best-year results.
- Compare returns on a like-for-like basis: gross or net of fees, levered or unlevered.
- Ask what has to go right for the target to be met.

For example, U.S. stocks have returned about 9.9% a year since 1928, and 10-year Treasury bonds about 4.5% (A. Damodaran, NYU Stern).

Time to initial return

The time before an investment returns capital matters to investors who value liquidity and cash flow. A shorter cycle lets capital be redeployed sooner and reduces the cost of capital sitting idle.

- Map each stage between purchase and the first payment.
- Identify which stages depend on third parties, such as courts, contractors or buyers.
- Match the timeline to when the capital will be needed.

A fix-and-flip project typically returns capital only after renovation and resale, often six months or more. A rental property may take years to stabilize.

CRITERION 3 OF 11

AFTER FORECLOSURE ASSETS

3 No secondary market, so capital stays committed until disbursement. The short cycle offsets much of this.

Liquidity

Liquidity measures how quickly a position can be turned into cash without a significant loss. Highly liquid investments let an investor respond to new opportunities or needs; illiquid ones require the capital to stay committed.

- Ask whether a secondary market exists, and how deep it is.
- Consider the cost of exiting early: discounts, penalties and fees.
- Distinguish an asset that is illiquid but short-lived from one that is illiquid for years.

Stocks and major cryptocurrencies trade almost instantly. Real estate, private loans and collectibles can take months or years to sell.

CRITERION 4 OF 11

AFTER FORECLOSURE ASSETS

5 Fragmented, case-by-case work that large institutions do not pursue at this deal size.

Competition

Competition shapes both price and access. Crowded markets push up acquisition costs and compress returns; niche markets with fewer participants can offer better terms to those who can reach them.

- Identify who dominates the market: institutions, funds or individuals.
- Look at barriers to entry such as capital, expertise and licensing.
- Consider whether the niche is likely to stay uncrowded.

Multifamily, data centers and storage are dominated by institutional capital. Fragmented, labor-intensive markets tend to attract less of it.

CRITERION 5 OF 11

AFTER FORECLOSURE ASSETS

5 Passive for the investor. The Firm, its affiliate and its attorneys do the legal and operational work.

Operational complexity

Operational complexity is the effort and expertise ownership requires. Some assets demand hands-on management; others can be held passively.

- List the ongoing tasks: tenants, maintenance, servicing, monitoring.
- Decide whether those tasks will be done personally or paid for.
- Remember that paying someone to manage an asset reduces its return.

A rental requires tenant management, maintenance and legal compliance. An index fund requires almost none.

CRITERION 6 OF 11

AFTER FORECLOSURE ASSETS

4 The claim is confirmed before purchase. Risks are mostly procedural and timing-related, not zero.

Risk mitigation

Every asset carries risk. The question is what kind, how large and how well it can be contained. Good risk management combines diversification with assets that have real protections.

- Market sensitivity: how the asset behaves in a downturn.
- Structural protection: collateral, legal priority, custody of funds.
- Liquidity risk: whether the investor can exit without major loss.
- Operational risk: whether external parties or rules can disrupt the outcome.

In practice: diversify, prefer assets with documented downside protection, watch interest rates and policy and stress-test the portfolio against bad scenarios.

CRITERION 7 OF 11

AFTER FORECLOSURE ASSETS

3 State rules differ and can change. Attorneys handle filings in each jurisdiction.

Regulatory challenges

Laws, permits and compliance requirements add cost, delay and uncertainty. Rules that change can alter the economics of an investment after the fact.

- Understand the laws, zoning and licensing in each market.
- Work with legal and tax professionals who specialize in the asset.
- Monitor policy changes, and diversify across jurisdictions where possible.

Rent control can cap rental income; commercial development requires permits and environmental review; securities law governs anything sold as an investment.

CRITERION 8 OF 11

AFTER FORECLOSURE ASSETS

4 The minimum purchase is \$10,000, plus a transaction fee of \$300 to \$1,000.

Upfront cost and capital

The capital required to enter determines who can participate and how concentrated a position becomes. The true cost includes fees, carrying costs and reserves, not just the purchase price.

- Entry requirements: minimum purchase, administrative and transaction fees.
- Financing: whether leverage is available, and at what cost.
- Ongoing costs: maintenance, management, insurance and taxes.

A \$50,000 budget may be too little for a rental property after down payment and reserves, yet enough for several smaller positions in other asset classes.

CRITERION 9 OF 11

AFTER FORECLOSURE ASSETS

3 Limited by how many confirmed packages are available at any time.

Scalability

Scalability is the ability to grow a position without a proportional increase in cost, effort or risk. Highly scalable investments let returns be reinvested efficiently.

- How quickly returns can be redeployed.
- Whether processes can be standardized as the portfolio grows.
- Whether enough supply exists to keep investing.
- Whether growth increases or reduces risk.

Index funds scale almost without limit. Physical assets usually scale one property, one facility or one project at a time.

CRITERION 10 OF 11

AFTER FORECLOSURE ASSETS

2 Proceeds are generally taxed as ordinary income. No deferral or depreciation.

Tax efficiency

Taxes determine how much of the return the investor keeps. Some asset classes offer deferral, depreciation or preferential rates; others are taxed as ordinary income.

- Holding period: short-term gains are generally taxed at higher rates than long-term gains.
- Depreciation and deductions available to real asset owners.
- Tax-advantaged accounts, such as self-directed IRAs, where permitted.
- Advice from a CPA before structuring any position.

Real estate offers depreciation and 1031 exchanges. Interest and short-term gains are generally taxed as ordinary income.

CRITERION 11 OF 11

AFTER FORECLOSURE ASSETS

4 Confirmed surplus is cash already on deposit. Supply of new claims varies with foreclosure activity.

Market independence

Market independence measures how closely an asset moves with the stock market, interest rates and the economy. Assets with low correlation can steady a portfolio when markets fall.

- Correlation with broad market trends and interest rates.
- Performance in past recessions and inflationary periods.
- Whether value rests on contracts and cash, or on speculation and sentiment.

Stocks and commodities move with the economy. Assets whose value rests on cash already held or contractual payments tend to move less.

03

THE SCORECARD

HOW TO READ IT

Each criterion is scored 1 to 5, where 5 is most favorable to the investor. For competition, 5 means the least competition; for risk, the lowest risk; for entry cost, the lowest cost.

The MCM 11 Scorecard

Seventeen asset classes, scored against the same eleven criteria. The pages that follow explain every score.

Exhibit 2: Asset classes scored on the MCM 11 criteria

Milan CM assessment. Scores are qualitative judgments, not measured data.

ASSET CLASS	TARGET RETURN	TIME TO RETURN	LIQUIDITY	COMPETITION	SIMPLICITY	RISK	REGULATORY	ENTRY COST	SCALABILITY	TAX EFFICIENCY	MARKET INDEPENDENCE	AVERAGE
After foreclosure assets	4	5	3	5	5	4	3	4	3	2	4	3.8
Multifamily real estate	3	2	2	1	2	3	2	1	3	5	2	2.4
Data centers	3	1	1	1	1	3	2	1	2	4	3	2.0
Fix and flip	4	3	2	2	1	2	2	2	2	2	2	2.2
Mortgage notes	3	3	2	2	3	3	2	3	3	2	3	2.6
Storage units	3	2	2	2	2	3	3	1	3	4	3	2.5
Cryptocurrency	4	4	5	2	3	1	1	5	4	2	1	2.9
Stocks	3	3	5	2	4	2	4	5	5	4	1	3.5
Bonds	2	3	4	3	4	4	4	4	4	3	3	3.5
Annuities	2	1	1	3	3	4	3	3	2	4	3	2.6
Gold	2	2	4	3	3	3	4	4	3	2	3	3.0
Oil and commodities	3	3	4	2	2	1	2	3	3	2	1	2.4
Private credit	3	2	1	2	2	3	2	2	3	2	3	2.3
Online platforms and apps	3	3	3	2	4	2	3	5	4	3	2	3.1
Art	2	1	1	2	2	2	3	1	1	2	2	1.7
Wine	2	1	1	2	2	2	2	2	2	2	2	1.8
Venture capital	3	1	1	1	2	1	2	2	2	4	1	1.8

Less favorable  More favorable

Source: Milan CM analysis. After foreclosure assets are scored from the position of an investor purchasing confirmed claims under a Purchase and Sales Agreement. They score lower on liquidity (no secondary market, though cycles are short), on tax efficiency (proceeds are generally taxed as ordinary income) and on scalability (purchases depend on package availability).

04

ASSET CLASS

AVERAGE SCORE

3.8

out of 5, the highest of the seventeen.

After Foreclosure Assets

When a property sells at a foreclosure or tax sale for more than the debt owed, the excess is surplus equity. By law it belongs to the former owner, and much of it is never claimed. Milan CM acquires the former owner’s rights outright, files the claim through its attorneys and offers investors a beneficial interest in claims a court or trustee has already confirmed.

This is the investor’s position, and it is the one scored here. The investor does not locate owners, file claims or run a recovery business. The investor buys an interest in specific, confirmed claims under a Purchase and Sales Agreement, and is paid when the custodian releases the funds.

14% TYPICAL STATED RETURN	8–12 WEEKS TYPICAL	\$10K MINIMUM PURCHASE	100% PAID OUT TO DATE
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HOW IT WORKS

1. The investor signs a Purchase and Sales Agreement for a package of confirmed claims.
2. The executed agreement goes to the attorney of record, tying the proceeds to the agreement.
3. The court, trustee or county releases the funds into the attorney’s IOLTA trust account.
4. The proceeds pass to Milan CM LLC, which deposits them into the investor’s account on the platform.

STRENGTHS

- Short, documented cycles
- A market institutions overlook
- Passive role for the investor

WEAKNESSES

- No secondary market
- Taxed as ordinary income
- Supply limited to confirmed claims

WHO IT SUITS

Investors who want short, documented cycles and a passive role, and who can commit capital until disbursement and accept ordinary income tax treatment.

Current packages typically state a 14% return, and it varies by package. Packages purchased in the first months, before the track record existed, stated higher returns. Paid-out figure reflects agreements closed to date; past results do not guarantee future results. See the Due Diligence Packet for the full process, track record and risk factors.

SCORED IN DETAIL

STRONGEST

5 Time to initial return, Competition, Operational complexity

WEAKEST

2 Tax efficiency

After Foreclosure Assets: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	Current packages typically state a 14% return, and it varies by package. It is a stated return per package, not an annualized projection.	4
Time to initial return	8 to 12 weeks is typical from signing to payout. The fastest on record is 17 days and the longest 126 days. Timing depends on the court or trustee.	5
Liquidity	There is no secondary market for a beneficial interest, so capital stays committed until disbursement. The short cycle offsets much of this, but the investor cannot sell early.	3
Competition	Low. Claims are spread across more than 3,000 counties, need case-by-case legal work and typically range from \$50,000 to \$250,000, too small for most institutions.	5
Operational complexity	Passive. The Firm, its affiliate and its attorneys handle acquisition, filing, custody and payout.	5
Risk mitigation	The surplus exists and is confirmed before the investor buys. Remaining risks are procedural: delays, competing claims and liens that reduce the final amount. Loss of capital is possible.	4
Regulatory challenges	Moderate. Surplus rules, deadlines and fee rules differ by state and can change. Attorneys handle filings in each jurisdiction.	3
Upfront cost and capital	The minimum purchase is \$10,000, and the maximum \$2,000,000, plus a transaction fee of \$300 to \$1,000. No management fees.	4
Scalability	Moderate. Proceeds can be put into a new package, but only as fast as confirmed packages become available.	3
Tax efficiency	Weak. Proceeds are generally taxed as ordinary income, with no depreciation or deferral. Consult a tax advisor.	2
Market independence	Confirmed surplus is cash already on deposit, so its value does not move with property prices or markets. The supply of new claims rises and falls with foreclosure activity.	4

KEY TAKEAWAYS

After foreclosure assets score highest on time to initial return, competition and operational complexity, and lowest on tax efficiency. The case for them rests on short, documented cycles in a market institutions overlook. The case against them is that the investor cannot sell early, proceeds are taxed as ordinary income and supply is limited.

05

ASSET CLASS

AVERAGE SCORE

2.4

out of 5

Multifamily Real Estate

Duplexes, apartment buildings and townhome communities. Widely seen as a stable, income-producing asset and a favorite of institutional investors, but with high barriers to entry, real operational demands and market exposure.

HOW IT WORKS

Investors reach multifamily real estate in three main ways. They can buy a building directly, financing it with a mortgage and managing it themselves or through a property manager. They can invest as limited partners in a syndication, where a sponsor finds, finances and runs the property, typically for a hold of several years, in exchange for fees and a share of the profits. Or they can buy shares of publicly traded real estate investment trusts (REITs) that own apartment portfolios.

Returns come from two sources: rental income after expenses and debt service, and appreciation when the property is sold or refinanced. Leverage magnifies both, in either direction.

8–15% TYPICAL TARGET	6–12 MONTHS TO CASH FLOW	20–30% TYPICAL DOWN PAYMENT	Months TO SELL
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STRENGTHS

- Steady rental income from many tenants
- Appreciation and the ability to add value
- The strongest tax treatment here: depreciation and 1031 exchanges

WEAKNESSES

- Large capital and personal liability on loans
- Ongoing management, or fees for a manager
- Exposure to vacancies, rents and interest rates

WHO IT SUITS

Investors with substantial capital and a long horizon, or those who prefer a sponsor or a REIT to direct ownership.

SCORED IN DETAIL

STRONGEST

5 Tax efficiency

WEAKEST

1 Competition,
Upfront cost and capital

Multifamily Real Estate: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	Commonly cited targets run 8% to 15% a year, depending on location, occupancy and management. Listed real estate (REITs) returned 11.0% a year from 1972 to 2024 (Nareit).	3
Time to initial return	Slow. Acquisition and financing (1 to 3 months), any renovation (3 to 6 months) and leasing (1 to 2 months) mean meaningful cash flow can take 6 to 12 months.	2
Liquidity	Low. Selling a property can take months or longer and depends on rates and buyer demand.	2
Competition	Intense. Institutions, private equity and experienced operators bid up prices and compress yields.	1
Operational complexity	High. Tenant screening, leases, maintenance, compliance and disputes, or a property manager who takes a share of income.	2
Risk mitigation	Vacancies, local downturns, damage, liability and rising interest rates on financing.	3
Regulatory challenges	Heavy: tenant protections, rent control in some markets, building codes, zoning and fair housing law.	2
Upfront cost and capital	High. Down payments of 20% to 30%, plus closing, renovation and reserves, often hundreds of thousands of dollars.	1
Scalability	Each acquisition brings new financing, management and tenants, so burden grows with the portfolio.	3
Tax efficiency	Strong. Depreciation, mortgage interest deductions and 1031 exchanges.	5
Market independence	Tied to rents, property values and interest rates.	2

KEY TAKEAWAYS

Multifamily offers income, appreciation and the best tax treatment of any asset class here, in exchange for high capital, low liquidity and hands-on management.

Sources: Nareit, REITs by the Numbers (December 2024). Other ranges are commonly cited industry estimates.

06

ASSET CLASS

AVERAGE SCORE

2.0

out of 5

Data Centers

The physical infrastructure behind cloud computing and artificial intelligence. Demand is growing quickly, but the asset requires very large capital, specialized management and regulatory approvals.

HOW IT WORKS

Data centers house the servers that run cloud computing, streaming and artificial intelligence. Owners lease space, power and cooling to technology companies, often on long contracts with annual rent increases.

Direct ownership is an institutional business: sites need large amounts of reliable power, specialized construction and round-the-clock operations. Individual investors usually reach the sector through publicly traded data center REITs or private funds.

10–18% TYPICAL TARGET	2–3 YEARS TO INCOME	Institutional SCALE TO OWN DIRECTLY	Very low LIQUIDITY, DIRECT
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STRENGTHS

- Strong, long-term demand from cloud and AI
- Long leases with creditworthy tenants
- Rent escalators that help against inflation

WEAKNESSES

- Very high capital and technical requirements
- Risk of technological obsolescence
- Power supply and energy policy constraints

WHO IT SUITS

Institutions directly; individual investors through listed REITs or funds.

SCORED IN DETAIL

STRONGEST

4 Tax efficiency

WEAKEST

1 5 of 11 criteria

Data Centers: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	Commonly cited targets run 10% to 18% a year, depending on leases, occupancy and operating costs.	3
Time to initial return	Very slow. Acquisition, permitting and build-out can mean 2 to 3 years before consistent income.	1
Liquidity	Very low. Buyers are few and specialized.	1
Competition	Dominated by large corporations, institutions and REITs.	1
Operational complexity	Very high. Power, cooling, security and technical performance, usually run by specialist operators.	1
Risk mitigation	Technological obsolescence, tenant default and energy policy. Long leases and diversified tenants help.	3
Regulatory challenges	Zoning, environmental, cybersecurity and energy rules.	2
Upfront cost and capital	Very high: land, construction, power infrastructure and security.	1
Scalability	Requires large capital and careful site selection for each expansion.	2
Tax efficiency	Good. Depreciation, cost segregation and lease structuring.	4
Market independence	Partly tied to technology spending; long contracts steady cash flow.	3

KEY TAKEAWAYS

Data centers can produce strong long-term income, but they are effectively an institutional asset class: the capital, expertise and time horizon put them out of reach for most individual investors.

07

ASSET CLASS

AVERAGE SCORE

2.2

out of 5

Fix and Flip

Buying distressed properties, renovating them and reselling at a higher price. Potentially lucrative, but capital-intensive, operationally demanding and exposed to the housing market.

HOW IT WORKS

A fix-and-flip investor buys a distressed or dated property below market value, renovates it and sells it for a profit. Properties come from auctions, off-market sellers, estates and bank-owned listings. Purchases are often financed with short-term, high-interest hard money loans.

The profit is the sale price minus the purchase price, renovation, financing, holding and selling costs. Small errors in any of those estimates can erase the margin.

15–30%	6–18	20–30%	At resale
TYPICAL PROJECT TARGET	MONTHS PER PROJECT	DOWN, PLUS REHAB	CAPITAL RETURNED

STRENGTHS

- The investor controls the value created
- Shorter commitment than a rental property
- Can be profitable in many markets

WEAKNESSES

- Cost overruns, delays and contractor risk
- Exposure to home prices and buyer demand
- Profits taxed as ordinary income; demanding workload

WHO IT SUITS

Hands-on operators with construction knowledge, local market expertise and capital reserves.

SCORED IN DETAIL

STRONGEST

4 Target annual return

WEAKEST

1 Operational complexity

Fix and Flip: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	Commonly cited targets run 15% to 30% on a project, but results vary widely with renovation costs and resale prices.	4
Time to initial return	Acquisition (1 to 3 months), renovation (3 to 9 months) and resale (3 to 6 months): typically 6 to 18 months in total.	3
Liquidity	Moderate to low. Holding costs mount if the sale is delayed.	2
Competition	High. Institutions, funds and individual flippers compete for the same distressed inventory.	2
Operational complexity	Very high: contractors, budgets, permits, marketing and negotiation.	1
Risk mitigation	Falling resale values, cost overruns, long holding periods and higher rates for buyers.	2
Regulatory challenges	Zoning, building codes, permits, contractor licensing and tax rules.	2
Upfront cost and capital	High: down payment, renovation, holding and closing costs.	2
Scalability	Each project needs capital, crews and deal flow, so growth is labor-intensive.	2
Tax efficiency	Profits held under a year are generally taxed as ordinary income; expenses are deductible.	2
Market independence	Highly dependent on home prices, rates and buyer demand.	2

KEY TAKEAWAYS

Fix and flip can pay well for operators with construction expertise and capital reserves. For a passive investor it combines market risk with one of the most demanding workloads of any asset class here.

08

ASSET CLASS

AVERAGE SCORE

2.6

out of 5

Mortgage Notes

Buying real estate debt and collecting the borrower’s payments. Often described as passive income, but it requires an understanding of borrower risk, loan servicing and foreclosure law.

HOW IT WORKS

A mortgage note is the loan behind a property. Investors buy notes from banks, funds or private sellers, often at a discount to the unpaid balance. Performing notes pay monthly as the borrower makes payments. Non-performing notes are bought at deeper discounts, with the investor aiming to restart payments, negotiate a payoff or foreclose.

Most residential notes must be serviced by a licensed servicer, which collects payments and handles borrower communication under federal and state rules.

8–15% TYPICAL TARGET	1–2 MONTHS TO FIRST PAYMENT	\$50K+ TYPICAL NOTE COST	Low LIQUIDITY
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STRENGTHS

- Secured by real estate
- Monthly income when the borrower pays
- Discounted purchase price can add return

WEAKNESSES

- Default and foreclosure can take a year or more
- Servicing and consumer protection rules
- Hard to sell without a discount

WHO IT SUITS

Investors comfortable analyzing borrowers and collateral, and with the legal process when loans default.

SCORED IN DETAIL

STRONGEST

3 7 of 11 criteria

WEAKEST

2 4 of 11 criteria

Mortgage Notes: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	Commonly cited targets run 8% to 15%, depending on rates, borrower quality and the discount paid.	3
Time to initial return	Servicing setup takes 1 to 2 months; payments follow the loan terms. A default can delay returns by a year or more.	3
Liquidity	Low. Selling a note means finding a buyer, often at a discount.	2
Competition	Dominated by banks, funds and institutions; individuals tend to work in non-performing loans and private sales.	2
Operational complexity	Moderate: servicing, borrower communication, restructuring and, at worst, foreclosure.	3
Risk mitigation	Default risk, collateral value and legal timelines. Credit analysis and diversification across notes help.	3
Regulatory challenges	Lending, servicing and debt collection laws, at federal and state level.	2
Upfront cost and capital	Moderate. Notes commonly cost \$50,000 to \$500,000 or more, plus legal fees and reserves.	3
Scalability	Can grow note by note, but administration and risk grow with it.	3
Tax efficiency	Interest is generally taxed as ordinary income; self-directed retirement accounts may help.	2
Market independence	Moderate. Downturns raise default rates.	3

KEY TAKEAWAYS

Mortgage notes can produce steady income, but they are a lending business. Returns depend on borrower performance, and the investor inherits the work and legal exposure when a borrower stops paying.

09

ASSET CLASS

AVERAGE SCORE

2.5

out of 5

Storage Units

Owning or developing self-storage facilities and renting units to individuals and businesses. Valued for resilience in downturns, with substantial capital and real management needs.

HOW IT WORKS

Self-storage owners rent units to households and businesses, usually month to month. Investors can buy an existing facility, develop a new one, join a syndication or buy shares of storage REITs.

Month-to-month leases let owners adjust rents quickly, and the sector has a reputation for holding up in downturns, because moves, downsizing and life changes keep demand steady. Local oversupply is the main threat to returns.

8–15% TYPICAL TARGET	12–18 MONTHS IF DEVELOPING	High CAPITAL TO BUY OR BUILD	Low LIQUIDITY
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STRENGTHS

- Steady demand across economic cycles
- Short leases allow rent increases
- Low cost per tenant to maintain

WEAKNESSES

- High entry cost for land and construction
- Competition from new facilities
- Operations: delinquencies, security, lien sales

WHO IT SUITS

Operators and syndication investors, or REIT investors seeking sector exposure.

SCORED IN DETAIL

STRONGEST

4 Tax efficiency

WEAKEST

1 Upfront cost and capital

Storage Units: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	Commonly cited targets run 8% to 15%, depending on location, size and occupancy.	3
Time to initial return	Buying an existing facility is faster; developing one means zoning (3 to 6 months), construction (6 to 12 months) and lease-up (3 to 6 months), often 12 to 18 months in total.	2
Liquidity	Low. Facilities take months or longer to sell.	2
Competition	National chains, private equity and institutions dominate the best locations.	2
Operational complexity	Moderate to high: tenants, security, climate control, delinquencies and auctions.	2
Risk mitigation	Vacancies, local oversupply, maintenance costs and disputes over tenants' belongings.	3
Regulatory challenges	Zoning, lease enforcement and state lien-sale laws.	3
Upfront cost and capital	High: land, construction, security systems and reserves.	1
Scalability	Expands facility by facility, with standardized operations helping.	3
Tax efficiency	Good. Depreciation, operating deductions and 1031 exchanges.	4
Market independence	Partly market-dependent: population, housing turnover and spending.	3

KEY TAKEAWAYS

Storage offers steady cash flow and good tax treatment, but it is an operating business with high entry costs and limited liquidity.

10

ASSET CLASS

AVERAGE SCORE

2.9

out of 5

Cryptocurrency

Buying, holding or trading digital assets such as Bitcoin and Ethereum. The asset class offers liquidity and growth potential, but it is highly volatile, speculative and subject to changing regulation.

HOW IT WORKS

Cryptocurrencies are digital assets recorded on public blockchains. Investors buy them on exchanges and hold them either with the exchange, in their own digital wallet, or, for Bitcoin and Ether, through exchange-traded funds that U.S. regulators approved in 2024.

Prices are set by supply, demand and sentiment rather than by cash flows, which is why both gains and losses can be extreme.

None	Minutes	Any amount	Very high
RELIABLE LONG-RUN AVERAGE	TO YEARS	FRACTIONAL PURCHASES	LIQUIDITY, MAJOR ASSETS

STRENGTHS

- Trades around the clock with very high liquidity
- Low entry cost and easy access
- Potential for large gains

WEAKNESSES

- Extreme volatility; 50%+ declines have occurred
- Hacks, fraud and lost private keys
- Regulation still evolving

WHO IT SUITS

A small allocation for investors with a high tolerance for risk and volatility.

SCORED IN DETAIL

STRONGEST

5 Liquidity, Upfront cost and capital

WEAKEST

1 Risk mitigation, Regulatory challenges, Market independence

Cryptocurrency: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	Highly variable. Major assets have gained more than 100% in strong years and lost more than half their value in weak ones. There is no reliable long-run average.	4
Time to initial return	Positions can be closed in minutes, but long-term holders may wait years through extreme swings.	4
Liquidity	Very high for major assets, which trade around the clock. Smaller tokens can be thin and hard to exit.	5
Competition	Institutions, funds and algorithmic traders dominate price movements.	2
Operational complexity	Moderate: custody, security of private keys, exchanges and tax tracking.	3
Risk mitigation	Very high: price swings of 50% or more, hacks, fraud, exchange failures and lost keys.	1
Regulatory challenges	Unsettled. Classification as securities, exchange rules and anti-money-laundering requirements are still evolving.	1
Upfront cost and capital	Very low. Fractional purchases mean almost any amount can be invested.	5
Scalability	Easy to add to a position, though risk grows with it.	4
Tax efficiency	Every sale or trade can be taxable; staking and mining rewards are taxed as income.	2
Market independence	Increasingly correlated with stocks and sensitive to interest rates and policy.	1

KEY TAKEAWAYS

Cryptocurrency offers unmatched liquidity and growth potential at the cost of some of the highest volatility and regulatory uncertainty of any asset class here.

11

ASSET CLASS

AVERAGE SCORE

3.5

out of 5

Stocks

Shares in publicly traded companies, bought for growth, dividends or both. The foundation of most portfolios and among the most liquid and scalable asset classes here, but also among the most market-dependent.

HOW IT WORKS

Stocks are shares of ownership in public companies, bought through a brokerage account either individually or through mutual funds and exchange-traded funds that hold hundreds of companies at once.

Over the long run, returns have come from earnings growth and dividends. Over shorter periods, prices swing with the economy and investor sentiment: the S&P 500 fell more than 50% from its 2007 peak to its 2009 low.

9.9% ANNUAL, 1928-2024	Quarterly TYPICAL DIVIDENDS	Any amount FRACTIONAL SHARES	Seconds TO SELL
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STRENGTHS

- Highest liquidity and transparency
- Long record of growth
- Low-cost index funds make diversification easy

WEAKNESSES

- Deep declines in bear markets
- Hard to beat the market consistently
- Fully exposed to the economy and rates

WHO IT SUITS

The core of most long-term portfolios, through diversified, low-cost funds.

SCORED IN DETAIL

STRONGEST

5 Liquidity, Upfront cost and capital, Scalability

WEAKEST

1 Market independence

Stocks: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	U.S. stocks returned about 9.9% a year from 1928 to 2024, with dividends reinvested (A. Damodaran, NYU Stern). Individual stocks vary widely.	3
Time to initial return	Dividends arrive quarterly; growth can take years; trading returns are immediate but uncertain.	3
Liquidity	Very high. Shares can be sold in seconds during market hours.	5
Competition	Highly efficient and dominated by institutions and algorithms, which makes beating the market difficult.	2
Operational complexity	Low for index investors; high for those picking stocks or trading.	4
Risk mitigation	Market volatility, company-specific failure, rates and geopolitics. Diversification is the main defense.	2
Regulatory challenges	Well regulated and transparent, under the SEC in the United States.	4
Upfront cost and capital	Very low. Fractional shares allow almost any amount.	5
Scalability	Scales almost without limit through funds and reinvested dividends.	5
Tax efficiency	Good. Long-term gains and qualified dividends receive lower rates; tax-loss harvesting is available.	4
Market independence	Low. Prices move with earnings, rates and the economy.	1

KEY TAKEAWAYS

Stocks are liquid, scalable and well regulated, with a long record of growth. The trade-off is full exposure to the market, including deep declines.

Source: A. Damodaran, NYU Stern, Historical Returns on Stocks, Bonds and Bills, 1928–2024.

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ASSET CLASS

AVERAGE SCORE

3.5

out of 5

Bonds

Loans to governments, municipalities and companies that pay interest and return principal at maturity. A staple of conservative portfolios, with lower returns and real sensitivity to interest rates and inflation.

HOW IT WORKS

A bond is a loan to a government, municipality or company. The issuer pays interest, usually twice a year, and repays the principal at maturity. Investors can hold individual bonds or bond funds.

Bond prices move opposite to interest rates. When rates rose sharply in 2022, the broad U.S. bond market lost about 13%, one of its worst years on record, a reminder that bonds are stable, not riskless.

4.5% TREASURIES, 1928–2024	Semiannual INTEREST PAYMENTS	Low ENTRY COST	High LIQUIDITY, TREASURIES
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STRENGTHS

- Predictable income
- Treasuries carry the U.S. government’s backing
- Often steady a portfolio when stocks fall

WEAKNESSES

- Lower long-run returns
- Prices fall when rates rise
- Inflation erodes fixed payments

WHO IT SUITS

Investors seeking income, stability and diversification rather than growth.

SCORED IN DETAIL

STRONGEST

4 6 of 11 criteria

WEAKEST

2 Target annual return

Bonds: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	10-year Treasury bonds returned about 4.5% a year from 1928 to 2024, and Baa corporate bonds about 6.6% (A. Damodaran, NYU Stern). The 10-year Treasury yielded 4.58% at the end of 2024 (Nareit).	2
Time to initial return	Interest is usually paid twice a year; principal returns at maturity, from 1 to 30 years.	3
Liquidity	High for Treasuries and investment-grade bonds; lower for municipal, high-yield and private bonds.	4
Competition	Dominated by institutions and central banks, but individuals buy at the same prices through funds and Treasury auctions.	3
Operational complexity	Low through funds; moderate for investors managing duration and credit themselves.	4
Risk mitigation	Rising rates lower bond prices; inflation erodes real returns; corporate issuers can default.	4
Regulatory challenges	Well regulated, with call provisions and tax rules to understand.	4
Upfront cost and capital	Low to moderate. Treasuries start at small amounts; funds allow any amount.	4
Scalability	Scales easily through ladders and funds.	4
Tax efficiency	Mixed. Treasury interest is exempt from state tax, municipal interest often from federal tax, corporate interest taxed as ordinary income.	3
Market independence	Moderate. Bonds often rise when stocks fall, but remain tied to rates and inflation.	3

KEY TAKEAWAYS

Bonds provide income and ballast. They are a tool for stability, not for high returns.

Sources: A. Damodaran, NYU Stern (1928–2024); Nareit, REITs by the Numbers (December 2024).

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ASSET CLASS

AVERAGE SCORE

2.6

out of 5

Annuities

Insurance contracts that turn a lump sum or series of payments into a stream of income, often for retirement. They offer predictability in exchange for long commitments, fees and limited liquidity.

HOW IT WORKS

An annuity is a contract with an insurance company. The investor pays a lump sum or a series of payments, and the insurer pays income back, immediately or starting at a future date. Fixed annuities pay a set rate; variable annuities rise and fall with investment accounts; indexed annuities credit returns tied to a market index, within limits.

Payments depend on the insurer’s ability to pay. State guaranty associations provide some protection if an insurer fails, up to limits that vary by state.

3–7% TYPICAL RANGE	Years FOR DEFERRED CONTRACTS	\$50K+ FOR MEANINGFUL INCOME	Very low LIQUIDITY
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STRENGTHS

- Income that can last for life
- Tax-deferred growth
- Principal protection on fixed contracts

WEAKNESSES

- Fees, commissions and surrender charges
- Withdrawals taxed as ordinary income
- Capital hard to retrieve early

WHO IT SUITS

Retirees and near-retirees who value guaranteed income over growth and flexibility.

SCORED IN DETAIL

STRONGEST

4 Risk mitigation, Tax efficiency

WEAKEST

1 Time to initial return, Liquidity

Annuities: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	Commonly cited ranges run about 3% to 7% a year, depending on the type (fixed, variable or indexed) and net of fees.	2
Time to initial return	Deferred annuities may not pay for 10 to 30 years; immediate annuities pay sooner at the cost of flexibility.	1
Liquidity	Very low. Surrender charges can reach 7% to 10%, and withdrawals before age 59½ may face a 10% IRS penalty.	1
Competition	Many insurers compete for buyers, though each sets its own rates, fees and terms.	3
Operational complexity	Moderate. Contract types, riders and payout options are complex.	3
Risk mitigation	Inflation erodes fixed payments; payouts depend on the insurer's solvency; fees reduce returns.	4
Regulatory challenges	Regulated by state insurance departments; variable annuities are also securities, overseen by the SEC and FINRA.	3
Upfront cost and capital	Moderate. Meaningful income usually requires \$50,000 or more.	3
Scalability	Limited; additional contracts each bring their own terms and fees.	2
Tax efficiency	Good deferral, but withdrawals are taxed as ordinary income.	4
Market independence	Fixed annuities are steady; variable and indexed annuities follow markets.	3

KEY TAKEAWAYS

Annuities buy certainty of income at the price of low returns, high fees and capital that is hard to retrieve. They suit retirement planning more than growth.

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ASSET CLASS

AVERAGE SCORE

3.0

out of 5

Gold

A traditional safe-haven asset held as a hedge against inflation, crisis and currency weakness. It produces no income and its price can swing for long periods.

HOW IT WORKS

Investors hold gold as bars and coins, through exchange-traded funds backed by bullion, through mining company shares, or through futures. Gold pays no interest or dividends; its return comes entirely from changes in price.

Gold has served as a hedge in crises and periods of inflation, but it can also go a long time without gains. After peaking in January 1980, it did not regain that nominal price until 2008.

5.1% ANNUAL, 1928–2024	Years TO MEANINGFUL GAINS	Low ENTRY COST, VIA FUNDS	High LIQUIDITY, VIA FUNDS
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STRENGTHS

- A hedge against crises and currency weakness
- No credit risk
- Buying by central banks supports demand

WEAKNESSES

- No income
- Long periods without gains
- Taxed as a collectible, up to 28%

WHO IT SUITS

Investors seeking a hedge or diversifier, usually as a modest share of a portfolio.

SCORED IN DETAIL

STRONGEST

4 Liquidity, Regulatory challenges, Upfront cost and capital

WEAKEST

2 Target annual return, Time to initial return, Tax efficiency

Gold: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	Gold returned about 5.1% a year from 1928 to 2024 (A. Damodaran, NYU Stern), and about 9% a year since the end of the gold standard in 1971 (World Gold Council).	2
Time to initial return	Returns depend entirely on price appreciation, which can take years.	2
Liquidity	High for exchange-traded funds; moderate for physical gold, with dealer spreads.	4
Competition	Prices are set in deep global markets, so individuals pay the same price as institutions.	3
Operational complexity	Low through funds; moderate for physical gold, which needs storage, insurance and authentication.	3
Risk mitigation	Long flat or falling periods; storage and insurance costs for physical holdings.	3
Regulatory challenges	Relatively light, with reporting and tax rules on sales.	4
Upfront cost and capital	Low. Funds allow small purchases.	4
Scalability	Easy to add, though physical holdings need more security.	3
Tax efficiency	Weak. Physical gold is taxed as a collectible, at up to 28% on long-term gains.	2
Market independence	Moderate. Gold often holds up in crises, but its price follows rates, the dollar and sentiment.	3

KEY TAKEAWAYS

Gold is a hedge, not an income asset. It can protect a portfolio in a crisis, but over long periods it has trailed stocks.

Sources: A. Damodaran, NYU Stern (1928–2024); World Gold Council, Gold as a Strategic Asset.

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ASSET CLASS

AVERAGE SCORE

2.4

out of 5

Oil and Commodities

Crude oil, natural gas, agricultural goods and industrial metals, held directly, through futures or through funds. They can hedge inflation and diversify a portfolio, but they are among the most cyclical assets.

HOW IT WORKS

Commodities include energy, metals and agricultural goods. Most investors gain exposure through futures contracts, funds that hold futures, or shares of producers, rather than by owning physical goods.

Prices follow supply and demand, weather, geopolitics and the global economy, and can move violently. In April 2020, U.S. oil futures briefly traded below zero as storage ran out.

Cyclical

NO STABLE AVERAGE

Varies

WITH MARKET
TIMING

Moderate

FUTURES NEED
MARGIN

High

LIQUIDITY, VIA
FUNDS

STRENGTHS

- A potential hedge against inflation
- Diversification from stocks and bonds
- High liquidity through futures and funds

WEAKNESSES

- Extreme price swings
- Futures funds can lose value rolling contracts
- Geopolitical and policy risk

WHO IT SUITS

Experienced investors using a small, tactical allocation.

SCORED IN DETAIL

STRONGEST

4 Liquidity

WEAKEST

1 Risk mitigation,
Market independence

Oil and Commodities: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	Highly cyclical. Strong years can bring gains of 10% to 30%; supply gluts and demand shocks bring steep losses.	3
Time to initial return	Depends on market timing; futures can return quickly, physical holdings slowly.	3
Liquidity	High for futures and funds; low for physical commodities.	4
Competition	Dominated by institutional traders, producers and governments.	2
Operational complexity	High for direct exposure: futures roll, storage, logistics and geopolitical risk.	2
Risk mitigation	Very high: supply disruptions, geopolitics, weather and speculation.	1
Regulatory challenges	CFTC oversight of futures, environmental rules, tariffs and trade policy.	2
Upfront cost and capital	Moderate. Futures require margin; funds allow small amounts.	3
Scalability	Possible, but risk grows quickly with size.	3
Tax efficiency	Complex. Futures carry special tax treatment and reporting.	2
Market independence	Low. Prices follow the global economy, OPEC decisions and policy.	1

KEY TAKEAWAYS

Commodities can hedge inflation, but they demand market knowledge and a tolerance for sharp swings.

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ASSET CLASS

AVERAGE SCORE

2.3

out of 5

Private Credit

Direct loans to businesses, developers or individuals outside the banking system. Higher yields than public bonds, in exchange for illiquidity, underwriting work and default risk.

HOW IT WORKS

Private credit is lending outside the banking system, most often senior loans to mid-sized companies made by specialized funds. Many loans carry floating rates, so income rises when interest rates rise. The market has grown to more than a trillion dollars as banks have pulled back from this kind of lending.

Individual investors usually participate through private funds or business development companies, many of which are limited to accredited investors.

9.5% CDLI, SINCE 2004	1–3 MONTHS TO ORIGINATE	Accredited OFTEN REQUIRED	Very low LIQUIDITY
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STRENGTHS

- Higher yields than public bonds
- Floating rates protect against rising rates
- Senior position in the borrower's capital structure

WEAKNESSES

- Illiquid, often for years
- Defaults rise in downturns
- Fees and limited price transparency

WHO IT SUITS

Income investors with long horizons who can accept limited liquidity.

SCORED IN DETAIL

STRONGEST

3 4 of 11 criteria

WEAKEST

1 Liquidity

Private Credit: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	The Cliffwater Direct Lending Index returned 9.5% a year from its 2004 inception, unlevered and gross of fees.	3
Time to initial return	Origination takes 1 to 3 months; interest is paid monthly or quarterly; principal returns at maturity, often years later.	2
Liquidity	Very low. Loans are usually held to maturity or sold at a discount.	1
Competition	Dominated by institutions, private equity and specialist lenders.	2
Operational complexity	High: underwriting, documentation, monitoring and enforcement.	2
Risk mitigation	Borrower default, long legal proceedings and economic downturns.	3
Regulatory challenges	Lending and usury laws, borrower protections and securities rules for pooled vehicles.	2
Upfront cost and capital	High. Loans often run from \$50,000 to millions per deal.	2
Scalability	Requires new borrowers, underwriting and servicing for each loan.	3
Tax efficiency	Interest is taxed as ordinary income.	2
Market independence	Moderate. Defaults rise in downturns and rates drive pricing.	3

KEY TAKEAWAYS

Private credit offers attractive income for investors who can underwrite borrowers and accept long, illiquid commitments.

Source: Cliffwater Direct Lending Index, as reported by WealthManagement.com, June 2024.

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ASSET CLASS

AVERAGE SCORE

3.1

out of 5

Online Platforms and Apps

Trading apps, robo-advisors and crowdfunding platforms that put investing on a phone, with very low minimums.

HOW IT WORKS

Online platforms and apps have opened investing to millions of people. They fall into three groups. Trading apps and online brokerages offer commission-free trading and fractional shares. Robo-advisors build and rebalance diversified portfolios automatically, for an annual fee commonly around 0.25% of assets. Crowdfunding and fractional ownership platforms let investors buy small stakes in private real estate, startups and collectibles.

Crowdfunded offerings are regulated by the SEC under Regulation Crowdfunding, which limits companies to raising \$5 million a year and caps how much non-accredited investors can put in, and Regulation A, which allows larger offerings.

Varies WITH WHAT IS BOUGHT	Instant TO YEARS	\$1+ TO START ON APPS	High to low LIQUIDITY, BY PLATFORM
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STRENGTHS

- Very low minimums and easy access
- Automated, low-cost diversification
- Access to deals once reserved for insiders

WEAKNESSES

- Crowdfunded deals are illiquid and often fail
- Platform risk if the company closes
- Design that can encourage overtrading

WHO IT SUITS

New and smaller investors, and those who want automation or small stakes in private deals, after checking the platform itself.

SCORED IN DETAIL

STRONGEST

5 Upfront cost and capital

WEAKEST

2 Competition, Risk mitigation, Market independence

Online Platforms and Apps: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	Depends entirely on what is bought: market returns for app and robo-advisor portfolios, deal-specific results for crowdfunded real estate or startups.	3
Time to initial return	Immediate for traded securities. Crowdfunded deals often hold for several years before any exit.	3
Liquidity	High for stocks and funds bought through apps. Low for crowdfunded securities, which generally cannot be resold for a year and may have no market after that.	3
Competition	Many platforms compete for investors. Crowdfunded deals may be ones that professional investors passed on.	2
Operational complexity	Very simple to use. Due diligence on each private deal remains the investor's job.	4
Risk mitigation	Market risk on traded assets, high failure rates on startup deals and the risk that a platform itself fails or closes.	2
Regulatory challenges	Moderate. SEC and FINRA oversight; Regulation Crowdfunding and Regulation A set offering and investment limits.	3
Upfront cost and capital	Very low. Fractional shares and small minimums allow starting with a few dollars.	5
Scalability	Easy to add, though diversifying across private deals takes many small positions.	4
Tax efficiency	Depends on the underlying asset; some real estate platforms issue Schedule K-1s.	3
Market independence	Traded assets follow the markets; private deals are less visibly volatile but still tied to the economy.	2

KEY TAKEAWAYS

Platforms and apps have made investing accessible and cheap, but they are only as good as what is bought through them. The platform is a doorway, not an asset class with returns of its own.

Sources: SEC, Regulation Crowdfunding; Regulation A. Fee levels are typical published ranges.

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ASSET CLASS

AVERAGE SCORE

1.7

out of 5

Art

Paintings, sculpture and other works bought for appreciation and cultural value. A diversifier for wealthy collectors, with subjective pricing, high costs and very low liquidity.

HOW IT WORKS

Investors buy art through auction houses, galleries and private dealers, through art funds, or through platforms that sell fractional shares of individual works. Value depends on collector demand, the artist’s reputation and the work’s provenance and condition.

Transaction costs are high: buyer’s premiums at major auction houses commonly exceed 20% of the hammer price, before insurance, storage and shipping.

5–10% COMMONLY CITED	Years TO DECADES	Thousands TO MILLIONS	Very low LIQUIDITY
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STRENGTHS

- Diversification and cultural value
- Potential for significant gains on top works
- A tangible store of wealth

WEAKNESSES

- High transaction and holding costs
- Subjective, opaque pricing
- Forgery and provenance risk

WHO IT SUITS

Wealthy collectors who value the asset itself, with returns a secondary benefit.

SCORED IN DETAIL

STRONGEST

3 Regulatory challenges

WEAKEST

1 4 of 11 criteria

Art: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	Commonly cited long-run estimates run about 5% to 10% a year, driven by a small number of high-profile works. Art produces no income.	2
Time to initial return	Years to decades, depending on the artist and the market.	1
Liquidity	Very low. Sales depend on auctions, dealers and collector demand.	1
Competition	Dominated by museums, auction houses, dealers and wealthy collectors.	2
Operational complexity	High: authentication, provenance, storage, insurance and conservation.	2
Risk mitigation	Forgery, shifting taste, damage and speculative pricing.	2
Regulatory challenges	Import and export rules, provenance law and anti-money-laundering checks on large sales.	3
Upfront cost and capital	Very high. Significant works cost thousands to millions, plus commissions.	1
Scalability	Each piece is unique, so collections grow one acquisition at a time.	1
Tax efficiency	Weak. Taxed as a collectible, at up to 28% on long-term gains.	2
Market independence	Tied to luxury spending, collector sentiment and wealth.	2

KEY TAKEAWAYS

Art can preserve wealth and diversify a large portfolio, but it is illiquid, costly to hold and priced by taste rather than cash flow.

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ASSET CLASS

AVERAGE SCORE

1.8

out of 5

Wine

Fine wines held for appreciation as they age. A niche diversifier that requires expertise, specialized storage and long holding periods.

HOW IT WORKS

Investment-grade wine is usually bought by the case, either on release or on the secondary market, and stored in professional, bonded warehouses that preserve its condition and provenance. It is sold through merchants, auctions and trading platforms, and indices such as the Liv-ex track prices.

Supply of a given vintage is fixed and shrinks as bottles are consumed, which supports prices for the best wines over time.

7–12%	5–20	Thousands	Low
COMMONLY CITED	YEARS TO PEAK	PER CASE, TOP WINES	LIQUIDITY

STRENGTHS

- Finite, shrinking supply
- Tangible asset with global demand
- Low correlation with financial markets

WEAKNESSES

- Storage, insurance and authentication costs
- Counterfeits and condition risk
- Illiquid and slow to sell

WHO IT SUITS

Collectors with expertise, patience and access to professional storage.

SCORED IN DETAIL

STRONGEST

No criterion scores above 2

WEAKEST

1 Time to initial return, Liquidity

Wine: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	Commonly cited estimates run about 7% to 12% a year, concentrated in rare vintages.	2
Time to initial return	Often 5 to 20 years of aging before peak value.	1
Liquidity	Low. Sales go through auctions, merchants or trading platforms.	1
Competition	Collectors, merchants and auction houses dominate the most sought-after vintages.	2
Operational complexity	High: climate-controlled storage, authentication and timing.	2
Risk mitigation	Spoilage, counterfeits, shifting preferences and speculation.	2
Regulatory challenges	Import and export rules, alcohol distribution laws and taxes.	2
Upfront cost and capital	Moderate to high, with storage, insurance and auction fees.	2
Scalability	Grows bottle by bottle, with storage and insurance growing too.	2
Tax efficiency	Weak. Generally taxed as a collectible.	2
Market independence	Tied to luxury demand and collector sentiment.	2

KEY TAKEAWAYS

Wine rewards deep expertise and patience, but it is illiquid and costly to hold for most investors.

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ASSET CLASS

AVERAGE SCORE

1.8

out of 5

Venture Capital

Funding early-stage companies in exchange for equity. The potential for outsized gains from a few winners, against high failure rates and very long holding periods.

HOW IT WORKS

Venture capital funds young companies in exchange for equity. Individuals invest as angels, through syndicates, or as limited partners in venture funds, which typically run for about ten years and charge a management fee and a share of profits.

Returns depend on a few big winners. Most startups fail or return little, so investors need many positions and a long time horizon to have a reasonable chance of success.

10–20% COMMONLY CITED, FUND LEVEL	7–10+ YEARS TO EXIT	\$10K+ ANGEL CHECKS	Very low LIQUIDITY
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STRENGTHS

- Large potential gains from winners
- Exposure to innovation
- Tax benefits under QSBS rules

WEAKNESSES

- High failure rates and dilution
- Capital locked up for a decade
- Access often limited to accredited investors

WHO IT SUITS

Experienced, accredited investors who can diversify widely and wait.

SCORED IN DETAIL

STRONGEST

4 Tax efficiency

WEAKEST

1 5 of 11 criteria

Venture Capital: The Eleven Criteria

CRITERION	ASSESSMENT	SCORE
Target annual return	Highly dispersed. A few companies return many times the investment while most fail. Commonly cited fund-level estimates run about 10% to 20% a year.	3
Time to initial return	Very slow. Growth phases run 3 to 10 years or more before an acquisition or IPO.	1
Liquidity	Very low. Shares are locked in private companies until an exit.	1
Competition	Access to strong deals is controlled by established funds and networks.	1
Operational complexity	Moderate to high: diligence, negotiation, monitoring and follow-on rounds.	2
Risk mitigation	High failure rates, dilution and market risk. Diversification across many companies is essential.	1
Regulatory challenges	Securities law, accredited investor rules and complex legal agreements.	2
Upfront cost and capital	Moderate to high. Angel checks of \$10,000 to \$100,000; funds require more.	2
Scalability	Requires capital and access to new deals.	2
Tax efficiency	Good. Qualified Small Business Stock rules can exclude gains; losses are deductible.	4
Market independence	Low. Valuations and exits follow the economy and funding cycles.	1

KEY TAKEAWAYS

Venture capital can produce extraordinary results, but it suits experienced investors who can diversify widely and wait a decade.

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CONCLUSIONS

THE PATTERN

No asset class scores well on everything. Each one trades some criteria for others.

What the Framework Shows

Applied to seventeen asset classes, the framework shows that every investment trades strengths for weaknesses. The question is which trade-offs suit a given investor.

1. RISK AND REWARD

The highest potential returns, in venture capital and cryptocurrency, come with the highest volatility and failure rates. Bonds and annuities provide stability at lower returns. The right balance depends on goals and time horizon.

2. LIQUIDITY

Stocks and major cryptocurrencies can be sold in seconds. Real estate, private credit, art and wine require long holding periods and a buyer. Investors should know before they buy how and when they can get out.

3. COMPLEXITY AND SCALE

Fix and flip, storage and multifamily demand active management and grow one property at a time. Funds and public markets scale easily. Effort is a real cost, even when it does not appear in the return.

4. MARKET DEPENDENCE

Stocks, commodities, cryptocurrency and venture capital move with the economy. Assets whose value rests on cash already held, or on contracts, tend to move less, which can steady a portfolio.

5. REGULATION AND TAX

Real estate carries heavy regulation but the best tax treatment. Collectibles carry high tax rates. Many short-cycle and income-producing assets, including after foreclosure assets, are taxed as ordinary income.

WHERE AFTER FORECLOSURE ASSETS FIT

After foreclosure assets earn the highest average score of the seventeen, 3.8 out of 5. Their strengths are short, documented cycles, a market institutions overlook and a passive role for the investor. Their weaknesses are just as real: no secondary market, ordinary income tax treatment and supply limited by the number of confirmed claims. They are best used alongside other assets, not instead of them.

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HYPOTHETICAL GROWTH

WHY 14% A YEAR

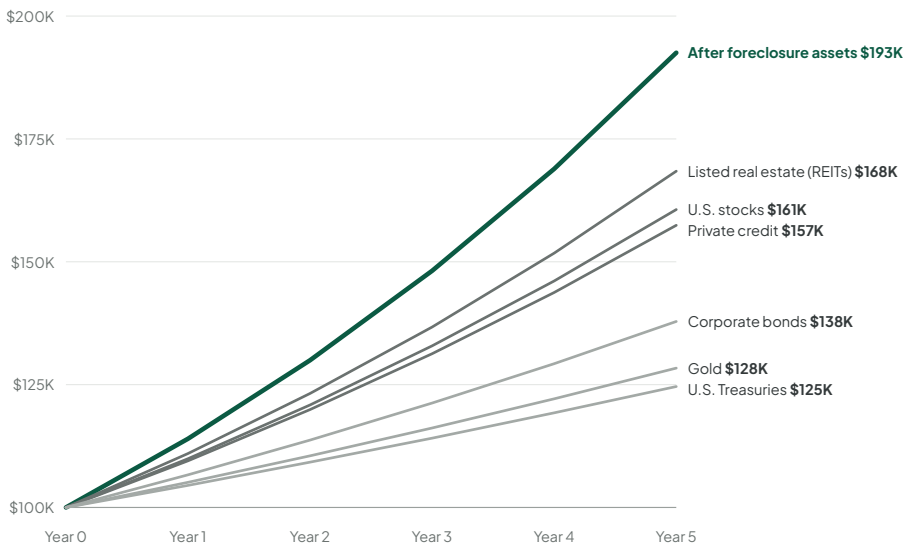
The chart assumes one package a year at the typical stated return. Packages run 8 to 12 weeks, so an investor could buy more than one a year. This chart does not assume that; the Reinvestment Illustration shows a hypothetical example.

A Hypothetical \$100,000 Over Five Years

How \$100,000 would grow at each asset class's long-run historical return, compared with the return current packages typically state.

Exhibit 3: Hypothetical growth of \$100,000

Compounded annually at the rates shown below. Illustration only, not a projection.



ASSET CLASS	ANNUAL RATE	BASIS
After foreclosure assets	14.0%	Typical stated return on current packages; one package a year. Varies by package.
Listed real estate (REITs)	11.0%	FTSE Nareit All Equity REITs, 1972–2024
U.S. stocks	9.9%	S&P 500 with dividends, 1928–2024
Private credit	9.5%	Cliffwater Direct Lending Index, since 2004, gross of fees
Corporate bonds	6.6%	Baa corporate bonds, 1928–2024
Gold	5.1%	1928–2024
U.S. Treasuries	4.5%	10–year Treasury bond, 1928–2024

Sources: A. Damodaran, NYU Stern, Historical Returns on Stocks, Bonds and Bills, 1928–2024; Nareit, REITs by the Numbers (December 2024); Cliffwater Direct Lending Index, as reported June 2024. Asset classes without a long-run published index (crypto, venture capital, art, wine, data centers, storage) are not shown. Periods differ by asset class. Historical returns are not a guarantee of future results, and the after foreclosure line reflects a stated return, not a realized track record over five years.

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NEXT STEPS

FOUR STEPS

Priorities first,
commitment last.

Applying the Framework

The framework is most useful applied to your own situation. These are the steps we suggest before any purchase, with us or anyone else.

01

Score your own priorities

Decide which criteria matter most to you. An investor who needs access to capital will weigh liquidity more heavily than one investing for ten years.

02

Verify the facts

Check every figure against its source. County surplus lists are public, and we will provide a county contact in any state we work in.

03

Read the documents

Review the Due Diligence Packet and the Purchase and Sales Agreement with your legal, tax and financial advisors.

04

Ask every question

Ask about the process, the track record and the risks before you commit any capital.

After Foreclosure Assets

Powered By  MILAN CM

The MCM 11 Framework

Eleven criteria, seventeen asset classes, one consistent standard.

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