

FAQ

# Trump is pushing to include risky assets like crypto and private equity in 401(k)s

Why this endangers retirement savers and the economy

**Fact Sheet** • By **Monique Morrissey** • February 2, 2026

## Key takeaways

President Trump has veered away from the path that previous administrations have taken on 401(k) and other retirement plans. Instead of protecting the millions of workers with retirement accounts, his administration is trying to knock down guardrails that protect retirement savers.

Trump is proposing to make risky investments more widely available to ordinary savers and make it harder to sue the retirement plan sponsors and advisers who encourage these types of investments.

### What kinds of problems could these changes cause?

- Some retirement savers might experience life-altering losses if retirement plan sponsors and advisers steer them into risky and hard-to-value investments like private equity and cryptocurrencies.
- Investment options that Trump is promoting include privately traded investments that may be difficult to sell when workers are ready for retirement and digital collectibles that have no intrinsic value but are simply a gamble that someone will pay more for them later.
- Marketing risky investments to millions of retirement plan participants is a way to bail out billionaires at the expense of ordinary savers at a time when pension funds and other sophisticated investors are souring on some of these investments.
- A speculative bubble like the one in the roaring 1920s might grow and lead to a crash with economywide repercussions.

The Trump family has seen enormous profits from cryptocurrencies in 2025. The crypto-based businesses they set up last year may be worth as much as \$2 billion.

**I**n an **executive order** dated August 7, 2025, President Trump called for a reexamination of regulations and guidance for retirement plans. Trump asked regulators to encourage retirement plan administrators to include risky options like alternative assets (or “alts”) in 401(k) and similar retirement plans. Alternative assets could be funds invested in private equity and cryptocurrencies, assets that lack strict regulation and whose value and risk can be hard to assess compared with other types of investments. Because of this, many consider alts to be unsuitable for retirement plans. Trump’s executive order listed direct and indirect interests in private market investments, real estate, digital assets, commodities, infrastructure, and longevity risk-sharing pools.

Currently there are no explicit bans on offering these types of investments in participant-directed retirement plans, but employers and advisers who serve as retirement plan fiduciaries can be sued for including inappropriately risky and costly assets among investment options. (Fiduciaries are required by law to act in the best interests of retirement plan participants.) Outside of retirement plans, marketing private equity and other largely unregulated alternative assets to small investors is mostly prohibited by securities laws, regulations, and agency guidance—though cryptocurrencies and other digital assets can be sold to anyone.

Whether due to fiduciaries’ litigation fear or common sense, alts like private equity have so far **made little headway in the 401(k) space**, though **some major players** began marketing managed funds with alternative asset components to 401(k) plan sponsors even before Trump issued his executive order.

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## What did Trump's executive order instruct regulators to do?

Trump's executive order directed the Department of Labor (DOL) to consider rescinding a **Biden-era guidance** expressing concern about risks associated with private equity. DOL dutifully **rescinded the guidance** on August 12, 2025, less than a week after Trump's order, supported by a **report from the president's Council of Economic Advisers** touting the supposed benefits of alts for retirement savers.

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The executive order also asked DOL to look for ways to curb litigation under the Employee Retirement Income Security Act of 1974 (ERISA), including possibly expanding safe harbor protocols that, if followed, might make it harder to sue fiduciaries for losses arising from plan sponsors' and advisers' choice of investment options.

Trump also asked the Securities and Exchange Commission (SEC) to help facilitate access to alts, including possibly relaxing rules that limit some investments to **accredited investors** or **qualified purchasers** who are assumed to be sophisticated and wealthy enough to understand and take on significant risk.

DOL and SEC are expected to issue proposed rules for comment by early February.

# What are the alternative assets mentioned in Trump’s executive order?

Private market investments, cryptocurrencies (including different types of cryptocurrencies like stablecoins and meme coins), and other alts

## Private market investments

The biggest players are private equity funds, including leveraged buyout funds that borrow against the value of companies they buy. Private credit is also a large and growing sector, consisting of nonbank lenders that specialize in extending credit to businesses that want to keep the terms of their borrowing flexible and confidential, including private equity firms.

Privately traded investments like these are subject to far fewer regulations than publicly traded stocks and bonds that are required to regularly disclose relevant information to investors. For this reason, **private market investments are normally restricted** to wealthy individual and institutional investors who are assumed to be much more informed than the average investor and able to tolerate greater risk because they have more disposable funds than “retail” or “nonaccredited” investors.

The government has relaxed rules limiting access to certain investments over the years, including in 1979 when DOL issued a **clarification** expanding the types of assets that pension funds could invest in. The government has also weakened protections over time by failing to index asset and income thresholds for accreditation to inflation, enabling more investors to meet those thresholds for accreditation. On August 26, 2020, during Trump’s first term, the SEC **expanded** the accredited investor definition to include certain financial professionals and others assumed to have financial expertise. On July 23, 2025, the House passed a **bill** that, if signed into law, would allow anyone to become an accredited investor after passing an exam created and administered by

the Financial Industry Regulatory Authority (FINRA), a self-regulatory organization that oversees brokerages and stock exchanges.

## Cryptocurrencies

Cryptocurrencies (“crypto” or “digital assets”) are artificially scarce digital “objects” that can be used as stores of value and means of exchange. In some ways, cryptocurrencies are similar to currencies like the U.S. dollar that are issued by governments, but key differences are that cryptocurrencies are decentralized and private and lack the backing of central banks. Many cryptocurrencies are “mined” by computers running random number generators until they find a match, with the computational cost serving to limit the quantity of “coins” in circulation.

Most cryptocurrencies have no intrinsic value but may be sold at values above the cost of mining them if speculators believe the price will increase or if they are used to facilitate transactions or store wealth outside of the regulated banking system—often for tax evasion, money laundering, and other **illicit activities**. The cost of mining is often seen as a price floor, since people will stop mining new “coins” if doing so costs more than what they sell for. However, it is a highly unstable floor that varies with the cost of electricity and computing power and can collapse entirely if buyers disappear.

### *Different types of cryptocurrencies*

Some cryptocurrencies, called “**stablecoins**,” are pegged to other currencies or assets, such as the U.S. dollar or the price of gold, though whether they actually are backed up by dollars or gold is **questionable** in many cases. Stablecoins are used to facilitate transactions, especially cross-border payments. Though stablecoins may be useful in reducing transaction delays and costs, they also facilitate money laundering, tax evasion, and other illegal activities like other cryptocurrencies.

Beyond enabling lawbreakers, stablecoins are reshaping the international monetary and financial system in problematic ways. Dollar-denominated stablecoins will tend to strengthen the dollar as their use expands internationally, while governments in other countries may find

themselves ceding some of the advantages of **seigniorage** to private actors (seigniorage is the ability to print money in lieu of levying taxes to pay for a portion of government expenses). Stablecoin issuers can **make billions** even if they maintain reserves because the reserves earn interest that is not shared with users.

Another type of cryptocurrency is a “**meme coin**,” typically a humorous token sold at accessible prices—often pennies per “coin”—in contrast to cryptocurrencies like Bitcoin (which this year peaked at over \$120,000 for a single “coin” before taking a nosedive, losing over 30% of its value in the fall of 2025). Meme coins rely on marketing gimmicks and social media hype to reach a broad buyer base. They include Dogecoin, which counts Elon Musk among investors, and \$Trump, which President-elect Trump launched three days before he took office in 2025.

## Other alts

Most of the remaining assets on Trump’s list are already available in some form in many 401(k) plans, such as commodity funds, real estate investment trusts (REITs), and annuities, suggesting that Trump wants to open the door to versions available only to sophisticated investors. References to “infrastructure” in the executive order could open the door to 401(k) investments in energy-sucking data centers, while “longevity risk-sharing pools” could refer to tontines, an arrangement whereby income from an investment is shared by a shrinking pool of investors as others in the pool die. (Tontines, despite a morbid history, have some enthusiasts among retirement policy wonks for their simplicity and low cost compared with annuities.)

## What is Trump’s history with private equity?

In the past, Trump made critical remarks about private equity, even **threatening to close** the lucrative “carried interest” tax loophole that benefits private equity general partners. But more recently he has catered to **Wall Street billionaires**, including **many in his administration**, by **expanding their tax breaks**.

In the past, Trump made critical remarks about private equity, even **threatening to close** the lucrative “carried interest” tax loophole that benefits private equity general partners. But more recently he has catered to **Wall Street billionaires**, including **many in his administration**, by **expanding their tax breaks**.

During Trump’s first term, regulators opened the door a crack to private equity firms hoping to gain access to the potentially lucrative pool of retirement accounts, but with meaningful cautions. On June 3, 2020, in the midst of the COVID-19 pandemic, Trump’s DOL issued an **opinion letter** in response to a query by a law firm representing two firms—Pantheon Ventures and Partners Group—agreeing that private equity could, hypothetically, be a component of target-date or similar managed funds offered to 401(k) participants.

However, the DOL letter noted that private equity investments had longer time horizons, higher fees, and no easily observed market value. It also noted that these private funds were subject to different regulatory requirements and oversight than publicly traded securities. The letter suggested that plan fiduciaries might want to limit private equity investments to a specified percentage of a fund, have the investments independently valued according to agreed-upon financial standards, and require additional disclosures to meet the plan’s ERISA obligations to report information about the current value of the plan’s investments. On June 23, 2020, the SEC issued a **risk alert** warning that private equity and hedge fund investors may have been at risk of paying more in fees

and expenses than they should have and of not being informed of conflicts of interest.

The Biden administration was even less encouraging to private equity firms hoping to persuade leery fiduciaries that private equity had a place in 401(k) and other defined contribution plans. On December 21, 2021, DOL issued a **supplemental statement** citing the SEC warning and stakeholder comments challenging the earlier letter's uncritical acceptance of industry talking points, notably the claim that private equity could "offer plan participants who have longer investment horizons an equities-based investment choice that may enhance retirement outcomes when compared to investment choices containing only publicly traded securities." The letter also noted that while some fiduciaries of defined contribution plans might have relevant experience evaluating private equity investments for defined benefit pensions, many plan fiduciaries are not well suited to evaluate the use of private equity investments in individual account plans. As noted earlier, this statement was **rescinded** on August 12, 2025, less than a week after Trump's executive order.

Three days after the DOL rescinded its guidance, the SEC gave the **green light** to closed-end funds with unlimited exposure to private equity and other private funds, allowing them to be marketed to non-accredited investors. Previously, the SEC had required that closed-end funds with more than 15% of assets in private funds be marketed only to accredited investors investing a minimum of \$25,000.

Like more-familiar mutual funds, including target-date funds, **closed-end funds** are overseen by managers and boards of directors who owe a fiduciary duty to the fund, offering some protection to retail investors. Unlike mutual funds, however, closed-end funds are not automatically redeemable, which, in theory, could result in higher returns—the hypothesized "illiquidity premium" reaped by long-term investors when funds do not have to invest in liquid assets that can be sold at any time. In practice, however, most closed-end funds **trade at a discount** to their net asset value for reasons that are poorly understood. Closed-end funds can also use leverage (borrowed money), adding to their risk. Despite these drawbacks, the Trump administration wants closed-end

funds with illiquid private investments **to be included in target-date funds** marketed to retirement savers.

## What is Trump's history with crypto?

As in the case of private equity, Trump was once critical of **cryptocurrencies**, but since then he and his family have amassed **upwards of two billion dollars** in crypto schemes, including interests in meme coins and stablecoins. Since these are by far the most lucrative business ventures the family has embarked on since Trump's political success enabled them to cash in on the **fervent loyalty of his followers** and **people seeking political access or favors**, it is not surprising that Trump, the self-styled "crypto president," has been eager to **undo attempts by the Biden administration to rein in crypto**.

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During the Biden administration, regulators made repeated warnings about crypto. In May 2021, the SEC issued a **staff statement** warning that Bitcoin and Bitcoin futures were highly speculative investments. In March 2022, DOL issued a **guidance**, citing the SEC warnings, advising 401(k) plan fiduciaries to exercise "extreme care" before adding cryptocurrencies to plan options. The DOL guidance noted that

cryptocurrencies were difficult to value, even by experts, and posed custodial and recordkeeping concerns. In January 2024, Biden’s SEC chair, Gary Gensler, **described** Bitcoin as “primarily a speculative, volatile asset that’s also used for illicit activity including ransomware, money laundering, sanction evasion, and terrorist financing,” even while approving the listing and trading of securities tied to the cryptocurrency.

Since Trump took office for a second term, regulators have worked to legitimize crypto and reverse Biden-era opinions emphasizing the risks involved and encouraging caution. On May 28, 2025, DOL **rescinded** the Biden-era statement calling on fiduciaries to exercise extreme care before adding cryptocurrency to investment menus, with Labor Secretary Lori Chavez-DeRemer **accusing** the Biden administration’s DOL of choosing to “put their thumb on the scale.”

On July 18, 2025, Trump **signed** the bipartisan “GENIUS Act,” which, in theory, regulates stablecoins to curb some abuses. In practice, critics **warn** that the act will encourage the proliferation of stablecoins by providing the illusion of safety without the regulatory capacity to police these private currencies, inevitably leading to **financial panics** and other societal ills.

## What is Trump’s rationale for adding alts to 401(k) investment options?

Trump’s executive order is framed as an effort to “enhance” plan participants’ net risk-adjusted returns by “democratizing access to alternative assets” currently available to pension funds and other institutional investors, even though the smart money is reducing its exposure to these assets. The executive order paints regulations as impediments standing in the way of the “competitive returns and asset diversification” that retirement savers could achieve.

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Industry lobbying to expand access to alternative investments **dates back at least a decade**. The “**democratizing access**” argument echoes comments made by **Larry Fink** of investment giant BlackRock, among others. **Project 2025**, the right-wing blueprint for a second Trump administration, also said the SEC should “[e]ither democratize access to private offerings by broadening the definition of accredited investor for purposes of Regulation D or eliminate the accredited investor restriction altogether.”

Trump’s three Republican **appointees** to the SEC (**Chair Paul Atkins**, **Commissioner Hester Peirce**, and **Commissioner Mark Uyeda**) have made expanding access to alts top priorities. In contrast, Caroline Crenshaw, the sole remaining Democrat on the Commission, says the “democratize access” argument is a way of stoking “**financial FOMO**”

(fear of missing out), comparing the dangers to removing guardrails from the high-speed German autobahn highway system. An **AARP survey** shows that this push to make alts appealing is not working as people are leery of investing their retirement savings in private equity and crypto, and the more they know, the less they like the idea.

Though Trump's executive order claims that alternative assets are an "increasingly large portion" of pension fund portfolios, many **large pension funds** and **other high-profile** institutional investors have begun reducing their exposure to private equity and other alts due to concerns about lackluster returns, risk, cost, lack of transparency, conflicts of interest, and illiquidity (the fact that it can be difficult and costly to exit these funds). In other words, Trump's claims notwithstanding, **the smart money appears to be moving on**, prompting the industry to seek out new investors.

## What laws and regulations currently limit the types of assets that can be sold to retirement savers and other small investors—and why?

Agency regulations and guidance grounded in ERISA and in securities laws discourage or ban the sale of certain investments to retirement savers and other small investors in order to protect them and the broader economy. Less often mentioned, but also important, is the fact that subsidies enshrined in the tax code give the public a stake in ensuring that investments in retirement plans promote retirement security as intended.

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ERISA established that anyone with discretionary authority or control over a plan's management or assets, including anyone providing advice to the plan, is obligated to put the interests of plan participants first and can be sued for breaches of this fiduciary duty. Absent ERISA protections, employers might offer inappropriately high-fee or high-risk investment options due to lax oversight or conflicts of interest, since such fees are paid by participants, but investment options are chosen by employers. Employers could, for example, allow financial services providers to offer high-fee investment options to participants in exchange for lower administrative fees paid by the employer.

During the Obama administration, DOL attempted to modernize fiduciary

responsibilities under ERISA to protect retirement savers from receiving advice from financial professionals who have conflicts of interest but present themselves as disinterested advisors, such as brokers paid on commission who have an incentive to advise 401(k) participants to roll their savings over to individual retirement accounts with high fees. Industry groups vehemently opposed this commonsense rule, which was later overturned by the conservative Fifth District Court of Appeals. During the Biden administration, **SEC and DOL issued regulations** that attempted to address some of the same issues as the fiduciary rule did.

ERISA **explicitly limits or bans a few types of investments**, such as limits on employer stock. However, what constitutes a prudent investment option under the act is mostly left for courts to decide. ERISA **lawsuits are common** enough to discourage most plan sponsors from including largely unregulated **privately traded assets** and **crypto** that might expose them to litigation, but this could change if regulators establish safe harbor provisions at Trump's direction.

Laws including **the Investment Company Act and Investment Advisers Act**, both enacted in 1940, give the SEC the authority to regulate securities marketed to retail investors. In addition to requiring consistent valuations and disclosures, these laws—and regulations and guidance based on them—limit the use of leverage (borrowed money) and guard against potential conflicts of interest. The sale of private funds that do not meet these requirements is generally limited to sophisticated “accredited” investors.

# Why do taxpayers have an interest in regulating 401(k) investments?

There is another reason to limit investment options in tax-qualified retirement accounts, in addition to protecting investors and the broader economy: the fact that retirement vehicles are subsidized by taxpayers. In 401(k)s and other tax-advantaged accounts, **taxes are levied on investment earnings only once**, not annually as with most other forms of income, (among other potential tax benefits). This confers a tax benefit because investment income grows untaxed in the intervening years.

There is another reason to limit investment options in tax-qualified retirement accounts, in addition to protecting investors and the broader economy: the fact that retirement vehicles are subsidized by taxpayers. In 401(k)s and other tax-advantaged accounts, **taxes are levied on investment earnings only once**, not annually as with most other forms of income, (among other potential tax benefits). This confers a tax benefit because investment income grows untaxed in the intervening years.

Though less commonly cited as a reason for limiting types of investments (as opposed to limiting **contribution amounts**), the enormous cost of tax subsidies for retirement savings plans—roughly **\$200 billion** in 2023—gives the public an interest in ensuring that these plans do not simply serve as **tax shelters for the wealthy** or cause mom-and-pop savers to experience avoidable losses by investing in high-risk or high-cost investments.

Retirement savings accounts such as 401(k)s do a **poor job** of **promoting saving** by ordinary workers, even without adding inappropriately high-cost, risky, opaque, and illiquid investment options to the mix. As currently formulated, these tax subsidies do not directly promote saving but rather are tied to taxes that would otherwise be owed on investment income. Rather than loosening rules about investments in tax-favored retirement accounts, regulators should be tightening rules to prevent

wealthy investors such as **Mitt Romney** and Trump ally **Peter Thiel** from loading up accounts with **assets that are hard to value and promise unusually high returns**.

The tax code places additional limits on the types of investments permissible in retirement plans, including IRAs, most of which are not employer plans covered under ERISA. Under the Economic Recovery Tax Act of 1981, participants in tax-favored retirement plans cannot invest in **collectibles** such as coins, antiques, and art. This ban was based on Congress's **reasoning** that collectibles “do not contribute to productive capital formation.” Though Congress later **partly rescinded** the ban on collectible coins, allowing some to be held in IRAs, other prohibitions on collectibles remain in force.

To date, Congress has failed to ensure that tax incentives are effective at helping ordinary workers save for retirement rather than helping wealthy people evade taxes. The SEC and DOL could make matters even worse by giving the green light to opaque alts that wealthy insiders can use to game the system, while less sophisticated retirement savers are lured to invest in underperforming, high-cost, and inappropriately risky investments.

# Why does the Trump administration want to classify meme coins as collectibles?

In the 1981 Tax Act history, collectibles are **nonproductive** (purely speculative) assets because they do not represent claims on income from investments in physical or human capital in the form of profits or interest, but simply reflect the buyer's belief that someone else will pay more for the asset. They are essentially gambles, except when the buyer has better information than the seller, which is why taxpayers should not subsidize such "investments" any more than they should subsidize poker players, even skilled ones.

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Since most collectibles are explicitly banned from tax-favored retirement plans, and since Trump and his family have made billions selling meme coins, it might seem surprising that Trump's SEC staff issued a **statement** on February 27, 2025, saying that meme coins were "akin to collectibles" because a meme coin "does not generate a yield or convey rights to future income, profits, or assets of a business." Instead, according to Trump's SEC, "the value of meme coins is derived from speculative trading and the collective sentiment of the market, like a collectible," and "the promoters of meme coins are not undertaking...managerial and entrepreneurial efforts from which purchasers could reasonably expect profit."

This disclaimer by the Trump administration makes sense when one focuses on their desire to avoid classifying meme coins as securities subject to SEC oversight. This stance is at odds with the views of **former SEC Chair Gary Gensler**, who noted that “courts have repeatedly ruled...that many crypto assets are being offered and sold as securities” because they are marketed as investments. Gensler noted that excluding crypto assets from securities regulation posed risks to broader capital markets.

## Are alts necessary for portfolio diversification?

Diversification can be a valid reason to expand the range of available investment options. However, diversification by itself does not necessarily improve risk-adjusted returns, which depend not only on how correlated returns are, but how high they are, net of fees. While alts are often touted as potential hedges against market downturns, the **evidence that they dampen volatility is mixed**.

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401(k) plans already offer access to publicly traded versions of many alternative assets mentioned in the executive order. Private equity and private credit, of course, have counterparts in corporate stocks and bonds traded on public exchanges as well as target date and balanced funds composed of these and other conventional assets. In addition, some 401(k) plans offer real estate investment trusts (REITs) and life annuities that insure against longevity risk.

Cryptocurrencies, meanwhile, are freely purchased outside of retirement plans. Unfortunately, people can “invest” in meme coins the same way they “invested” in Beanie Babies, with no reasonable expectation of profit, *even according to Trump’s SEC*. Even if crypto price movements were not correlated with the stock market, which they **are**, it is hard to argue that they provide useful portfolio diversification, as opposed to just noise—or a **bubble** waiting to burst.

## Do alts earn higher risk-adjusted returns, net of fees?

The **academic and practitioner debate** about whether investing in private equity and other private market assets is worth the high fees, risk, and illiquidity is complicated by the lack of consistent disclosure requirements. As documented by Oxford University professor **Ludovic Phalippou** and **others**, private equity general partners, when marketing themselves to pension funds and other potential investors, cite irrelevant or misleading statistics, sometimes manipulating the timing of valuations or excluding funds that have been committed but not yet invested to inflate reported returns. A recent **overview** published by the American Federation of Teachers, Americans for Financial Reform Education Fund, and the American Association of University Professors examined this question closely and cast doubt on the value of alternative investments for pension funds, especially when adjusting for risk and illiquidity.

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Perhaps the most telling indicator of private funds' mediocre performance is their resistance to providing comparable metrics even to

their own investors. When the Securities and Exchange Commission under the Biden administration attempted to standardize information about fees and performance provided to investors in private funds, the industry created a trade association in Texas to challenge the new rules in a successful effort to have them **overturned** in 2024 by the Fifth District Court of Appeals (the same court that quashed the Obama-era fiduciary rule). The winning argument? That there was no need to regulate these funds because access was limited to accredited investors.

Because returns reported by private equity and other alternative assets are unreliable, researchers have looked at whether institutional investor portfolios that include alts have outperformed benchmarks composed of broad stock and bond indices. **Most found** that they did not, especially in the years since the financial crisis. One study by **Aon Investments** on behalf of the National Institute on Retirement Security did find that diversified public pension funds slightly outperformed a simple stock-bond benchmark since 2006, though this could be due to other differences in asset allocations between pension funds and the benchmark, besides the inclusion of alts.

Other studies have relied on a **proprietary database** of pension fund returns by asset class. However, private equity returns in the database are subject to major revisions from delayed reporting, and the funds represented in the database hold less than half the assets held by pension funds in the United States and may not be representative of funds not participating in the survey. Relying on this data, a **research institute study** funded by the private equity lobby found that 401(k) participants would have seen slightly higher returns over a 20-year period if target date funds had included private equity and other alts, though even this industry-friendly report showed that large-cap U.S. stocks outperformed private equity in the decade after 2011. Whatever the methodology, results depend on the time period examined, and one consistent finding is that private equity returns tend to be **more volatile** than U.S. large-cap stock returns.

Whether or not institutional investors have benefited from investing in alts in the past, it is highly unlikely that 401(k) savers will benefit from

exposure to these asset classes going forward, as market saturation, higher interest rates, and other factors will likely reduce future returns. Even if alt returns exceed risk-adjusted returns from stock and bond indices *on average*, more sophisticated investors will likely dump underperforming investments on retirement savers and other small investors if this becomes an option, thanks to Trump's executive order.

## How do private markets affect the economy?

While the focus of this FAQ is on retirement savers, the expansion of private markets has broader economic implications. Private equity has a **deservedly bad reputation** for loading companies up with debt, stripping them of assets, and often driving them into bankruptcy, leaving workers, suppliers, and other stakeholders high and dry.

While the focus of this FAQ is on retirement savers, the expansion of private markets has broader economic implications. Private equity has a **deservedly bad reputation** for loading companies up with debt, stripping them of assets, and often driving them into bankruptcy, leaving workers, suppliers, and other stakeholders high and dry.

Despite the negative impact on the broader economy, a focus on short-run profits at the expense of companies' long-run viability can be lucrative for private equity fund managers, known as "general partners," especially when interest rates are low. Private equity's fee structure **incentivizes risk** because **general partners** reap a share of gains when gambles pay off but are largely insulated from losses, which are borne by lenders and other investors, such as pension funds. Moreover, general partners' share of earnings, known as "**carried interest**," receives preferential tax treatment thanks to the notorious loophole that **Trump pledged to close but did not**.

Whereas the main concern with private equity has been the destruction of viable businesses, often in sectors like hospitals and newspapers where the damage to the community extends far beyond workers and suppliers, **private credit** has mainly drawn scrutiny as **a threat to financial stability**.

# Do we need more or less financial regulation?

Financial regulations, such as disclosure requirements and fiduciary rules, serve multiple purposes. Regulations protect investors, prevent systemic risks such as bank runs, and disclose information needed for financial markets to direct capital to productive uses, rather than activities that do not promote economic growth but simply transfer wealth from insiders to those with less information like many small investors.

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Without reliable and comparable information, it is difficult for even sophisticated investors to know whether alts like private equity are worth their high cost. Rather than loosening protections for retirement savers and other small investors, the government should regulate private markets to protect the economy and enable all investors to make informed decisions. This includes restoring the investor protections in the SEC's [private fund rules](#) and passing the [Stop Wall Street Looting Act](#), which would prevent many of the harms inflicted by private equity on key economic sectors, including health care.

The aggregate value of largely unregulated private funds, including both private equity and private credit, now [approaches](#) that of regulated public funds (\$28 trillion versus \$35 trillion in 2024). While it is highly concerning that unregulated private markets are [growing at the expense of public ones](#), the solution is extending disclosure requirements and other investor protections to private markets, not increasing the size of

**unregulated markets** that expose investors and other economic actors to exploitation and excessive risk.

There is even less reason to encourage retirement savers to buy cryptocurrencies, which are speculative assets with little intrinsic value or purpose except tax evasion and other illicit activities. Even the usefulness of stablecoins in cross-border transactions is largely based on bypassing currency and other government controls and the slow adoption of **real-time electronic payments systems run by central banks**, which Republicans have deliberately blocked. A GOP-drafted **bill** preventing the Federal Reserve from creating a digital currency—a gift to the crypto industry—passed the House in July 2025 with mostly Republican support.

## How worried should we be?

Financial regulations follow a predictable cycle, and they are often a victim of their own success. Policymakers strengthen them after financial crises and scandals and then weaken them when these laws work as intended, memories fade, and elected officials see a way to cozy up to an industry with deep pockets. Unsurprisingly, Republicans in Congress have **moved to codify** Trump’s executive order into law, though many Democrats have also been complicit in passing crypto-friendly legislation, including the GENIUS Act.

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Advocates for retirement savers and other small investors have their hands full keeping up with the barrage of deregulatory initiatives concocted by Congress and agency appointees eyeing the **revolving door** between government service and lucrative financial industry jobs. Gutting protections is invariably presented as for the benefit of small investors harmed by paternalistic regulations that do more harm than good—a claim that should always be taken with a grain of salt. In this view, investor advocates are simply fearmongers who ignore protections that exist or *might theoretically exist* in the future—even as the industry is busy finding ways to dismantle them. Anyone who takes seriously SEC Commissioner Mark Uyeda’s hope that regulators in the Trump era will address “legitimate concerns—such as disclosure standards, fee transparency, conflicts of interest, valuation practices, and custody safeguards” should go play football with Lucy.

The regulations Trump is attempting to dismantle or weaken not only

protect retirement savers; they also help financial markets steer capital to productive uses for the long-term health of the economy and protect the taxpaying public. We need better guardrails, not fewer ones, for the following reasons:

- to help all investors make informed decisions and guard against conflicts of interest
- to fix incentives that encourage value-destroying business practices by private equity and other underregulated financial industries
- to curtail abuse of tax-favored plans by wealthy investors, who have an incentive to load 401(k) accounts up with assets that are difficult to value in order to skirt contribution limits and take maximum advantage of tax subsidies tied to investment returns

In recent years, a better-informed public and competitive forces have led more 401(k) participants to gravitate to low-fee index funds and appropriately diversified target date funds, advances that will be undermined if Trump is successful at pushing high-cost and risky alts. The dangers are considerable: Some retirement savers will face costs and risks they are unaware of, and deregulation will fuel a speculative bubble like the one in the **roaring 1920s**. When these bubbles pop, everyone pays, whether they were playing or not.