

Retirement Revolution: Expanding Access to Private Credit in 401(k)s

WRITTEN BY

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On August 7, President Donald Trump issued an executive order directing federal agencies, particularly the Department of Labor, to work on expanding access to alternative investments for participants in 401(k) and other defined-contribution retirement plans. These alternative investments include private equity, private credit, real estate, and digital assets such as cryptocurrency.

The order instructs the Department of Labor to review and clarify its guidance on fiduciary responsibilities under the Employee Retirement Income Security Act of 1974 (ERISA), with the goal of reducing regulatory and litigation barriers that have previously limited the inclusion of these types of assets in retirement plans. The order aims to help retirement savers diversify their portfolios and potentially improve their returns by making it easier for plans to offer a broader range of investment options.

Key Provisions

- **Alternative Assets Definition:** The executive order covers a broad range of private market investments, such as equity, debt, and other financial instruments that are not publicly traded, with a special focus on private credit. Private credit typically involves lending to businesses that are not publicly traded, which can provide higher yields compared to more traditional fixed-income investments. By expanding access to these types of investments, the order aims to give retirement savers access to investment opportunities previously available only to institutional investors.
- **Department of Labor Review:** The Department of Labor has been directed to issue proposed regulations or guidance, which may include safe harbors, to clarify the fiduciary duties for those offering asset allocation funds that invest in alternative assets, such as private credit. The Department of Labor is also expected to identify specific criteria that fiduciaries can use to weigh the potential costs and benefits of alternative investments. These steps are intended to help fiduciaries make informed decisions and ensure that retirement plans are managed responsibly as new investment options become available.
- **Mitigating Litigation Risks:** The executive order is designed to address and reduce litigation concerns that have historically discouraged plan sponsors and fiduciaries from including alternative assets such as private credit in retirement plans. By providing clearer guidance, the administration hopes to reduce the risk of ERISA-related lawsuits, making it easier and less risky for plans to offer these types of investments to participants.

Implications for the Private Credit Sector

- **Potential Benefits:** The inclusion of private credit in 401(k) plans could significantly increase fundraising opportunities for private credit managers by opening access to a large pool of retirement savings that has not previously been available to them. Traditionally, private credit investments — such as loans to private companies or non-publicly traded debt instruments — have been the domain of institutional investors like pension funds, endowments, and insurance companies. By opening 401(k) plans to these types of investments, private credit

managers could tap into the trillions of dollars held in defined-contribution retirement accounts, representing a substantial new source of capital.

This expansion could lead to greater capital inflows for private credit funds, enabling them to finance more projects and diversify their portfolios. For the private credit sector, this means not only increased fundraising but also the potential for broader market participation and innovation in investment products tailored to retirement savers. For individuals participating in 401(k) plans, private credit can offer greater diversification and the possibility of competitive returns, which may help improve the overall performance of their retirement portfolios. Expanding access to private credit means that retirement savers could benefit from investment opportunities that were traditionally reserved for institutional investors, such as pension funds and endowments.

- **Associated Risks:** Private credit investments come with unique risks, such as illiquidity (meaning they can be harder to sell quickly), challenges in accurately valuing the assets, and potential conflicts of interest. Because of these complexities, plan fiduciaries must conduct thorough due diligence and implement risk management practices to ensure that private credit investments are suitable for retirement plan participants.

Implementation Timeline

The executive order begins a regulatory review process, meaning that any substantive changes to retirement plan investment options will take time to implement. As a result, new investment options such as private credit may not be available until 2026 or later, depending on how quickly regulators act. Stakeholders should expect a gradual rollout of new guidelines and investment opportunities as federal agencies, including the Department of Labor, the Treasury Department, and the Securities and Exchange Commission, work through the necessary rulemaking and guidance.

During this period, plan sponsors and fiduciaries should begin preparing for upcoming regulatory changes by carefully reviewing their fund structures, compliance processes, and fiduciary documentation. As regulations evolve, institutions should expect increased requirements for diligence and documentation, meaning fiduciaries will need to clearly demonstrate that they are following prudent processes when selecting and monitoring alternative investments. This proactive approach will help ensure that plans remain compliant and that participants are well-informed as new investment options become available.

Conclusion

Trump's executive order represents a significant shift in federal policy, aiming to broaden access to alternative assets within 401(k) plans. The executive order could reshape the private credit landscape by unlocking a large, previously untapped source of capital. The ultimate success of this initiative will rely on strong collaboration among federal agencies and the ability of fiduciaries to effectively manage the complexities of alternative asset investments, safeguarding the interests of retirement plan participants as the regulatory landscape evolves.

References

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References

1. [Democratizing Access to Alternative Assets for 401\(K\) Investors – The White House](#)
2. [Fact Sheet: President Donald J. Trump Democratizes Access to Alternative Assets for 401\(k\) Investors – The White House](#)

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