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PESP warns Trump Executive Order puts 401(k) retirement savings at risk

Executive Order could benefit Wall Street firms while exposing retirement savers to higher fees, poor returns, and hidden risks

PRIVATE EQUITY STAKEHOLDER PROJECT

Logo of the Private Equity Stakeholder Project

WASHINGTON DC, DC, UNITED STATES, August 8, 2025 /EINPresswire.com/ -- This week, President Donald Trump signed an Executive Order that could expose the retirement savings of millions of Americans to the opaque world of private equity. This controversial move, which would allow private equity into 401(k) plans, is raising concerns about the potential for significant losses and diminished returns for working Americans who use 401(k)s to save for retirement.

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> *Chris Noble, PESP Policy Director*

“President Trump’s Executive Order poses a significant risk to the financial security of millions of hardworking Americans,” said Chris Noble, Policy Director at the Private Equity Stakeholder Project. “We’ve seen these firms send hospital systems, retailers, and other companies into bankruptcy while they profit and laugh all the way to the bank. President Trump is inviting them to do the same with the retirement savings of millions of American workers. Introducing these investments into 401(k)s, which are meant to be a nest egg for retirement, is a reckless decision that could lead to unnecessary financial harm for unsuspecting savers.”

The Executive Order directs the Department of Labor and the Securities and Exchange Commission to provide guidance to employers on including private equity in defined-contribution plans, which will impact over $12 trillion in assets held by hardworking Americans. This action will primarily benefit private equity firms at the expense of retirement security for millions of Americans. The Trump Administration is encouraging Americans to invest their retirement savings in private equity even as private equity has underperformed stocks over the last 1, 3, 5 and 10 years.

Key concerns:

-Private equity is a bad investment compared to stocks: State Street's private equity index delivered a 7.08% return last year, compared with a 25.02% total return for Wall Street's blue-chip S&P 500 index.
-Private equity is struggling to raise funds: Global private equity fundraising declined for the third straight year in 2024. These firms are interested in 401(k)s not because private equity is a good investment, but because they cannot raise capital elsewhere.
-Lack of transparency and regulation: Unlike publicly traded stocks and bonds, private equity firms operate with minimal oversight and disclosure requirements. This makes it incredibly difficult for individual investors to understand where their money is truly invested, how it's performing, or to protect themselves against potential fraud.
-Exorbitant fees: Private equity firms are notorious for charging very high management fees, often taking a significant percentage of profits. These high fees can severely erode long-term returns for retirement savers, diverting money that should be compounding for their financial security.
-Illiquidity and complexity: Private equity investments are illiquid, meaning they cannot be easily sold or converted to cash, a stark contrast to the daily liquidity offered by stocks and public market funds. Their complex structures may make them unsuitable for individual investors who require accessible options for their retirement savings.
-Increased risk for employers: Plan sponsors and fiduciaries will have to justify these high-risk, high-fee investments as being in the best interests of their employees, opening them up to litigation.

This move is seen by many as a direct response to the private equity industry's aggressive lobbying efforts to access the vast pool of 401(k) capital. This Executive Order could lead to prioritizing industry profits over individuals' financial well-being.

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