

escalent

Alternatives in the DC Market

From Regulatory Green Light to Real-World Adoption

How new rules and rising interest are reshaping
401(k) investment options for all DC stakeholders



cogent syndicated

WHITE PAPER | MAY 2026

Introduction

Alternative investments, which were once limited to the retail space as a diversification lever for high-net-worth and institutional clients, have quickly become one of the top conversations in the DC retirement plan market.

Interest in these types of investments amplified after the US Department of Labor (DOL) August 2025 decision to reverse its previous stance on the suitability of alternatives within 401(k) and other workplace DC plans. Another boost came at the end of March 2026, when the DOL released new regulation under the Employee Retirement Income Security Act, also known as ERISA, that grants maximum discretion and flexibility to plan fiduciaries in selecting designated investment alternatives, and ultimately, the ability to decide what's appropriate for their respective plans based on factors like liquidity constraints, valuation practices and cost structures.

According to industry media, “the rule arrives after a push from alternative asset managers hungry for access to the \$12 trillion defined contribution market and as plan sponsors continue to weigh the potential benefits of broader diversification against concerns about liquidity, fees and litigation risk.”¹

In fact, with more regulatory hurdles being cleared, some industry experts believe early adoption could spark investment menu changes more rapidly than one might originally anticipate. “Alternatives in DC plans are moving from theory to execution faster than conventional wisdom suggests. The mistake isn't caution. It's assuming tomorrow will look like today,” Drew Carrington, managing director of Alternatives in Retirement Portfolios for global fintech firm iCapital, eloquently stated.²

Carrington's commentary to NAPA (National Association of Plan Advisors) details the pattern evidenced during other key inflection points such as using target date funds as the qualified default investment alternatives: “Regulatory clarity is improving, product structures are ready, and the infrastructure to support them has caught up... As fiduciaries establish defensible processes and demonstrate that these structures can function as

intended, hesitation fades. What starts as cautious implementation becomes precedent, and precedent accelerates adoption.”

Undoubtedly, the marketplace is still carefully adjusting and sorting out what's most suitable to offer a broad range of employees with varying income and investment levels. Over the past year, what stands out in Cogent Syndicated's research findings is how closely plan advisor interest levels are tracking with the growing curiosity we are seeing among plan sponsors and plan participants.

In this white paper, we reflect on some of the most telling findings from our 2025 research among the top three stakeholders in the DC plan market: plan advisors, plan sponsors and plan participants. We outline the specific types of investment options sparking the greatest interest across all three stakeholders and suggest how DC investment managers can responsibly meet demand in a way that mitigates risk and maximizes potential gains.

¹ Inside the DOL's Alts Rule. PLANSPONSOR.

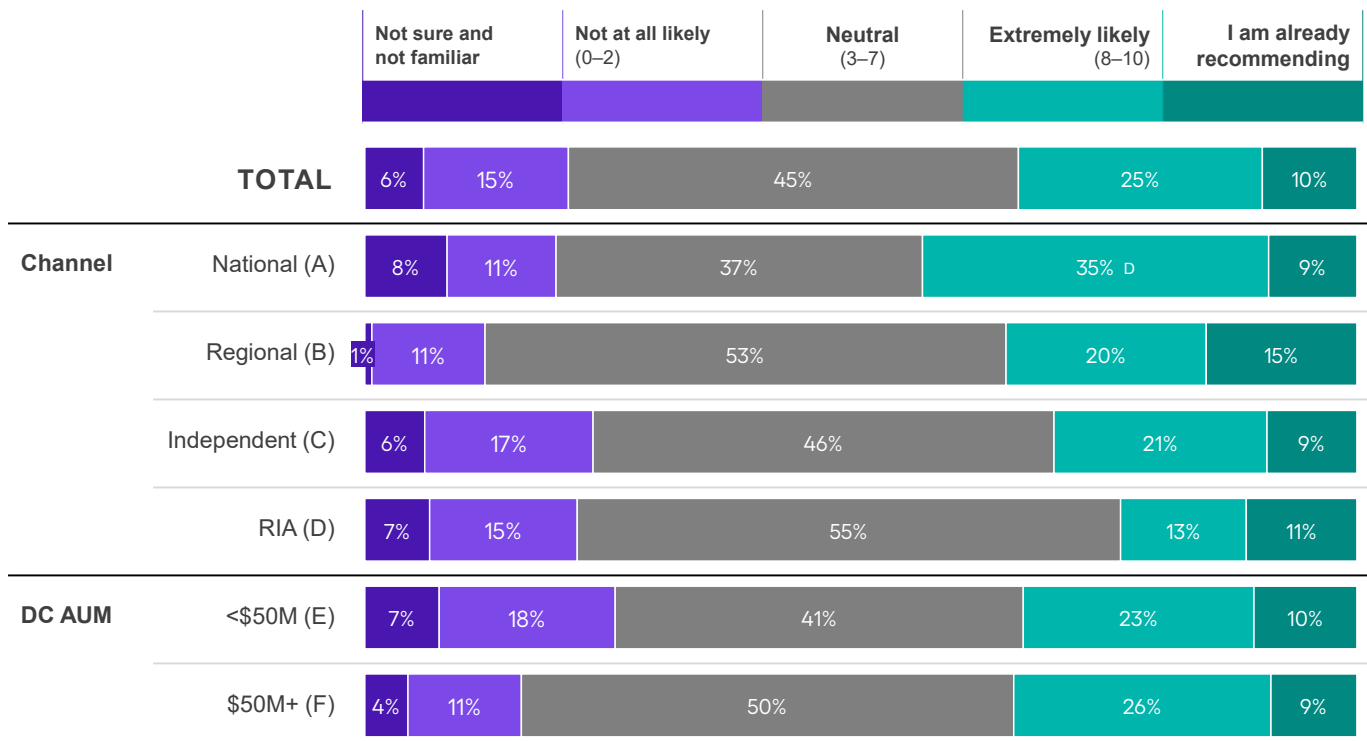
² DC Industry 'Underestimating' How Fast Alternatives Are Coming. NAPA.



The Plan Advisor Perspective

Starting with the most critical players in the distribution of DC plans, one-quarter of plan advisors are extremely likely to recommend alternatives on DC lineups (25%), with 10% of producers actively doing so. Proponents range from a low of 13% among RIAs to a high of 35% among National producers.

PLAN ADVISOR LIKELIHOOD OF RECOMMENDING ALTERNATIVES ON DC PLAN LINEUPS

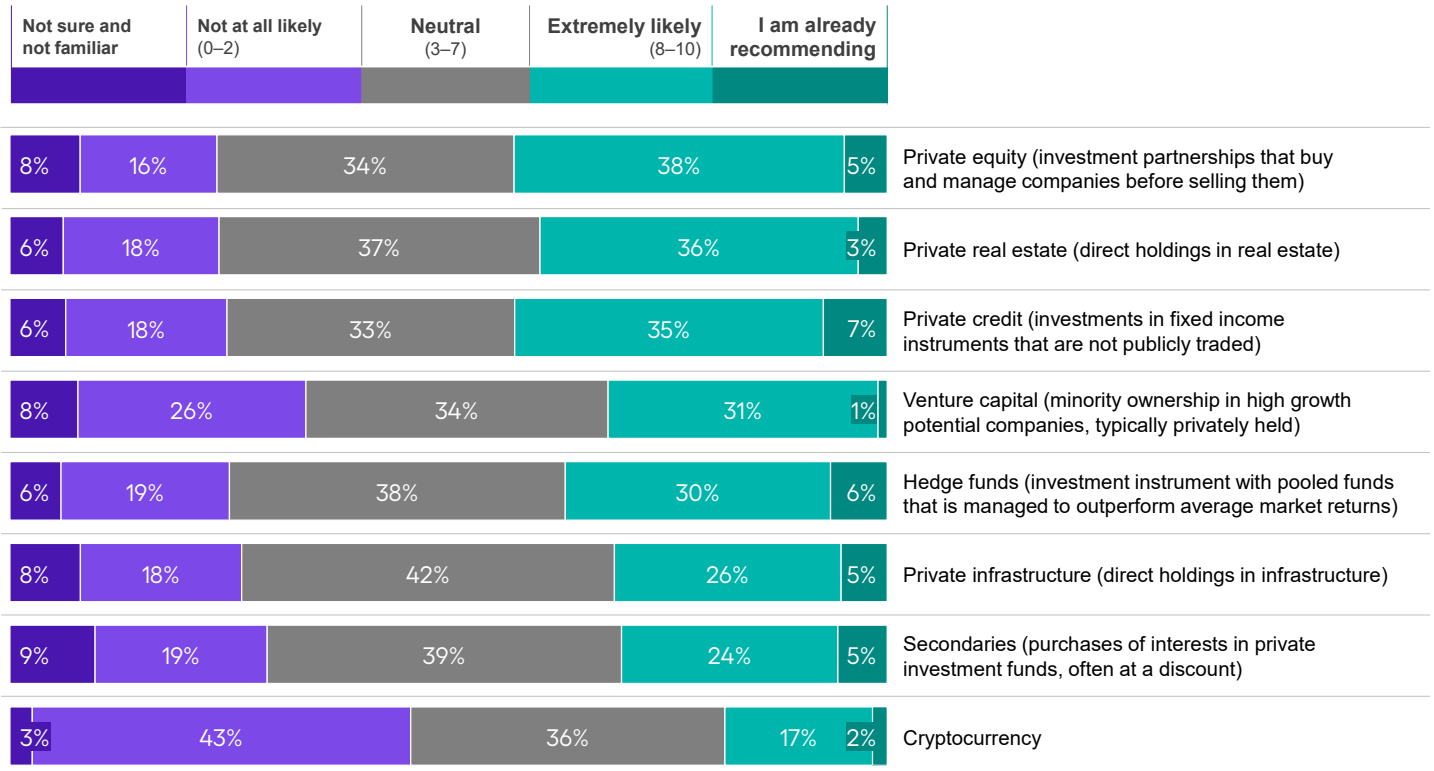


A/B/C/D, E/F = Significant difference from stated segments

At the time of our data collection in September 2025, private equity, private real estate and private credit sparked enthusiasm from more than one-third of DC advisors. In contrast, cryptocurrency—which captured the greatest interest among plan sponsors—drew the highest aversion rates, with more than four in ten DC advisors (43%) unlikely to recommend this category for inclusion on retirement plan lineups. Current use ranges from a low of 1% for venture capital to a high of 7% for private credit.
















PLAN ADVISOR LIKELIHOOD OF RECOMMENDING SPECIFIC TYPES OF ALTERNATIVES



We also drilled down into the must-have alternative investment features and found lower fees, client requests for inclusion, and increased liquidity are most prevalent. A more detailed analysis reveals RIAs are markedly more influenced by increased liquidity (52%) compared with advisors in the National and Independent channels and place more value on the ability to integrate with

existing technology than their peers at National wirehouses. Access to quality managers or products is more pertinent among National advisors (37%) versus Independent advisors (18%), as is lower administrative burden among advisors with larger books of DC business (29% versus 14% among advisors with less than \$50 million in DC AUM).

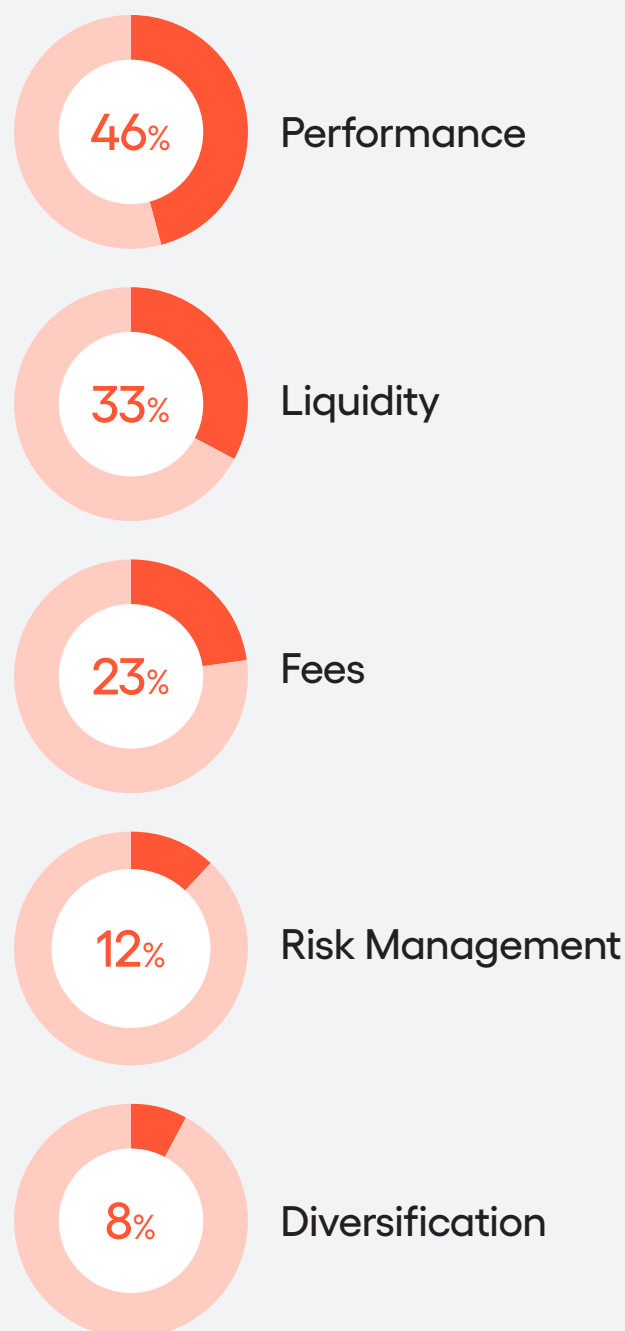
MOST ESSENTIAL ALTERNATIVE INVESTMENT FEATURES FOR PLAN ADVISORS

	TOTAL	DC AUM		Channel			
		<\$50M	\$50M+	National	Regional	Independent	RIA
		(A)	(B)	(C)	(D)	(E)	(F)
Lower fees	38% 	35%	42%	35%	31%	39%	53%
Client requests for inclusion	34% 	31%	36%	28%	25%	34%	45%
Increased liquidity	33% 	33%	34%	28%	16%	27%	52% CE
Increasing diversification/managing downside risk	29% 	23%	35%	40%	18%	26%	32%
Alignment with my clients' investment goals	28% 	29%	28%	23%	48%	36%	21%
Transparency into underlying holdings	25% 	30%	21%	29%	19%	24%	28%
Access to quality managers or product	25% 	24%	25%	37% E	9%	18%	23%
Lower administrative burden	21% 	14%	29% A	17%	15%	22%	27%
Alpha/higher returns relative to conventional investments	20% 	22%	18%	19%	18%	21%	25%
Inflation hedge/inflation protection	14% 	13%	15%	13%	8%	21%	13%
Ability to integrate with existing investment technology and reporting	13% 	8%	18%	7%	2%	11%	24% C
Managing tax benefits for clients	8% 	6%	10%	10%	16%	11%	2%
Other influencers	2% 	1%	3%	1%	—	1%	5%

Plan Advisor Top-Of-Mind Selection Criteria For Private Market Investments

With respect to private market investment recommendations, one-fifth of DC advisors are actively recommending private market investments to plan sponsor clients. Future consideration is strong, with more than one-third of DC advisors citing strong intent (35%).

On an unprompted basis, DC advisors cite performance, liquidity and fees as paramount to private market investment recommendations. Producers are also quick to emphasize the importance of risk, diversification, participant education levels, overall fit and suitability as well as transparency of holdings.



<\$50M in DC AUM

INDEPENDENT, \$2M

“Exposure to assets you can’t get in stock market. Start-ups. Diversification.”

INDEPENDENT, \$2M

“Lower correlation to S&P 500. Managing drawdown.”

INDEPENDENT, \$35M

“Cost. Liquidity. Returns.”

RIA, \$1M

“Safe income generation.”

RIA, \$12M

“Investment manager. Investment fit. Due diligence.”

NATIONAL, \$20M

“Risk. Cost. Suitability.”

NATIONAL, \$24M

“Education level of employee base. Structure of product.”

BANK, \$12M

“Assets and liquidity.”

REGIONAL, \$25M

“Understanding of what it is.”

\$50M+ in DC AUM

INDEPENDENT, \$210M

“Fees. Projected return. Diversification.”

INDEPENDENT, \$120M

“Transparency of underlying holdings, fees, company holding the privates.”

INDEPENDENT, \$65M

“Demonstrated performance. Cost. Downside capture.”

RIA, \$50M

“Sophistication. Need. Unique factors.”

RIA, \$50M

“Cash flow... The investment sophistication the clients and their employees.”

NATIONAL, \$400M

“Fees. Exposure. Results.”

NATIONAL, \$200M

“Objectives. Reputation/ historical returns. Fees.”

BANK, \$233M

“Risk and client knowledge.”

REGIONAL, \$275M

“Exclusivity. Track record.”



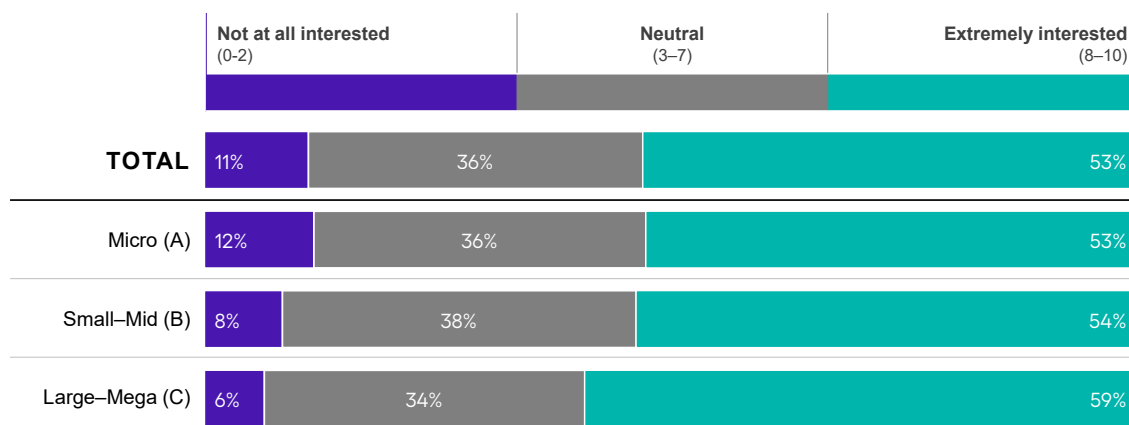


The Plan Sponsor Perspective

Next, we bring in the employer perspective by focusing on 401(k) plan sponsors, which often heed the investment advice from intermediaries such as plan advisors but are ultimately responsible for deciding what gets added or removed from their respective DC plan lineups.

At the time of our 2025 data collection (February to March fielding), more than half of all plan sponsors were interested in learning more about incorporating alternatives on their DC investment lineups (53%), with Large-Mega plans (with \$100M+ in plan assets) citing the greatest enthusiasm (59%).

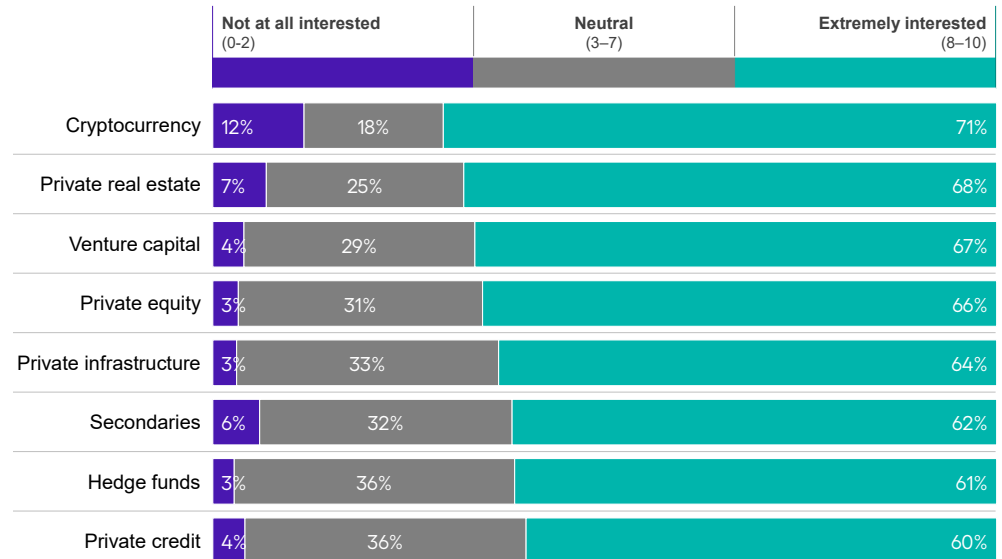
PLAN SPONSOR INTEREST IN LEARNING ABOUT INCORPORATING ALTERNATIVES ON DC PLAN LINEUPS



A/B/C = Significant difference from stated segment

Among those interested in learning about alternatives on their 401(k) lineups, cryptocurrency* nets the greatest interest (71%) in the aggregate among the various types of investments, yet also draws the strongest aversion rates (12%). Private real estate, venture capital and private equity hold strong appeal from at least two-thirds of plan sponsors.

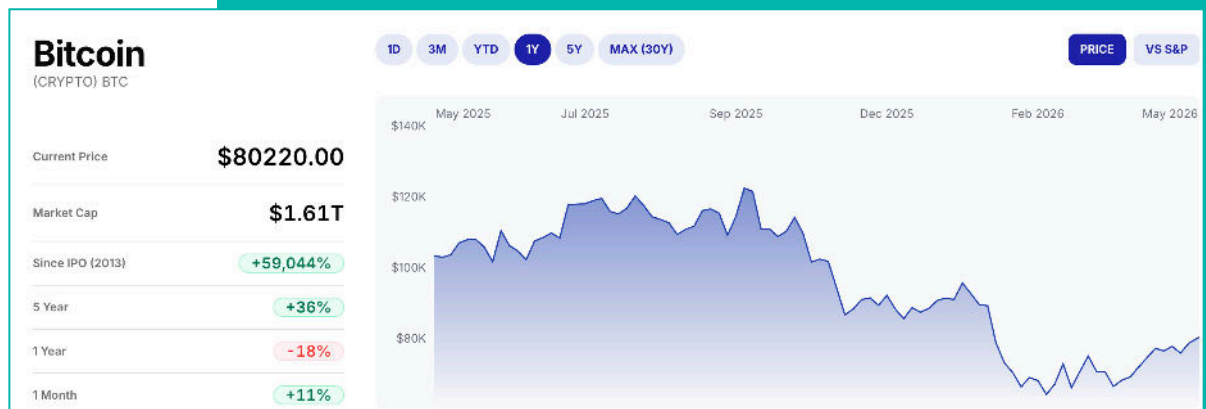
PLAN SPONSOR INTEREST IN SPECIFIC TYPES OF ALTERNATIVES



It's important to keep in mind cryptocurrency has garnered a lot of appeal and aversion over the last few years. Via its online learning center, Fidelity states, "Cryptocurrencies can be like a theme park ride. There are highs and lows that can be somewhat unpredictable Unlike traditional investing, crypto can be bought, sold, and traded 24/7 365.

That means anything that happens late nights, weekends, and/or on holidays can have an immediate impact."³

As such, a one-year overview of Bitcoin, the first type of cryptocurrency and launched in 2009, illustrates its dramatic price fluctuations:⁴



³ What makes crypto go up and down? Fidelity.
⁴ Bitcoin BTC Stock Price & News. The Motley Fool.

A more granular analysis by plan-size cohort reveals that the vast majority of Large-Mega plans interested in learning about alternatives voice enthusiasm for private equity (86%), a proportion significantly larger than Micro plans (64%) and Small-Mid plans (68%). Private real estate, venture

capital and private credit elicit strong appeal from at least three-quarters of Large-Mega plans. Large-Mega plans voice higher enthusiasm for cryptocurrency (74%) versus Small-Mid plans (60%) and for private credit (75%) compared with Micro plans (59%).

PLAN SPONSOR INTEREST IN SPECIFIC TYPES OF ALTERNATIVES BY PLAN SIZE

	TOTAL Top three-box	Micro (A)	Small-Mid (B)	Large-Mega (C)	
Cryptocurrency	71%	72%	60%	74% B	
Private real estate	68%	68%	67%	79%	
Venture capital	67%	66%	66%	77%	
Private equity	66%	64%	68%	86% AB	
Private infrastructure	64%	63%	67%	74%	
Secondaries	62%	62%	58%	69%	
Hedge funds	61%	61%	62%	72%	
Private credit	60%	59%	63%	75% A	

Key

- ≥81% High
- 75-80%
- 69-74%
- 64-68%
- ≤63% Low

A/B/C = Significant difference from stated segment



The Plan Participant Perspective

Pivoting to plan participants, we found real estate investment trusts (REITs), liquid alternatives, private equity and venture capital spark the greatest interest. This closely aligns with data from Cogent Syndicated’s Trends in Alternative Investments report, in which investors express the greatest interest in these four types of alternatives. Digital assets/cryptocurrencies draw the least enthusiasm (32% are not at all interested) among plan participants.



PARTICIPANT INTEREST IN ALTERNATIVE INVESTMENTS

	Not at all interested (0-2)	Neutral (3-7)	Extremely interested (8-10)	Already using
Real estate investment trusts (REITs)	17%	27%	31%	9%
Liquid alternatives	15%	29%	29%	8%
Private equity	19%	27%	28%	8%
Venture capital	20%	29%	26%	8%
Hedge funds	24%	29%	24%	7%
Private credit	26%	26%	24%	7%
Interval funds	22%	26%	24%	7%
Digital assets/cryptocurrencies	32%	20%	24%	9%

Younger cohorts are at the helm of demand for alternatives within DC lineups.

In fact, more than four in ten Millennial plan participants are extremely interested in the eight types of alternative investment vehicles included in our survey.



PARTICIPANT INTEREST IN ALTERNATIVE INVESTMENTS BY GENERATION

	TOTAL Top three-box	Gen Z (A)	Millennial (B)	Gen X (C)	2 nd Wave Boomer (D)	1 st Wave Boomer (E)	Key
Real estate investment trusts (REITs)	31%	41% CDE	48% CDE	32% DE	22%	19%	≥40% High
Liquid alternatives	29%	42% CDE	45% CDE	30% DE	22%	14%	31-39%
Private equity	28%	44% CDE	48% CDE	31% DE	18%	9%	22-30%
Venture capital	26%	41% CDE	47% CDE	30% DE	14%	8%	13-21%
Hedge funds	24%	38% CDE	43% CDE	27% DE	13%	9%	≤12% Low
Private credit	24%	38% CDE	45% CDE	27% DE	11%	6%	
Interval funds	24%	41% CDE	42% CDE	27% DE	13%	7%	
Digital assets/cryptocurrencies	24%	36% DE	40% CDE	29% DE	14% E	4%	

A/B/C/D/E = Significant difference from stated segment



Predictions for 2026

The DC market is increasingly litigious. According to the latest data, 155 ERISA fiduciary lawsuits were filed in 2025 alone.⁵ While the majority were largely focused on excessive fees and often settled out of court, litigation is broadening and the suitability of alternatives on DC investment lineups could quickly become the next lightning rod if the proper guidelines are not adhered to.

Prepare for a plethora of new brand partnerships as traditional DC investment managers team up with leading alternative asset managers. Existing partnerships include Capital Group and KKR, T. Rowe Price and Goldman Sachs, and Voya and Blue Owl to name a few.

Expect to see a greater number of firms added to DC lineups in the future, as alternative asset managers such as Blackstone and Apollo Global Management will be vying to unseat traditional 401(k) giants such as Fidelity, Vanguard, Schwab, J.P. Morgan and Capital Group.

⁵ 155 ERISA Fiduciary Suits Filed in 2025 as Litigation Broadens. 401(k) Specialist.



Conclusion

As more regulatory hurdles are cleared and alternative investment managers are eager to expand their footprint in the DC market, it's important for DC investment managers to keep educating plan advisors, plan sponsors and plan participants on all the different factors when considering alternative investments in a retirement savings strategy.

First and foremost, determining how to offer alternatives within DC lineups is critical, as the new DOL legislation advises against stand-alone investment options. We strongly concur with industry experts like Cambridge Associates, which stated, "the best place to include PI in a DC plan is through a multi-asset class portfolio, such as a TDF, which can provide the necessary professional oversight. This supervision is key, as the complexity and range of outcomes from PI make them extremely challenging for participants to manage themselves Plan sponsors can take comfort that they have selected a professional portfolio management team to oversee these investment options without burdening participants with the task of conducting complex due diligence and decision making."⁶

The benefits of increased diversification and potential for higher yields and stronger retirement outcomes are welcome news for many, but one that requires patience and prudent decision-making across all three DC audiences. As we look out more broadly at what's to unfold in 2026, we will keep an even closer pulse on these trends and their impact on the structure and success of DC plans going forward. Our first study slated to release in May, Retirement Planscape, will not only pinpoint any notable shifts in the appeal and use of different alternative investment options but will also explore plan sponsor motivations and barriers to incorporating them on their respective lineups. Likewise, we are eager to track the appeal and use among plan participants and plan advisors and dive deeper into barriers and opportunities.

⁶ Better Alternative(s): Private Investments May Improve Outcomes for Defined Contribution Plan Participants. Cambridge Associates.

ABOUT THE RESEARCH

Retirement Plan Advisor Trends™

Cogent Syndicated, a division of Escalent, conducted an online survey of a representative cross section of 411 plan advisors from September 8 to September 19, 2025. Survey participants were required to have an active book of business of at least \$5 million and be actively managing DC plans. Strict quotas were set during the data collection period, and post-fielding statistical weighting (where necessary) was applied. The data have a margin of error of $\pm 4.83\%$ at the 95% confidence level.

Retirement Planscape®

Cogent Syndicated, a division of Escalent, conducted an online survey of a representative cross section of 1,350 401(k) plan sponsors from February 20 to March 17, 2025. Survey participants were required to have shared or sole responsibility for plan design, administration or selection and evaluation of plan providers, or for evaluating and/or selecting investment managers/investment options for 401(k) plans. In determining the sampling frame for this study, Cogent relied upon recent Form 5500 filings as maintained by ALM's Judy Diamond Associates. To

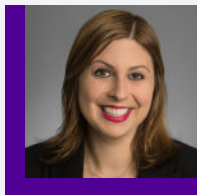
ensure the population for this research is representative of the universe of 401(k) plan sponsors, quotas were set during the data collection phase around key firmographic variables including total plan assets, number of plan participants, industry and geography. Minimal weighting was applied to adjust for purposeful deviations from the actual marketplace distribution. The data have a margin of error of $\pm 2.67\%$ at the 95% confidence level.

DC Participant Planscape™

Cogent Syndicated, a division of Escalent, conducted an online survey of a representative cross-section of 4,012 DC plan participants from June 11 to June 27, 2025. Survey participants were required to be 18 years or older and contribute at least 1% to a current plan and/or have \$5,000 or more in at least one former plan. Targets were set to investor gender, region, age, education and household income using US census data filtered by the screening criteria (a market-sizing flyover survey was used to filter the US census data). The data have a margin of error of $\pm 1.55\%$ at the 95% confidence level.

Escalent will supply the exact wording of any survey question upon request.

TALK TO THE EXPERT



Sonia Davis

Senior Product Director
sonia.davis@escalent.co
617.715.7630

P 1.734.542.7600
E INFO@ESCALENT.CO

About Escalent

Escalent is an AI-enabled market research and advisory partner with unmatched industry depth. As catalysts of progress for 50 years, we turn deep understanding of our clients' worlds into smarter strategies—transforming human and market insight into decisive action that helps brands outthink disruption and accelerate growth.

Visit escalent.co to see how we are helping shape the brands that are reshaping the world.



ESCALENT.CO

© 2026 Escalent. All rights reserved.