

Private Markets Are Shaping A New 401(k) Era For The Modern Investor



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I've spent my career watching how real capital gets built. Private markets have long financed the businesses, properties and ideas that power the economy. Meanwhile, much of America's retirement wealth has been locked inside rigid structures that rarely touch that engine. That disconnect wasn't accidental; it was engineered. The 401(k) ecosystem was designed under the banner of consumer protection, not access or innovation.

For decades, the industry insisted that private markets were simply too complex for the average saver, an argument that never sat right with me. Complexity shouldn't be an excuse for exclusion. Instead, what began as a call for prudent oversight eventually hardened into structural limits that determined who could participate in private growth and who could not.

The industry held tightly to old assumptions and momentum to change moved glacially. But in 2025, the world of retirement investing finally began to mirror the world of *real* investing, and that alignment may prove to be one of the most consequential shifts in modern wealth building.

In August, the U.S. Department of Labor [rescinded its 2021 cautionary statement](#) that discouraged plan sponsors from offering private market exposure in defined-contribution plans, reaffirming the 2020 guidance that allows private equity and credit within diversified options like target-date funds or managed accounts.

That regulatory recalibration did more than clarify policy. It accelerated a broader philosophical shift: Modern economic growth is driven by both public and private capital, and our retirement systems should finally reflect the world they're meant to secure.

The Gatekeepers Blink

When the second-largest U.S. recordkeeper, Empower, announced in May that it would [allow limited private-market allocations](#) inside managed accounts—partnering with Apollo, Franklin Templeton, Goldman Sachs, Neuberger Berman, PIMCO, Partners Group and Sagard—it wasn't testing the waters; it was laying track for scale. Those partnerships are beginning to connect millions of retirement savers to the same long-term strategies that pensions and endowments have used for decades.

State Street Global Advisors followed with its [Target Retirement IndexPlus series](#), which includes a private market allocation of roughly 10%, managed by Apollo. For the first time, a mainstream target-date fund includes a private sleeve.

Even Goldman Sachs entered the arena with a [private credit collective investment trust \(CIT\)](#), now featured in Great Gray's Panorex target-date platform. These developments are not boutique experiments. They are mainstream retirement products backed by some of the largest institutions in global finance.

Why This Moment Matters

U.S. retirement assets reached [\\$45.8 trillion](#) by mid-2025, including \$9.3 trillion in 401(k)s. When even 5% of that system starts to include private assets, it becomes one of the largest reallocation events in modern finance.

And sentiment is ready for it: According to Schrodgers' 2025 U.S. Retirement Survey, [45% of workers](#) say they'd invest in private assets if given the choice, and 77% would increase contributions if they had access. It is becoming clear that investors want more agency with their own money.

Companies stay private longer, private credit fills lending gaps left by banks and infrastructure and secondaries have matured into core portfolio tools. For institutional and accredited retail investors, these strategies have long offered return sources with less correlation to public markets.

As someone who helps connect private capital to operating businesses, I see this shift as overdue validation. Private equity, private credit and real asset strategies have been carrying a significant share of economic growth for years. The defined-contribution system is finally evolving to reflect how real capital formation occurs.

From Acceptance To Accountability

Bringing private assets into the 401(k) is not simply about expanding investment menus. It represents a shift toward aligning retirement accounts with how value is created in today's economy—but that shift only works if access is matched with responsibility. Integrating private markets into the retirement system requires more than enthusiasm. It demands honesty, integrity and plain-language transparency from every participant in the chain.

Investors must understand what they own, how it's valued and the trade-offs that make potential outperformance possible. Private markets move on multiyear cycles, not daily headlines. A helpful way to think about it is this: In public markets, you place money in a box and keep the key. In private markets, you hand the key to the sponsor and they open the box when the investment has run its course.

That structure isn't a flaw; it's the feature that allows long-term value to grow without reacting to every market tremor. And because private markets work differently, they carry responsibilities that also look different, particularly from sponsors and intermediaries:

- **Risk/Return Clarity:** Participants deserve the full picture, including lockups, manager dispersion and fee structure.
- **Design Discipline:** Early allocations remain conservative (often below 10%) supported by liquidity buffers and diversified portfolios.
- **Fiduciary Rigor:** ERISA's standard is prudence, not popularity, and [recent case law](#) has reaffirmed that thoughtful private-asset use can meet that bar.

- **Plain-English Communication:** Savers should know why a private sleeve exists, what it owns and how it's valued. No jargon. No opacity.

I believe in plain-English communication deeply: If you cannot explain an investment in clear, simple language, it is not appropriate for you. And if a sponsor cannot explain it in clear, simple language, it is not appropriate for them to offer.

If we can pair access with clarity, and choice with discipline, private markets in the 401(k) system will do more than modernize retirement investing. It will help more Americans stay invested, build durable wealth and ultimately retire with confidence.

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