

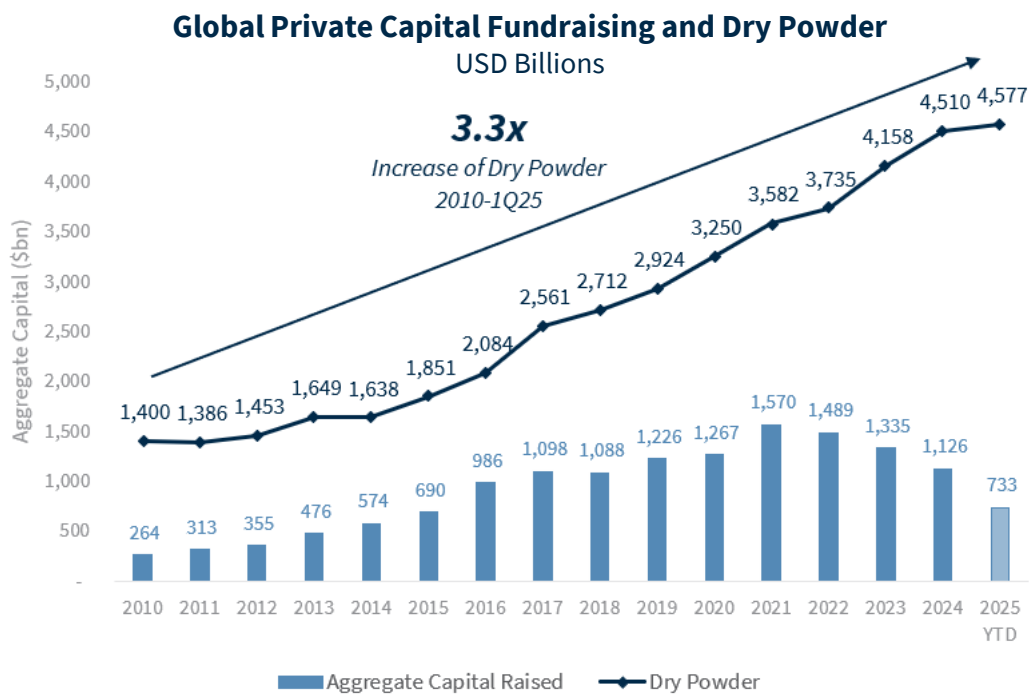
Private Capital Advisory Insights

From Pensions to Paychecks: How 401(k) Could Reshape Private Equity
 September 2025

Last month’s presidential executive order – “Democratizing Access to Alternative Assets for 401(k) Investors” – has the potential to unlock a transformative pathway for U.S. pension money to flow into private market funds, shifting the debate over whether 401(k) retirement plans should have greater access to private equity from theory to practical concern.

This fresh pool of capital represents a \$9 trillion opportunity based on the AUM of pensions accounts that will soon have access to private market investments. For global managers and institutional investors, the question is no longer whether retail retirement savers should be exposed to the asset class, but whether the industry has the capacity to deploy such capital productively without undermining returns.

On the surface, the timing looks awkward. Global private capital is already sitting on over \$4.5 trillion of dry powder, with much of it aging, and the exit environment has yet to regain its pre-2022 rhythm. Deal activity has recovered somewhat from the slowdown of 2023, but capital deployment still lags fundraising. That imbalance is the backdrop against which the potential inflow of hundreds of billions of retirement dollars must be considered.



Source(s): Global Private Capital fundraising data from Preqin in USD as of September 2025; Global Private Capital Dry Powder data from Hamilton Lane Cobalt in USD as of 31 March 2025.

The good news is that adoption is likely to be gradual. Defined contribution plans will move cautiously, with fiduciaries favoring diversified, semi-liquid structures such as evergreen funds or secondaries vehicles rather than committing heavily to single-strategy buyout funds. In a low-adoption scenario, the industry could easily absorb \$50 to \$100 billion over several years without disrupting the current equilibrium, especially if the recent trend for year-on-year declines in new capital commitments from institutional investors continues.

Even in a moderate case, where inflows reach \$300 to \$500 billion, the impact would likely be felt only at the margins, with heightened competition in crowded sectors but plenty of room for deployment across the mid-market, growth equity, and specialist strategies.

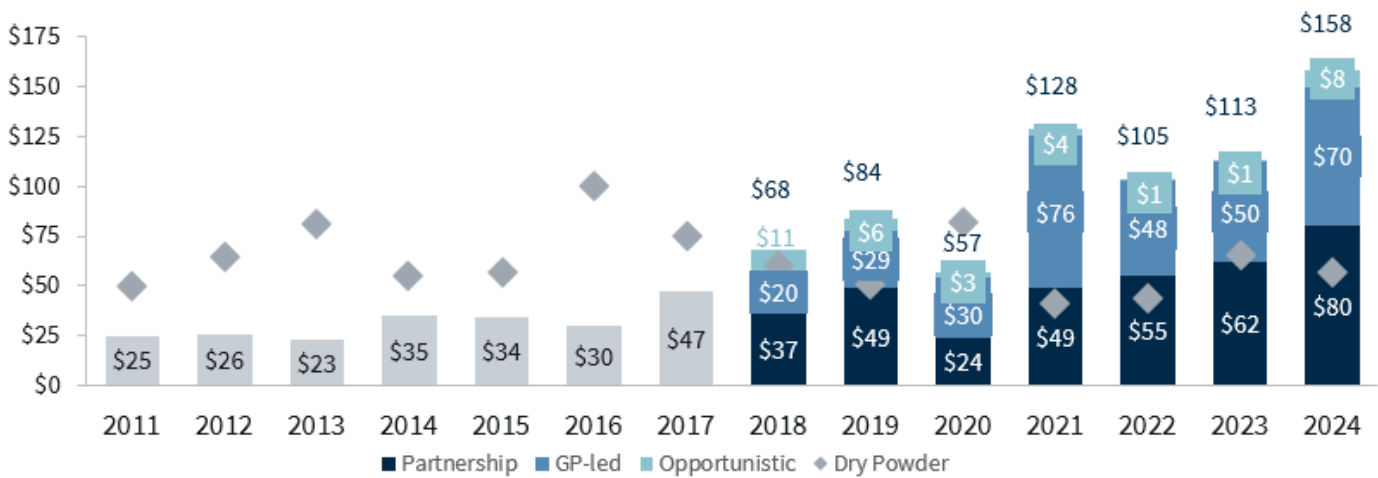
A high-adoption scenario, however – where allocations rise towards a trillion dollars or more over the coming decade – would test the system’s resilience. With that level of capital, bidding wars would become more common, returns would come under sustained pressure, and managers would be forced to look further afield to private credit, continuation funds, and infrastructure adjacencies to find scalable opportunities. Unless the IPO and M&A markets re-open meaningfully, capital recycling would become a bottleneck, stretching holding periods and further inflating the overhang.

Regional differences also matter. North America, with its deep bench of managers and robust mid-market pipeline, remains best positioned to handle incremental inflows. Europe’s sector specialists and thriving mid-market ecosystem provide similar capacity, particularly if M&A activity continues to rebound. Asia-Pacific presents a more uneven picture: developed markets such as Japan and Australia offer healthy pipelines, but deployment in China and Southeast Asia remains constrained by governance and exit challenges.

One global safety valve is the secondary market, which has grown into a structural feature of the private capital landscape. With close to \$160 billion raised in 2024 alone, secondaries have become an essential mechanism for liquidity, portfolio rebalancing, and for the creation of the aforementioned semi-liquid evergreen vehicles suited to defined contribution plans. This expansion materially increases the industry’s ability to absorb retirement inflows without destabilizing fund pacing.

Secondaries Transaction Volumes and Dry Powder Levels

USD Billions

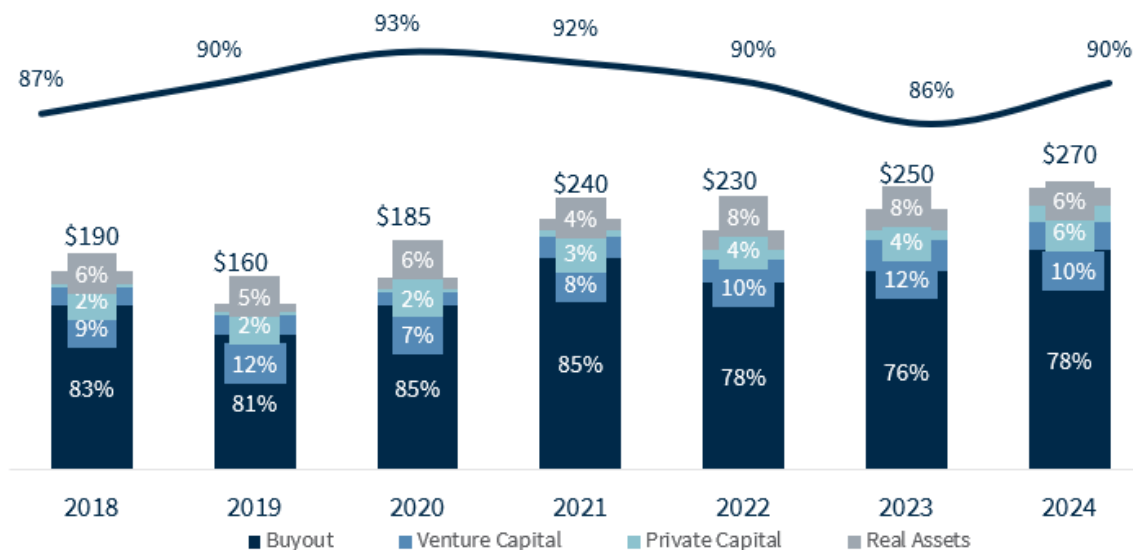


Source: Raymond James Market Intelligence and public sources.

That said, there are already indications that in certain sectors of private markets heavy retail flows have had an impact. Evergreen funds last year paid around 4% more for private equity stakes in the secondaries market compared to traditional investors⁽¹⁾. The reason was attributed to strong inflows into the evergreen sector and a desire by managers to put the money to work as quickly as possible. For now, this secondaries market example can be viewed as the proverbial canary in the coalmine for what might happen should retail flows overwhelm the existing capital recycling infrastructure.

Available Dedicated Secondaries Capital¹

USD Billions



Source: Raymond James Market Intelligence and public sources.

(1) Available secondaries capital includes Raymond James' estimates of leverage used by secondaries investors. For example, Raymond James estimates that 25% of the capital used for LP-led deals comprises of leverage.

For managers and investors, the implication is clear. The arrival of 401(k) money into private equity is unlikely to upend the market overnight, but over time it will reshape the landscape. Deployment discipline, diversification into adjacencies, and active engagement with the secondary market will be critical in ensuring that the industry can handle the next wave of capital while preserving returns.

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(1) Alexandra Heal, "Funds for wealthy investors snap up expensive private equity stakes", Financial Times (London, 11th May 2025)
<https://www.ft.com/content/8179cfd9-e31a-4484-8442-23a61815d5eb>.

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