

# DOL Urges Caution

## Before Adding Cryptocurrency as a 401(k) Plan Option

While cryptocurrency has captured the interest of investors, this digital currency presents significant risks of fraud, theft and loss, therefore, the Department of Labor (DOL) is cautioning 401(k) plan sponsors to exercise extreme care before considering this as an option in their fund lineups. The DOL doesn't believe it meets the plan sponsor's duty as a fiduciary to act in the best interests of their plan participants.

### DOL's Summary of Cryptocurrency Risks

- **Speculative and volatile investments:** At this stage in their development, cryptocurrencies have been subject to extreme market volatility, and the SEC has said it's a highly speculative investment.
- **Plan participant challenges:** Because of their lure, the concern is that inexperienced plan participants may not understand the risks cryptocurrency represents to their overall retirement investments.
- **Custodial and recordkeeping concerns:** These assets aren't held like traditional plan assets in a custodial account or trust, therefore aren't easily available to value and aren't available to pay benefits and plan expenses. And, because it's a digital asset, it's open to hackers and theft.
- **Valuation issues:** The DOL is questioning the reliability and accuracy of cryptocurrency valuations. In addition, the cryptocurrency market intermediaries may not be subject to the same reporting and data integrity requirements as those who work with more traditional investments.

- **Evolving regulatory environment:**

Some market participants may be operating outside of existing regulatory frameworks or not complying with them. Fiduciaries would be required to include their analysis of how regulatory requirements may apply to issuance, investments, trading or other activities and how those regulatory requirements might affect investments by participants in 401(k) plans.

### DOL to Investigate Further

Because of all of these concerns, the DOL's Employee Benefits Security Administration expects to conduct an investigative program aimed at plans that offer participant investments in cryptocurrencies and related products, and to take

appropriate action to protect the interests of plan participants and beneficiaries with respect to these investments.

## Consider Other Inflation-Hedge Investments

While some may believe cryptocurrency represents an inflation hedge, there are other less speculative investments plan sponsors might consider in their fund lineup to help combat the current high inflation rate in the U.S.

For example, they could consider including exposures to a mix of asset classes that provide inflation protection both within the suite of target date funds and on the investment menu.

## Look Closely at Target Date Funds' Underlying Investments

Plan sponsors should consider consulting with their RPS advisor to review any target date funds they offer to make sure that they are designed for late-career employees and in-retirement employees and contain lower allocations of public equities and higher allocations to fixed income and cash to ensure the funds are providing principal preservation.

## For more information visit: [marinerwealthadvisors.com](https://www.marinerwealthadvisors.com)

Sources:

[Department of Labor, Compliance Assistance Release, No. 2022-01 "Investment Considerations for Inflation Protection"](#)

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## Offer a Diversified Fund Lineup

It's more important than ever that plan sponsors offer a full, diversified fund lineup versus offering inflation-protection investments as standalone options on the fund menu.

Ultimately plan sponsors should encourage participants to stay the course and invest for the long term rather than shifting assets during high inflationary periods or during market ups and downs. This approach will serve participants better over the long term.

## Consult With Our Team

The retirement plan solutions team at Mariner Wealth Advisors is here to assist plan sponsors with plan design, investment selection, asset allocation, ERISA compliance, investment monitoring and more to help them meet their fiduciary requirements.