



Understanding the Role of Cryptocurrency in Employer 401(k) Plans

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As cryptocurrency investing continues to grow in popularity, many employers are exploring whether to offer digital assets as part of their retirement plan investment options. This rising interest has prompted 401(k) plan sponsors to carefully consider both the potential benefits and significant risks of adding cryptocurrency to 401(k) plans.

Here, Meghan Hannon, CRPS®, CFPA®, Partner, outlines key factors for plan sponsors to evaluate before incorporating digital currency investments into employer-sponsored retirement plans.

Updated Department of Labor (DOL) Guidance on Cryptocurrency

The U.S. Department of Labor (DOL) has recently revised its stance on cryptocurrency in retirement plans.

May 2025: The DOL withdrew its earlier advisory urging employers to exercise “extreme care” when offering cryptocurrency investments in 401(k) plans. The department chose to take a neutral position, stating that it is “neither endorsing, nor disapproving of” employers who choose to include crypto assets in their retirement plan investments.

August 2025: An executive order instructed the DOL to issue new guidance treating cryptocurrencies similarly to other assets. It also directed the Secretary of Labor to review fiduciary duties for digital asset investments within ERISA-governed 401(k) plans.

While this updated stance is more flexible, plan sponsors are still required to act prudently and in the best interests of participants when selecting and monitoring all plan investments, regardless of asset class.

Key Risks and Challenges of Cryptocurrency in 401(k) Plans

Before adding cryptocurrency investment options to an employer 401(k) plan, plan sponsors must understand the unique risks and compliance challenges associated with digital asset investing.

1. Volatility and Market Speculation

Cryptocurrencies are known for their extreme price fluctuations and speculative nature. Major digital assets can rise or fall by 10% or more in a single day, creating substantial risk—particularly for participants nearing retirement.

2. Participant Understanding and Miscommunication

Because digital currencies are complex and often promoted as high-return opportunities, less experienced investors may misjudge the risks. Including cryptocurrency options in a 401(k) plan can unintentionally imply stability or safety, potentially leading to significant losses.

3. Recordkeeping and Cybersecurity Risks

Unlike traditional investments, cryptocurrencies are stored as digital codes—creating unique challenges such as data breaches, hacking risks, and irreversible loss from misplaced passwords or private keys.

4. Valuation and Transparency Concerns

Establishing consistent and accurate cryptocurrency valuations is difficult. Experts often disagree on valuation methods, making it harder for plan fiduciaries to track performance, ensure fair market value, and fulfill fiduciary oversight responsibilities.

5. Limited Regulatory Protections

The cryptocurrency regulatory landscape remains uncertain. Investor protections and legal frameworks are still developing, which may expose plan sponsors to liability if investments underperform or are mishandled. Staying informed about 401(k) cryptocurrency regulations is essential to maintain compliance.

The Future of Digital Assets in Employer Retirement Plans

The DOL's shift away from restrictive guidance has led to increased employer interest in cryptocurrency 401(k) offerings. However, a neutral regulatory position does not necessarily make crypto investments appropriate for every retirement plan.

Plan sponsors should carefully evaluate whether these digital asset options align with fiduciary duties and the best interest of plan participants. Those facing pressure to offer cryptocurrency can instead focus on employee financial education, highlighting the importance of diversification, long-term investment strategies, and the range of traditional investment options already available in their 401(k) plans.

Proceeding Carefully with Cryptocurrency

Given the volatility, security risks, and regulatory uncertainty surrounding digital assets, plan sponsors should proceed thoughtfully when considering cryptocurrencies in their 401(k) plans.

Ready to review your organization's retirement plan strategy? Boulay's Retirement Plan Advisors are here to guide you through the updated regulatory landscape. Contact an advisor today to discuss how we can support your fiduciary and compliance goals.

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