



Is it Time to Add Cryptocurrencies as an Investment Option to Your Retirement Plan?

Many people know someone who has had substantial returns by investing in cryptocurrencies. Benefit Professionals, Inc. (BPI) does not and will not ever give investment advice. What BPI will do is provide information on the opinions of government agencies on an investment option.

- The U.S. Department of Labor (DOL) has made their opinion on adding cryptocurrencies as an investment option clear with the release of **“Compliance Assistance Release No. 2022-01”** titled **“401(k) Plan Investments in ‘Cryptocurrencies’”** on March 10, 2022 (<https://www.dol.gov/agencies/ebsa/employers-and-advisers/plan-administration-and-compliance/compliance-assistance-releases/2022-01>). In summary, they feel that cryptocurrencies are imprudent investment options.
- The Internal Revenue Service (IRS) does not approve or review investment options for IRAs or retirement plans. However, adding cryptocurrencies to a retirement plan as investment options may result in additional IRS reporting requirements for the plan.
- The Securities and Exchange Commission (SEC) staff has cautioned that cryptocurrencies are highly speculative investments.

A cryptocurrency investment option must be made available as an investment option to all plan participants, not just participants who fully understand the risks of investing in cryptocurrencies. This could lead to participants who do not have a full understanding of the risks of investing in cryptocurrencies suffering substantial losses, and government agencies could hold plan fiduciaries liable for these losses.

When considering adding any cryptocurrency as an investment option, plan fiduciaries should consider the following:

- Plans with cryptocurrencies as investment options may be subject to additional scrutiny by government agencies.
- Plan fiduciaries could be held personally liable by government agencies for losses suffered by plan participants who invest in cryptocurrencies, even in participant-directed accounts.

BPI strongly recommends discussing the pros and cons of adding cryptocurrencies as investment options with the plan’s investment advisor. BPI will continue to monitor government agencies for any notices or opinions on cryptocurrency as an investment option in retirement plans.

NOTE:

The DOL stance on cryptocurrencies is not shared by all groups; in fact, a lawsuit has been filed against the DOL regarding their stance on cryptocurrencies. The lawsuit alleges that the DOL’s guidance is an attempt to restrict the use of cryptocurrencies in retirement plans. BPI will monitor this lawsuit and post the decision when it has been resolved.