



PE is Pee-eww

A few months ago, I warned that a movement to allow 401(k) plans access to private equity and alternative investments is a bad idea.

Right after I wrote that piece, an executive order was issued to make this a reality and broaden investment options for 401(k) plans.

A subscriber recently sent me an article that reminded me that 401(k) plans investing in private equity investments is...

A bad idea!!!

The article was published on [zerohedge.com](https://www.zerohedge.com) and references a piece from the *Financial Times* highlighting some potential private equity shenanigans. Here's the rather *unflattering* headline:

FT Exposes The Literal Definition Of Ponzi-Scheming In Private Equity



BY TYLER DURDEN

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The [zerohedge.com](https://www.zerohedge.com) article is freely available online, and I encourage you to spend five minutes reading it to inform yourself of what's going on in the private equity space.

Here's the main gist, though.

Private equity firms are selling assets to themselves at a record pace, and yes, selling assets to themselves. Seems odd, right?

Well, it's not. About 20% of private equity firms are engaged in this activity, totaling \$107 billion in 2025. That compares with \$70 billion the year before. So, this is not a new scheme.

The private equity firm is the buyer *and* seller. They raise new cash *and* collect fees.

Big fees. *Huge* fees.

It stinks!

Again, read the article on some of the specific chicanery taking place.

This behavior is a stark reminder that most people should avoid these investments like the plague.

While I cannot give specific investment advice, in my book *Rule of 72*, my co-author and I lay out the simplest way to financial freedom.

Time and consistency. Take advantage of the tax and savings benefits of a 401(k) plan. Max it out fully. Leave nothing on the table.

Then consistently invest in the broad market regardless of who is president, who controls Congress, inflation, war, or whatever the news of the day is. Then do it over and over and over again. Game over. You win.

One key component is paying low fees. And, you can't pay low fees to private equity managers. That doesn't exist. It's even worse to pay fees to people who are self-dealing. So, don't go there.

Outside of your 401(k), *then* if you want to invest in stock strategies, precious metals, market timing strategies, or a variety of more complex investments, that's up to you. But the best way to take care of the basics is to start with a basic strategy first.

The folks who invest their 401(k) plans run the risk of being suckered. And, like Warren Buffett said, "if you've been in the poker game 30 minutes and you don't know who the patsy is, you're the patsy."

Don't be the patsy!

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