WORTH NOTING
A MONTHLY NOTE ON THE LOWER MIDDLE MARKET
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The next great migration of capital has already begun

The vehicles that carry retirement savings into private markets have launched. What's left is scale, and one regulatory switch.

If you own a lower-middle-market business you may one day sell, or you allocate capital into private markets, the most important trend of the next five years is one almost nobody has fully registered yet: the largest new pool of patient capital in a generation has started moving toward private markets, and it's coming through a door most people don't even know exists. This past year, the vehicles that will carry ordinary retirement savings into private equity didn't just get proposed, they launched, from some of the biggest names in the business. What's left isn't invention. It's scale, and the regulatory switch that unlocks it. It points to a vast new source of exactly the kind of patient, long-horizon capital that makes the best steward of a business, and the best partner for the investors who back one. Which makes now, before the flood, the right time to understand it.

Start with why patience is the whole game. For a decade, the most valuable thing about the money that funds private equity has been how long it's willing to wait. Pensions, endowments, sovereign wealth funds, family offices, and high-net-worth individuals commit capital for ten years or more, ride out the illiquidity, and let compounding do its work, which is exactly why they've allocated to private markets for decades while the ordinary 401(k) saver has been locked out entirely. That asymmetry is the quiet backdrop to everything we do, and this year it began, in earnest, to close. The direction is unmistakable, and for a permanent-capital firm like ours, a multi-year widening of the patient-capital pool is a tailwind worth reading early.

Where the 401(k) timeline actually stands

Let's be precise, because this topic attracts more hype than accuracy. The sequence began a year ago this month: on August 7, 2025, an executive order directed the Department of Labor to clear a path for defined-contribution plans, 401(k)s and 403(b)s, to offer alternative assets, and within days the DOL rescinded the 2021 guidance that had discouraged the practice. On March 30, 2026, the DOL followed with an actual proposed rule: a process-based "safe harbor" that gives plan fiduciaries a defined set of steps to follow when adding any investment option, earning them a presumption of prudence if they follow it. The public comment period closed June 1.

What matters now is what hasn't happened yet. The rule is still proposed, not final, the DOL gave no applicability date, and the most credible legal read is that a final rule won't land before the end of 2026, and could slip into 2027. A separate question sits at the Supreme Court in *Anderson v. Intel*, which turns on whether a plan participant must identify a genuinely comparable benchmark to claim that an alternatives allocation was imprudent; that case won't be argued until the fall. So the honest status is: real momentum, real direction, no finished product. Anyone telling a retirement saver that private equity is "in their 401(k) now" is getting ahead of the facts by a year or more.

We think that gap, between a direction that's certain and a timeline that isn't, is exactly where a disciplined firm should be paying attention. The capital, the tens of millions of savers, isn't flowing yet. But the plumbing that would carry it isn't theoretical: it's already built, already in the market, and already holding real private-markets assets. What the rule changes isn't whether these products exist, it's whether plan sponsors feel safe adopting them at scale.

The vehicle: why this arrives as a collective investment trust

Here's the part that gets missed, and it's the part that matters most for understanding how this capital would ever reach a company like the ones we buy. The retirement money that eventually flows toward private markets almost certainly won't arrive as a saver picking "private equity" off a menu. It will arrive embedded, a modest sleeve inside a target-date fund, the all-in-one, set-it-and-forget-it portfolio that most 401(k) participants are defaulted into and never think about again. A slice of each paycheck would flow into private holdings without the saver making a single active choice.

And the wrapper around that target-date fund will most likely be a **collective investment trust**, a CIT. This is worth explaining plainly, because it has quietly become one of the most important structures in our corner of finance. A CIT is a pooled investment vehicle, like a mutual fund but built specifically for retirement plans: it combines many savers' assets, it's overseen by a trustee bound by ERISA fiduciary duty, it's typically sub-advised by a professional investment manager, and, critically, it's cheaper than a mutual fund and regulated by banking authorities and the DOL rather than the SEC. That last point matters more than it sounds: because CITs don't face the SEC's restrictions on illiquid holdings the way mutual funds do, they are the natural, and in practice the only easy, home for a private-markets sleeve. According to Morningstar, CITs held 42% of all defined-contribution assets by 2024, up from 23% a decade earlier, and they have now overtaken mutual funds in the target-date market specifically, reaching 54% of all target-date assets by the end of 2025. Every one of the 21 new target-date series launched in 2025 was a CIT. The migration is not a forecast; it has already happened.

Which is why the most important point about this whole story is one the headlines keep missing: the vehicles already exist. This isn't a someday product waiting on a rule. Over the past year, major managers have brought CIT-wrapped, private-markets target-date products to market in real time, Great Gray's Panorix series (with BlackRock providing the private equity exposure itself), State Street's private-markets target-date funds, a CIT partnership from Empower (the country's second-largest workplace-retirement provider), and private-markets trusts from Goldman Sachs, Blackstone, and Apollo. The CIT-based target-date series holding a private-markets sleeve, the exact vehicle this whole story is about, is not a concept. It is already on shelves. What the DOL's safe harbor changes is not whether these products exist but whether the plan sponsors who control the money feel legally safe defaulting tens of millions of savers into them at scale. That is the floodgate, and it's the part that isn't open yet.

There's a second channel widening in parallel, worth watching. In late 2025 the U.S. House passed the INVEST Act, which, among other things, would make CITs available for the first time inside 403(b) plans, the retirement accounts for public-school teachers and nonprofit employees, a market covering roughly a fifth of American workers and some $1.4 trillion in assets that has historically been walled off from these vehicles entirely. Between the DOL rule on the 401(k) side and the INVEST Act on the 403(b) side, the same structural door is being pushed open from two directions at once.

Put it together, target-date funds as the delivery mechanism, CITs as the wrapper, real products already in market, and two regulatory tracks working to unlock adoption at scale, and you can see the actual channel, not forming, but waiting to be switched on: a CIT-based target-date series, holding a private-markets sleeve, defaulted into by tens of millions of savers who never make an active decision at all. That is how a genuinely enormous, genuinely patient pool of capital finds its way toward private companies.

What this means for a firm like Worth

Two things, and we want to be careful about both.

First, the opportunity is real but indirect and slow. We are not a retirement-plan product, we do not offer anything inside a 401(k), and nothing about this rule changes what we do tomorrow. But the largest structural story in private markets over the next five years is the gradual arrival of defined-contribution capital, and it is patient capital by construction, money with a thirty-year horizon and no quarterly redemption pressure. That is the same temperament our permanent-capital model is built to match. As this channel opens, the universe of long-horizon capital that could eventually fund businesses like ours widens rather than narrows. We'd rather understand that shift now, while it's forming, than react to it once it's obvious to everyone.

Second, we'd be doing our readers a disservice if we only sold the upside. The critics have real points. Private assets carry higher fees, genuine illiquidity, and valuation and benchmarking challenges that don't fit neatly into a daily-priced retirement menu, and defaulting an unaware saver into an illiquid, opaque sleeve is exactly the kind of thing that draws lawsuits, which is precisely why *Anderson v. Intel* and the fear of fiduciary liability have kept plan sponsors cautious for years. A rule that lowers that litigation risk doesn't make the underlying concerns disappear. The debate is genuinely two-sided, and we intend to keep reporting it that way. What we're confident about is the direction, not the merits of any particular product that gets built on top of it.

Why patient capital wins the market we're in

The retirement story is a long-horizon one. But you can see the same lesson, that patience is the edge, playing out in the market we're buying in right now. Middle-market private equity is recovering, but unevenly: deal value is up roughly 10% year-over-year even as the number of transactions keeps falling, because capital keeps concentrating in a shrinking set of large, high-conviction deals while the broad middle stays cautious. PwC's mid-year read put it starkly, the first half of 2026 produced far fewer PE transactions than the year before, but average deal size rose sharply, and the dispersion between firms that can show realized cash and those that can't keeps widening. DPI, distributions actually returned, remains the metric that raises the next fund, and exits remain the industry's central bottleneck.

That's the same barbell we described last month, and it's the same reason our structure is an advantage, for exactly the reason the retirement shift matters. Impatient capital, money on a fund clock, gets trapped in a market like this: forced to sell into a slow exit window to return cash on a schedule, or forced to overpay into the crowded, competitive top end to put money to work before the clock runs out. Patient capital is trapped by none of it. We are never forced to sell a good business to hit a deadline, and never forced to buy a mediocre one because capital is burning a hole in an investment period. We buy good lower-middle-market businesses directly from their owners, at a disciplined price, and hold them. The macro noise this month, including a Federal Reserve that held its benchmark at 3.50%–3.75% for a fifth straight meeting on July 29, over three dissents from officials who wanted to hike, changes none of that. A divided Fed holding steady is, for a disciplined buyer, simply the weather.

Why this matters down here

If you take one thing from this month, make it this: when you sell the business you spent a lifetime building, the clock on your buyer's capital matters as much as the number on their offer. The character of the money entering private markets is shifting, steadily and structurally, toward the patient, long-horizon kind, and that money makes a very different owner of your company, and your people, than capital that has to sell you again in five years. The highest bidder and the best steward are not always the same buyer. It's worth knowing the difference before you need to, because the gap between a buyer on a fund clock and one with a genuinely long horizon is only going to widen from here.

SIDEBAR · THE DEMOCRATIZATION OF PRIVATE MARKETS

A plain-English guide to the CIT target-date vehicle

Because this is about to be everywhere, it's worth understanding the three pieces that fit together, offered here purely as general educational context on a developing regulatory and industry trend, not as investment, legal, or tax advice, and with no connection to any Worth product (Worth offers nothing for retirement plans).

The target-date fund is the delivery mechanism. It's the all-in-one retirement portfolio keyed to your expected retirement year (a "2055 fund," say), which automatically shifts from growth toward safety as you age. Most 401(k) savers are automatically defaulted into one and never touch it again, which is exactly why it's the natural home for a small, professionally managed private-markets sleeve: the allocation is made once, by the fiduciary, not by the participant.

The collective investment trust (CIT) is the wrapper. It's a pooled retirement-plan vehicle, similar to a mutual fund but cheaper, overseen by an ERISA-bound trustee, typically sub-advised by a professional manager, and regulated by banking authorities and the DOL rather than the SEC. CITs have quietly become the dominant retirement vehicle: Morningstar reports they held 42% of defined-contribution assets by 2024, up from 23% in 2015, growing from about $1 trillion to $3.8 trillion. The industry expects them to be the main vehicle for adding private-market exposure to plans.

The safe harbor is the permission, and it's the only piece not yet in place. The DOL's proposed rule gives fiduciaries a defined process to follow, including how to benchmark a private-equity sleeve, that earns a presumption of prudence, lowering the litigation risk that has kept plan sponsors cautious. It is proposed, not final; a final rule is expected no earlier than late 2026, with a related fiduciary question (*Anderson v. Intel*) still before the Supreme Court. The products themselves already exist, Great Gray's Panorix series (with BlackRock providing the private equity), State Street's private-markets target-date funds, Empower's CIT partnership, all launched in 2025. What's missing isn't the vehicle; it's the legal comfort for sponsors to use it at scale.

Put together: a CIT-based target-date series holding a modest private-markets sleeve, defaulted into by ordinary savers, waiting on a process-based safe harbor to unlock wide adoption. That's the channel. It's built but not yet switched on, and it's worth watching, with clear eyes about both the promise (diversification, long-horizon return potential) and the real concerns (fees, illiquidity, and valuation challenges that a daily-priced retirement menu doesn't naturally accommodate).

Practitioners who work inside these plans see the same shift. Greg Bourne, a financial advisor for corporate retirement plans at Cyndeo Wealth Partners, told FA Magazine in January 2026 that the rising use of CITs in retirement plans is "only positive for the industry and participants," with sponsors and fiduciaries "being prudent to utilize CITs in medium-to-large retirement plans to help capitalize on economies of scale." He framed the deeper current in terms that should sound familiar to anyone in our world: "The next great migration of private-asset holdings into retirement plans is set to take place over the next few years, since corporations no longer need to go public to access capital to grow and compete in this increasingly global economy."

THE WORTH LENS

The next great migration of capital toward private markets has already begun, quietly, through a CIT-wrapped target-date fund and the everyday retirement saver who will never make a single active investment decision. The products are live; what's still ahead is the scale, the moment a final rule and sponsor comfort turn a handful of launches into a flood. That capital is patient by construction: long-horizon, permanence-oriented, indifferent to quarterly liquidity, precisely the temperament we built Worth around. We don't need it to arrive for our model to work; we've said all year that a good business bought at a disciplined price doesn't depend on any policy or rate outcome. But when the largest tide of patient capital in a generation starts moving, it's worth noting that we've been standing exactly where it's heading all along.

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