



Retail alternatives

Navigating operational complexity in a sea of choices

Demand is rising for retail access to private investments—strategies historically designed for institutions and high-net-worth investors. The Deloitte Center for Financial Services predicts that retail investors' allocations to private capital will grow exponentially, from an estimated \$80 billion to \$2.4 trillion by 2030 in the United States. The shift is being pulled by a combination of investors looking for differentiated return drivers and recent technological improvements leading to the ability of alternative advisers to report more timely and accurately, while also being pushed by regulatory changes and product innovation. Regulation is increasingly having an impact on who can access private investments, how products are structured, and what firms must do to support informed participation.

On August 7, 2025, President Trump signed an executive order aimed at expanding the ability of retail investors to invest 401(k) retirement savings in assets outside public markets, such as private equity, private credit, cryptocurrency, and private real estate.¹ The order directs the Department of Labor to reexamine existing guidance on fiduciary duties related to alternative assets and identify criteria to help fiduciaries better balance higher expenses

against long-term returns. The order also directs the Securities and Exchange Commission (SEC) to consider revisions to the accredited investor and qualified purchaser definitions.

The SEC has already begun acting on opening retail investors to private markets, including removing a long-standing staff position that limited registered closed-end funds with allocations of more than 15% in private investments to accredited investor access only.² This means these funds can now invest more heavily in private markets and offer them to a broader retail base, not just the traditional wealthy investors. The SEC Investor Advisory Committee (IAC) also provided its own recommendations on this topic—its view being that the optimal approach for retail investors to access private market assets is through registered funds. This path provides the necessary investor protection guardrails associated with registered products.

This is where product innovation is critical. This paper will focus on the key differences between various registered alternative products and their related accounting, tax, and operational considerations for market participants.

Product options

Choosing the right product is paramount when determining which investors to target and the investing strategy. There are trade-offs across product structures with respect to liquidity, regulatory restrictiveness, valuation requirements, fund sponsor fee structures, and distribution access to consider. Looking to offer more liquidity

and have a wider investor base reach, interval funds may be a great option. On the other side of the coin, 3(c)(7) retail funds offer advisers high investment structure flexibility and can be sold to an unlimited number of qualified purchasers. The table below displays the key features across different types of fund options available.

Retail product structures

	Interval funds	REITs ¹	BDCs ¹	Tender offer fund	"Retail" 3(c)(7) private fund	Control stakes (operating company)
Offering type	Public offering	Public subscriptions and private placements			Public subscriptions and private placements	Public subscriptions and private placements
Typical eligibility	Non-accredited investors ²	Non-accredited (public subscriptions) and accredited investors (private placements)		Qualified clients, accredited investors and qualified purchasers	Qualified purchasers	Accredited investors
Subscriptions	Daily	Mostly monthly (sometimes daily)			Monthly	
Liquidity type	Regulated/required	Best efforts—but not contractual/required ³			Best efforts – but not contractual/required	
Liquidity amount	Minimum 5% quarterly (up to 25%)	Typically, 2% monthly (capped 5% quarterly) ³	Typically, 5% quarterly ³		Generally, up to 5% quarterly	
Asset class/ strategy	All	Real estate (debt and equity)	Loans	Diversified private markets, private equity, infrastructure	All, but must structure to maintain 1940 Act exemption	
Regulatory considerations	Repurchase offers at periodic intervals must be done pursuant to fundamental policy changeable only by a majority vote of voting security holders; subject to affiliated transaction restrictions under 1940 Act. Co-investment relief required to co-invest in negotiated deals alongside affiliated persons; leverage limitations apply under Section 18/61 of the 1940 Act.	Relies on 3(c)(5) exclusion from registration under 1940 Act, which imposes limitations on portfolio investments.	1940 Act BDC provisions applicable, including limitations on affiliated transactions (more flexible than registered closed-end funds) and Section 18/61 leverage limitations. Co-investment relief required to co-invest in negotiated deals alongside affiliated persons.	1940 Act provisions applicable, including limitations on affiliated transactions and Section 18 leverage limitations. Co-investment relief required to co-invest in negotiated deals alongside affiliated persons.	Relies on 3(c)(7) exclusion from registration under 1940 Act; requires registration under 1934 Act if 2,000+ holders.	Must structure investments to avoid falling within definition of investment company under 1940 Act and thus avoid triggering registration.

1. Excludes "private" REITs and business development companies (BDCs), which are also non-traded but do not offer subscriptions; private placement only.

2. While there is no regulatory limitation on interval funds, most distributors limit to accredited investors.

3. Excludes publically-listed REITs and BDCs that trade on an exchange.

Definitions:

Accredited Investor – An individual or entity meeting certain SEC income thresholds (\$200,000 income or

\$1 million net worth for individuals and \$5,000,000 in investments for entities) or possessing certain financial sophistication thresholds.

Qualified Purchaser – An individual or entity meeting SEC investment portfolio thresholds of \$5 million for individuals and \$25 million for entities.

Source: Goldman Sachs Global Investment Research; Casey Quirk analysis

Operating considerations

Launching retail-targeted funds under US GAAP raises the operational bar for financial reporting quality, valuation discipline, and control evidence—often with higher transaction volumes, more frequent investor activity, and increased scrutiny from auditors, regulators, and distribution partners. For accounting oversight teams, the priority is ensuring NAV and financial statements are accurate, timely, and meet regulatory requirements. The considerations below highlight the operational areas most likely to drive financial, audit, and reputational risk.

Accounting

1. *Basis of accounting:* Because accounting decisions may inhibit or alter comparison to other products in the marketplace, determining what basis of accounting is appropriate may be an important up-front consideration, including an assessment of investment company accounting itself.
 - a. *Deloitte insight:* Thus far, we have seen that agnostic to structure, retail funds generally meet the criteria to prepare financial statements using the accounting and reporting guidance under Financial Accounting Standards Board Accounting Standards Codification Topic 946, Financial Services—Investment Companies (“ASC 946”). However, a common pitfall is treating retail funds as automatically following ASC 946 without the proper documentation for reaching that conclusion. Other funds, like 3(c)(7) funds, may maintain their 1940 Act exemption but still apply investment company accounting in accordance with ASC 946. Alternatively, some non-traded REITs function more like an operating company, as they own, develop and manage real property, where the business purpose is not solely for capital appreciation and investment income and assets are not measured on a fair value basis.
2. *GAAP versus transactional NAV for certain non-traded product offerings:* Understanding the treatment of expenses, such as organizational and offering costs and servicing fees, under US GAAP is important as they are a heightened area of focus by regulators. Their treatment under US GAAP has a direct impact on investors; in particular, those who invest early.
 - a. *Deloitte insight:* It may be prudent to consider a transactional NAV for subscriptions and redemptions as a way to protect early investors from bearing too much of the up-front costs associated with launching a private placement product, such as a 3(c)(7) fund. This is sometimes accomplished by amortizing these up-front expenses over a longer period of time than GAAP would otherwise permit. Additionally,

considerations regarding the ability to sell corporate blockers and the potential impact on transactional NAV with respect to deferred taxes need to be made. However, it is important to note that transactional NAV is not GAAP, and as part of the audit, differences would need to be evaluated from a materiality perspective.

3. *More frequent NAV reporting:* Due to the liquid nature of the fund, NAV may need to be tracked monthly or even daily, as is the case for many interval funds. More frequent NAVs will require not only a tighter timeline in the process, but a change in mindset for all stakeholders involved—accounting teams, administrators, custodians, valuation specialists, and tax teams. Valuation will also require clear procedures and governance over the refresh cadence of private holdings (e.g., quarterly, monthly, event-based) as well as how NAV will be updated between valuation dates. This will likely require clearer disclosures to better educate investors on steps being performed at each interval. More frequent cycles will require more reliable and automated data, often obtained through increased investment in technology.
4. *Enhanced internal control requirements:* Certain product launch options, such as a business development companies (BDCs) and interval funds, require compliance with Sarbanes-Oxley (Sox) Section 404, or Rule 30a-3 in the case of interval funds. In these instances, management needs to assess, document, and report on the effectiveness of their internal controls over financial reporting (ICFR) annually. Further, depending on size and fund type, some advisers may also need to comply with Section 404(b), which requires an independent auditor to attest to, and report on, management’s assessment over ICFR effectiveness—an incremental report in addition to the auditor’s report on the financial statements. 404(b) readiness typically hinges on (1) scoping ICFR to key line items and disclosures—most notably investments and fair value, investment income, fees and expenses, and any credit-related judgments—and (2) aligning early with the external auditor on key controls and reliance strategy. For any outsourced activities, ICFR will be a combination of third-party controls and internal oversight controls.

Valuation

The illiquid nature of private investments creates persistent valuation challenges, particularly for funds offering periodic liquidity. Limited market data, assumption-driven modeling, and timeliness are key themes prompting a closer look from regulators. The SEC’s Rule 2a-5, Good Faith Determinations of Fair Value, established how registered funds determine fair value when market quotations are not readily available. Since then, valuation continues to be a hot topic for the SEC. Its 2026 Examination Priorities report highlights valuation compliance as a key focus, and in June, the SEC received questions from Congress with overvaluation concerns. Additionally, as part of its recommendations for retail investors accessing private investments, the SEC’s Investment Advisory Committee highlighted a need for greater clarity and transparency on valuations throughout the life cycle of a fund.

To proactively address heightened regulatory attention and evolving market complexities, asset managers can take deliberate steps to fortify their valuation governance and build practices that are both resilient and transparent, including:

Adopt a governance-driven valuation framework grounded in defensibility, documentation, and discipline. The framework can include a defensible valuation policy with clear roles, rigorous documentation, and mandated model back-testing. For example, leaders could implement periodic reviews of discount rate assumptions, recording rationale, and market benchmarks to address regulatory requirements and reinforce discipline.

Establish independent valuation committees that maintain segregation from portfolio management and can independently review and challenge valuation methods. Organizations should also consider calibrating models, vetting pricing vendors, and communicating methodologies clearly. Leaders can require quarterly external calibration of vendor-supplied data and mandate transparent reporting to boards and investors whenever material methodology changes occur.

Integrate valuation practices into liquidity stress testing and risk management processes to promote resilience and confirm credibility. By coordinating efforts between risk and valuation teams, leaders can direct scenario analyses assessing how illiquidity or rapid repricing impacts fund NAV, with results incorporated into board reports and contingency planning.

Precision in valuation is frequently viewed as a differentiator, given its importance to compliance and investor confidence. Asset managers that pair rigorous valuation disciplines with strong governance and transparent communication may be better positioned to manage inquiries and sustain investor trust.

Tax

Retail platforms significantly emphasize the role of tax departments. Maintaining seamless investor reporting and addressing operational considerations are crucial for success. This requires a comprehensive understanding of the after-tax implications of investment strategies and the associated tax compliance reporting requirements for investors. Tax structuring, investor tax reporting, tax allocations, and incentive allocations will be crucial pillars to contemplate.

Tax structure options:

- Regulated Investment Company (RIC)
 - Most common structure for retail registered funds (interval funds, tender offer funds, BDCs).
 - Tax information is reported on Form 1099-DIV, which is familiar to retail channels and investors.

- Requires adherence to regulatory requirements including quarterly asset diversification and annual income qualification and distribution requirements.
 - o Detail required to confirm adherence to regulatory requirements may be difficult to obtain and may limit investment options.
- Potentially limited management and incentive fee flexibility
- Partnership – Subchapter K
 - More frequently, semi-liquid retail alternatives structures under 3(c)(7) or 3(c)(1) are coming to market commonly treated as a partnership for tax purposes.
 - Partnerships can provide for a more complex tax report framework for investors through a Schedule K-1 as opposed to a Form 1099.
 - While tax reporting is more complex, an unregulated wrapper provides for more flexibility in investment strategies and management/incentive fees.
 - To address the tax compliance concerns for mass affluent investors, many semi-liquid unregulated products are focused on simplified Schedule K-1 reporting.
 - Asset managers should consider the appropriate tax allocation methodology due to the illiquid nature of the fund in contrast to the ability of investors to generally contribute on a monthly basis and redeem on a quarterly basis.
 - General partners must also consider the tax implications of where to take in the structure, and whether to receive the amounts in cash or units.

Navigating the path forward

For asset managers, retail-focused fund launches are increasingly defined by product choice. The range of product types advisers can select—each with distinct features, economics, and servicing expectations—can materially change the accounting, controls, valuation approach, and tax reporting requirements. What may look like a commercial or distribution decision at the front end often becomes a sustained operational and reporting commitment once the fund is live.

Complexity is rarely additive; it is compounding. Product features drive valuation and pricing processes, which in turn influence financial reporting, disclosure, control design, and tax operating requirements. Deloitte can serve as a practical advisor to leaders navigating these choices. We can help translate product design into accounting and reporting requirements, align valuation governance and control ownership across internal teams and service providers, and integrate tax considerations into the operating model so downstream reporting and compliance are workable from Day 1. Just as importantly, we can help connect the dots across disciplines—bringing a coordinated view that supports informed trade-offs early, when they are easiest to make, and reduces avoidable rework later.

* Note that REITs have tax structures with similar characteristics and requirements as RICs.

Contacts



Paul Kraft
Investment Management
Marketplace Excellence
Leader
Deloitte & Touche LLP
pkraft@deloitte.com



Ryan Moore
Audit & Assurance Partner
Deloitte & Touche LLP
ryanmoore@deloitte.com



Casey Yantosca
Partner
Deloitte Tax LLP
cyantosca@deloitte.com



Brian Cassidy
Audit & Assurance Partner
Deloitte & Touche LLP
bcassidy@deloitte.com



AJ Parillo
Audit & Assurance Partner
Deloitte & Touche LLP
aparillo@deloitte.com



Amanda Nelson
Principal
Deloitte Consulting LLP
amnelson@deloitte.com



George Psarianos
Managing Director
Deloitte Transactions and
Business Analytics LLP
gpsarianos@deloitte.com



Teresa Matter
Managing Director
Deloitte Tax LLP
tmatter@deloitte.com



Joe Siravo
Audit & Assurance
Senior Manager
Deloitte & Touche LLP
jsiravo@deloitte.com

Endnotes

1. The White House, "[Democratizing access to alternative assets for 401\(k\) investors](#)," Executive Order, August 7, 2025.
2. SEC, [ADI 2025-16-Registered Closed-End Funds of Private Funds](#), last updated August 15, 2025.



The services described herein are illustrative in nature and are intended to demonstrate our experience and capabilities in these areas; however, due to independence restrictions that may apply to audit clients (including affiliates) of Deloitte & Touche LLP, we may be unable to provide certain services based on individual facts and circumstances.

This publication contains general information only, and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

About Deloitte

As used in this document, 'Deloitte' means Deloitte & Touche LLP, which provides audit, assurance, and risk and financial advisory services; Deloitte Consulting LLP, which provides strategy, operations, technology, systems, outsourcing and human capital consulting services; Deloitte Tax LLP, which provides tax compliance and tax advisory services; and Deloitte Transactions and Business Analytics LLP, which provides eDiscovery, analytics, and a wide range of advisory and analytic services. These entities are separate subsidiaries of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.