

# INSIDE DIGITAL ASSETS

with RIC EDELMAN

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## BITCOIN SOON AVAILABLE VIA FIDELITY 401(K) PLANS

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It's a seminal moment in crypto's evolution: Fidelity 401(k) plans will soon offer bitcoin as an investment option.

Fidelity is the nation's largest provider of 401(k) plans, with a third of the market – 23,000 companies with 34 million workers, and \$2.7 trillion in AUM.

It's a brilliant move. Fidelity provides a feature no other major K plan provider yet offers, while giving workers access to the fastest-growing asset class in the country.

### Why the 401(k) is the Best Place to Buy Bitcoin

Every financial advisor knows that the best investment strategy is dollar cost averaging – and the easiest way to engage in it is via workplace retirement plans.

Thanks to DCA, we don't have to wonder whether investment prices are too high. If they are, we buy few shares. Conversely, if prices are low, we obtain many shares. Thanks to systematic buying – with every paycheck at regular intervals – DCA smooths out the volatility, automatically providing a highly cost-efficient accumulation of shares.

### Dollar Cost Averaging Requires Volatile Investments

Every advisor also knows that DCA won't work unless you use a volatile asset – the more volatile the better. That's because DCA needs price fluctuations to benefit from its periodic buying. After all, it wouldn't make much sense for your clients to invest every two weeks into a fixed account where the share price is always a dollar, because the absence of price fluctuation would render moot the benefits of DCA. That's why advisors recommend volatile investments for dollar cost averaging in workplace retirement plans.

And let's admit it: bitcoin is the most volatile investment you can find – making it perfect for use in 401(k) plans. Add in tax deductions, tax-deferred growth and the employer match, and you've got the best investment opportunity available.

## **DOL Out of Sync**

The Department of Labor says it has “grave concerns” about Fidelity’s announcement, and Sen. Elizabeth Warren is demanding an investigation. These objections won’t stop the mainstreaming of crypto.

Instead, employers will use Fidelity’s offering as a recruitment tool: come work for us, they’ll say, and we’ll give you free bitcoin! (via the employer match in the 401(k) plan).

## **Action Steps for Financial Advisors**

- Talk with your clients about diversifying their workplace retirement account by adding an allocation to bitcoin.
- Have your clients talk ask their HR department to add bitcoin to their 401(k) plan.
- Weave in this discussion into a mid-year planning review. Offer to review their current 401(k) allocation.
- Educate your clients about fees. Fidelity’s fee is 75 to 90 basis points - comparable to emerging markets and foreign stock funds.