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RETAILIZATION OF PRIVATE EQUITY IN THE UNITED STATES: A PRIMER

This article provides an introductory overview of the “retailization” of private equity in the United States, detailing how fund sponsors are expanding access to individual investors through innovative product structures and partnerships. It examines sponsor motivations like diversification and platform growth, among others, for this shift toward retail investors while outlining the operational, regulatory, and economic challenges sponsors face. The article also reviews common approaches for accessing retail capital through various structures such as feeder funds, evergreen vehicles, holding companies, and registered investment companies. Overall, it underscores that retailization is reshaping private equity by broadening the investor base and driving product innovation, but requires strategic clarity and operational readiness to navigate its complexities and realize its full potential.

By Matthew B. Goldstein *

As the private equity industry evolves, retailization has shifted from a distant concept to a realizable strategy for private equity fund managers. In recent years, sponsors have developed an array of product structures to democratize access to their investment products and to open private markets to a broader base of investors, including high-net-worth and mass-affluent segments historically excluded from traditional private funds. This trend toward retailization reflects a confluence of factors impacting both investors and sponsors. Retail investors are seeking differentiated sources of returns and diversification beyond what is offered through public markets, while sponsors are looking to scale up platforms, smooth fundraising cycles, and expand their limited partner bases. At the same time, historic barriers such as regulation, lack of access, and liquidity restraints are relaxing, further opening opportunities for distribution expansion. The result is a meaningful exploration of marketing strategies, product design, and sponsors’ operating and administrative infrastructures to accommodate this new wave of investor capital. This

primer aims to provide an introduction to common approaches taken by private equity sponsors to access retail capital and an overview of key considerations and challenges.

RETAIL INVESTORS

What are “retail investors” in this context? For purposes of this primer, “retail investors” comprise two groups of individuals: (1) high-net-worth individuals with net worth in excess of \$1 million, which are investors that would generally otherwise meet accredited investor requirements (and in some cases, qualified purchaser requirements), and (2) mass-affluent individuals with net worth under \$1 million who do not meet accredited investor net worth requirements (and may or may not meet income tests). Bain & Company estimates that individual investors hold about half of the \$300 trillion of global assets under management (“AUM”) and account for approximately 16% of AUM

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