Capital Preservation: The Stable Value Advantage

BROUGHT TO YOU BY NEW YORK LIFE STABLE VALUE INVESTMENTS

The Need
Retirement plan participants need a secure repository to help preserve wealth accumulation and provide a reliable source of consistent returns. Retirement plan sponsors need to offer prudent investment alternatives to plan participants as part of compliance with ERISA 404(c).

The Choices
The objective of both stable value funds and money market funds is capital preservation. Stable value funds generally offer more competitive yields, limited volatility and have historically outperformed money market funds. Additionally, many stable value funds can potentially provide protection of both principal and accumulated interest.

Money Market Funds Limitations
Money market and stable value funds can both provide capital preservation with low volatility. However, their risk-return profiles are not the same. Money market funds are allowed to invest only in certain low risk, shorter duration, high liquidity instruments. The investment universe for stable value funds is less restrictive, and they typically invest in short-term to intermediate-term fixed income securities. As a result, the returns they generate have historically been higher than money market funds for over 30 years. While both stable value funds and money market funds are susceptible to some volatility, stable value funds are structured to provide smoother returns than money market funds. Additionally, money market funds may impose redemption fees and limits on withdrawals during times of extreme market stress. Lastly, a unique feature of stable value funds is the ability to provide a guarantee that retirement plan participants will receive their entire principal and accumulated earnings when they withdraw their investments.

Guaranteed Interest Account
Principal Preservation and Predictable Returns
The New York Life Guaranteed Interest Account (GIA) is a general account stable value solution. GIA contributions are directed to a broadly diversified fixed income portfolio within the New York Life general account. The primary investment objective of the general account is to ensure that New York Life can meet its obligations to contractholders and policyholders.

The GIA offers predictable returns through a semi-annual fixed rate declaration. Additionally, it provides plan participants a guarantee of principal and accrued interest for benefit-responsive withdrawals when the withdrawals are not triggered by plan sponsor driven activity.
Historical Performance Comparisons: GIA vs. Money Market

The chart below illustrates the representative performance of GIA as compared to the Lipper Money Market Institutional Index (Lipper Index). Since its inception, the GIA has consistently outperformed the Lipper Index. By investing in New York Life’s general account, the GIA may access investment strategies that are not utilized in money market funds, such as private placement bonds, commercial mortgage loans, and longer duration fixed income securities. These expanded strategies, combined with a longer duration, generally result in the generation of higher yields, which can be passed along to participants through GIA’s crediting rate. In addition to principal preservation, the GIA also offers a minimum guaranteed crediting rate that ranges from 1% to 3%.

A Closer Look at Growth

The illustration below depicts a hypothetical $10 million single, lump sum contribution allocated to both the GIA and the Lipper Index and tracked for 10 years. The results show a material difference in growth. Over 10 years, the GIA investment would have grown by 27.1% to $12.7 million versus the Lipper Index which would have grown by only 6.8% to $10.7 million.

Historically, the GIA has delivered consistent and steady returns through a variety of economic cycles.
Ready to discuss stable value options in more detail? Contact your New York Life representative or visit us at stablevalueinvestments.com

Kevin Mansfield
HEAD OF STABLE VALUE INVESTMENT ONLY
kevin_mansfield@newyorklife.com
973.830.7983

Debbie Vince
WEST
deborah_vince@newyorklife.com
562.533.3013

Brian Sullivan
KEY ACCOUNTS & RELATIONSHIP MANAGEMENT
brian_j_sullivan@newyorklife.com
617.610.5757

Rosanne Dolan, RPA
MARKETING
rosanne_m_dolan@newyorklife.com
201.685.6199

Glenn Macdonald, CFP®
EAST
glenn_macdonald@newyorklife.com
617.771.2549

Fred Spreen
MIDWEST
frederick_spreen@newyorklife.com
732.614.7847

Edward Kaminski, CIMA®
BUSINESS CONSULTANT
edward_kaminski@newyorklife.com
201.685.6376

Kimberly Robinson
RELATIONSHIP MANAGER
kimberly_m_robinson@newyorklife.com
617-416-5306

1. As of June 30, 2022.
2. New York Life Insurance Company provides the guarantee of principal and accumulated interest, based on its claims-paying ability. This option is not guaranteed by the FDIC or the federal government.
4. The term benefit responsive is used to describe investments that guarantee contract value regardless of whether the fair value of the contract’s underlying assets is more or less than contract value.
5. The Lipper Institutional Money Market Index represents funds that invest in high-quality financial instruments rated in the top two grades with a weighted average maturity of 60 days or less. The funds are commonly limited to institutional investors or 401(k) and pension plans and often require high minimum investments and have lower total expense ratios relative to other money market funds. It is not possible to invest in an index.

Money market funds are not guaranteed by the FDIC or any other government agency. They generally seek to preserve the value of an investment at $1.00 per share, but it is possible to lose money by investing in a money market fund.

The GIA is a group annuity contract and not a mutual fund or a collective trust and is issued by New York Life Insurance Company, New York NY.

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