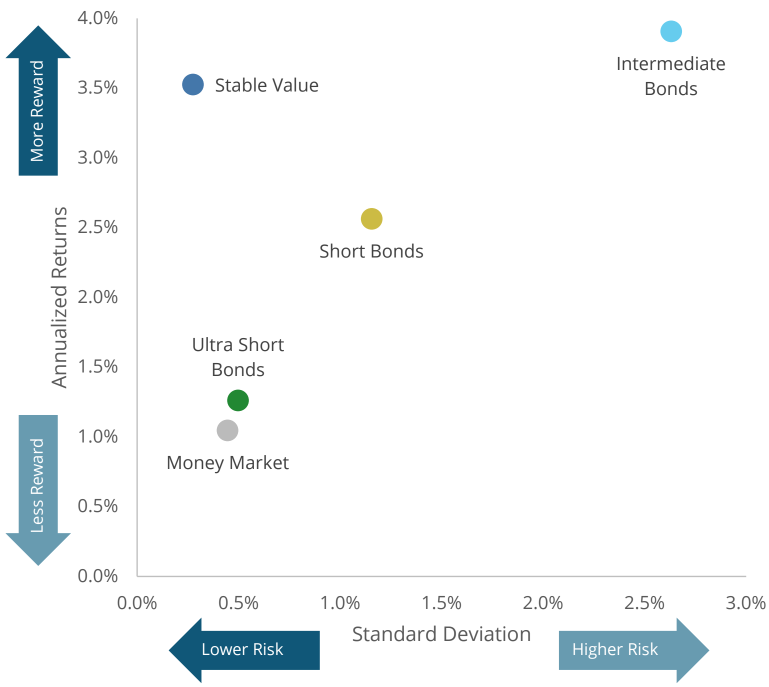
Stable value is a core investment in defined contribution plans. In fact, it has been a part of DC plans for over 40 years. As of December 31, 2020, $902 billion dollars were invested in stable value, which accounted for 10% of all defined contribution assets.[i]

Here are some reasons 401(k) participants choose stable value:

HIGHER OVERALL RETURNS

Stable value crediting rates are averaging 2.08% across all segments as of December 2020[ii], which is significantly above those offered by investments with similar levels of risk (such as money market funds). Investors choose stable value because it is a safe place for them to keep a portion of money that they don't want to expose to significant risk.

15 YEAR RISK VS RETURN
AS OF 12/31/2020



DIVERSIFICATION

Stable value is also a good diversification vehicle. Since stable value has low correlation (or relationship) to stocks, an allocation to stable value can be used to balance riskier investments. Stable value permits investors to build a more optimal portfolio and achieve a higher overall return than could otherwise be accomplished with the same level of risk.

LOW RISK

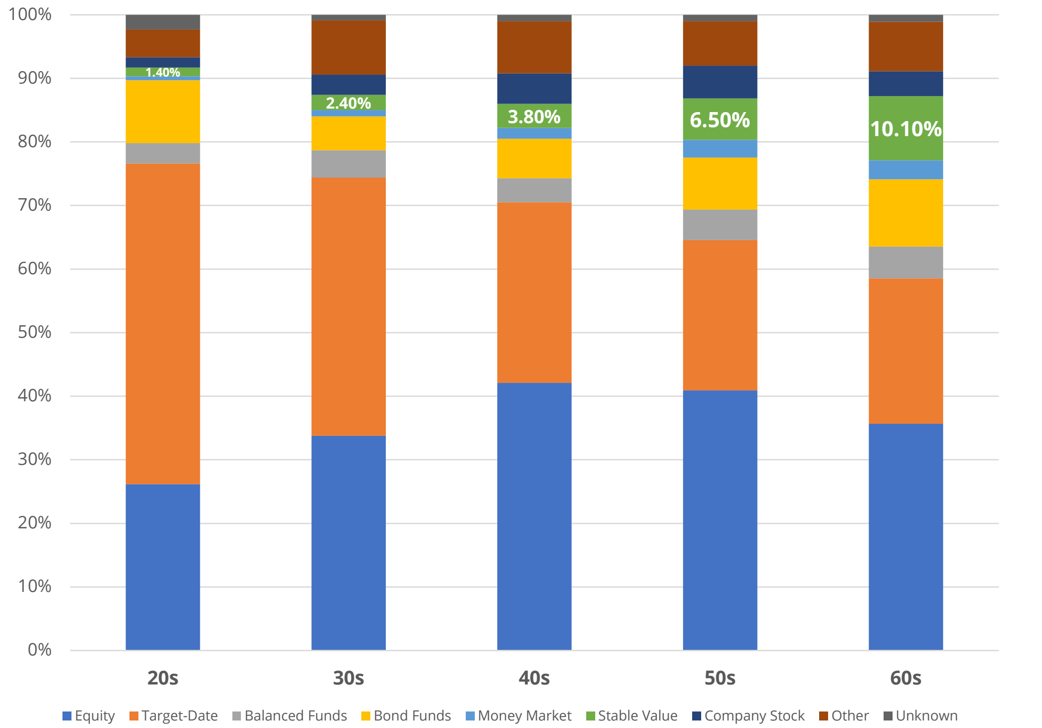
No investment is risk-free, but for a safety-minded investor stable value is the obvious choice as it is one of the lowest-risk options available in defined contribution plans. Besides investing in an overall highly rated diversified portfolio of fixed income investments, stable value is protected by investment contracts from insurance companies and banks that protect investors from interest rate volatility and preserve principal. Stable value is one of the few investments that did not lose money for its investors during the market crash of 2008 nor the COVID pandemic in 2020.

TIME TESTED THROUGH MANY MARKET CYCLES

Stable value has been around since the inception of defined contribution plans in 1974 and has been tried and tested by numerous market conditions. As with most investments, stable value has evolved over time as the industry has responded to feedback from plan sponsors on ways to improve stable value. Through this it has remained a trusted capital preservation option used by participants of all ages in 401(k), 457, 403(b), and 529 plans among others that accounts for over 10% of the $9 trillion defined contribution plan assets as of December 31, 2020.

PORTFOLIO ALLOCATION BY AGE

AS OF 12/31/2018



Source: Holden, Sarah, Jack VanDerhei, and Steven Bass, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2018," EBRI Issue Brief, no. 526, and ICI Research Perspective, vol. 27, no. 2 (March 2021).

It's important to keep in mind that how you invest for your retirement depends on your life circumstances as well as your retirement date and your risk tolerance. Stable value works best as part of a well-balanced portfolio to help you manage risk and preserve principal while still earning a consistent, positive return. For help determining what an appropriate asset allocation would be for you, please speak with your retirement plan sponsor or financial advisor. For more information on stable value, check out these other helpful resources:

Stable Value at a Glance

The Basics of Stable Value

Stable Value Glossary

ENDNOTES

i ICI as of 4Q 2020

ii SVIA 2020 Annual Investment & Policy Survey Report

iii "Stable Value" is a simulation of book value returns in a hypothetical fund holding intermediate bonds and stable value wrap contracts, with crediting interest rates reset monthly using the industry accepted crediting rate formula. The bond returns incorporated into the simulation are monthly market value returns from the Barclays Intermediate Government/Credit Bond Index, with gains/losses reflected in future crediting rates by amortizing market-vs.-book values over intermediate bond index durations. This simulation incorporates no ongoing cash flows into or out of the fund. Returns illustrated are gross before any fees.

"Money Market" is a simulation of money market returns from the iMoneyNet MFR Money Funds Index. Returns illustrated are gross before any fees.

"Intermediate Bonds" is a simulation of market value bond fund returns from the Barclays Intermediate Government/Credit Bond Index. Returns illustrated are gross before any fees.

"Stocks" is the S&P 500 Index with dividends reinvested: a widely used barometer of U.S. stock market performance; as a market-weighted index of leading companies in leading industries, it is dominated by large-capitalization companies. Returns illustrated are gross before any fees.

"Short Bonds" is a simulation of market value bond fund returns from the Barclays Capital U.S. 1-3 Year Government/Credit Bond Index. Returns illustrated are gross before any fees.

"Ultra Short Bonds" is a simulation of 3 month treasury returns from the Barclays Capital U.S. 3-Month Treasury Bellwether Index. Returns illustrated are gross before any fees.