STABLE VALUE

Key to Unlocking Better Retirement Planning Basics for Millennials

Stable value funds can help Americans save and invest for their retirement. Recent research by Prudential (as outlined in our white paper, Expanding the Case for Stable Value) shows that plan sponsors who have adopted stable value associate it with improved plan participation and participant deferral rates, both of which can drive better participant outcomes.

This association is particularly important when it comes to millennials. Millennials are now the largest population in the workforce,[1] so it makes sense to take a hard look at their saving and investing habits. And when we do, it becomes apparent that stable value can play an important role in helping millennials save for a more secure retirement.

We know millennials tend to be conservative when they invest. But the challenge facing millennials is their low defined contribution plan participation rates. A 2015 report found that not only were millennials the generation least likely to contribute to a workplace retirement plan, their participation rate is actually declining.[2] This could be due to a variety of reasons, from prioritizing student debt payment over saving for retirement, to behavioral hurdles such as procrastination. Whatever the cause, according to a 2016 survey of 2,000 adults, 57% of millennials reported that they had not yet begun saving for retirement.[3]

No small part of that reticence to contribute to a retirement plan could be driven by fear of market volatility. Even when they are contributing to their 401(k), millennials on the whole have about a third of their money in cash or money market funds.[4]

And that's where stable value provides opportunity. Offering a stable value fund on a defined contribution plan platform, along with educating plan sponsors and participants about stable value's features like capital preservation and steady, guaranteed returns, may help drive more millennials toward participation and higher deferral rates.

Stable value is particularly attractive for millennials when you consider that this generation has known nothing but market volatility. They tend to be conservative investors, and stable value provides a counterweight to volatility. Stable value can provide them with greater returns than money market funds—often comparable to intermediate bond funds—but with similar liquidity[5] and risk profiles. The money market regulations that took effect in October 2016 may even strengthen the case for adding stable value.

TO REITERATE A POINT FROM OUR RESEARCH PAPER, “EXPANDING THE CASE FOR STABLE VALUE”:

Thanks to their protection features, which address many plan participants’ fears, stable value funds can give participants the courage to participate earlier in retirement savings plans and elect higher deferral rates. This can yield long-term benefits for plan participants of all ages—namely, the potential for a bigger nest egg when they stop working—and can be especially helpful for millennials, whose plan-participation horizon is longest.

Stable value can be the conservative foundation for a diversified portfolio for workers of all ages throughout their working years. And its protection features can play a vital role in helping millennial participants overcome their investment fears. Stable value adoption can even help boost plan participation and participant deferral rates to drive better participant outcomes.

To learn more visit **stablevalue.prudential.com**

---

[1]Pew Research, “Millennials surpass Gen Xers as the largest generation in U.S. labor force,” FactTank, May 11, 2015.

[2]Financial Finesse, 2015 Generational Research Report, March 2015.

[3]LaPonsie, Maryalene. “Four in 10 millennials don’t have a plan for retirement. Is that really a bad thing?” U.S. News & World Report: Money, May 27, 2016.

[4]Andrus, Danielle. “Stable value fund group makes pitch to risk-averse millennials,” ThinkAdvisor.com, December 5, 2014.

[5]Money market funds are diversified. Stable value allows withdrawals at book value for benefit-responsive withdrawals.

In providing this information, Prudential Retirement is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity. Prudential Retirement may benefit from advisory and other fees paid to it or its affiliates for managing, selling or settling of the Prudential mutual funds and other investment products or securities offered by Prudential Retirement or its affiliates. Investment vehicles sponsored or managed by a Prudential Retirement affiliate generate more revenue for the Prudential enterprise than non-proprietary investment vehicles. Prudential Retirement’s sales personnel generally receive greater compensation if plan assets are invested in proprietary investment vehicles. Prudential Retirement may benefit directly from the difference between investment earnings of Prudential Retirement’s stable value funds and the amount credited to deposits in those funds. Prudential Retirement may also benefit from broker-dealer or other entities’ co-sponsorship of Prudential conferences.

Guarantees are based on claims-paying ability of the insurance company and may be subject to certain limitations, terms and conditions.

Insurance products are issued by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT, or The Prudential Insurance Company of America (PICA), Newark, NJ. Both are Prudential Financial companies. Each company is solely responsible for its financial condition and contractual obligations.

1008208-00001-00

STABLEFLRE22_0002
09/2018