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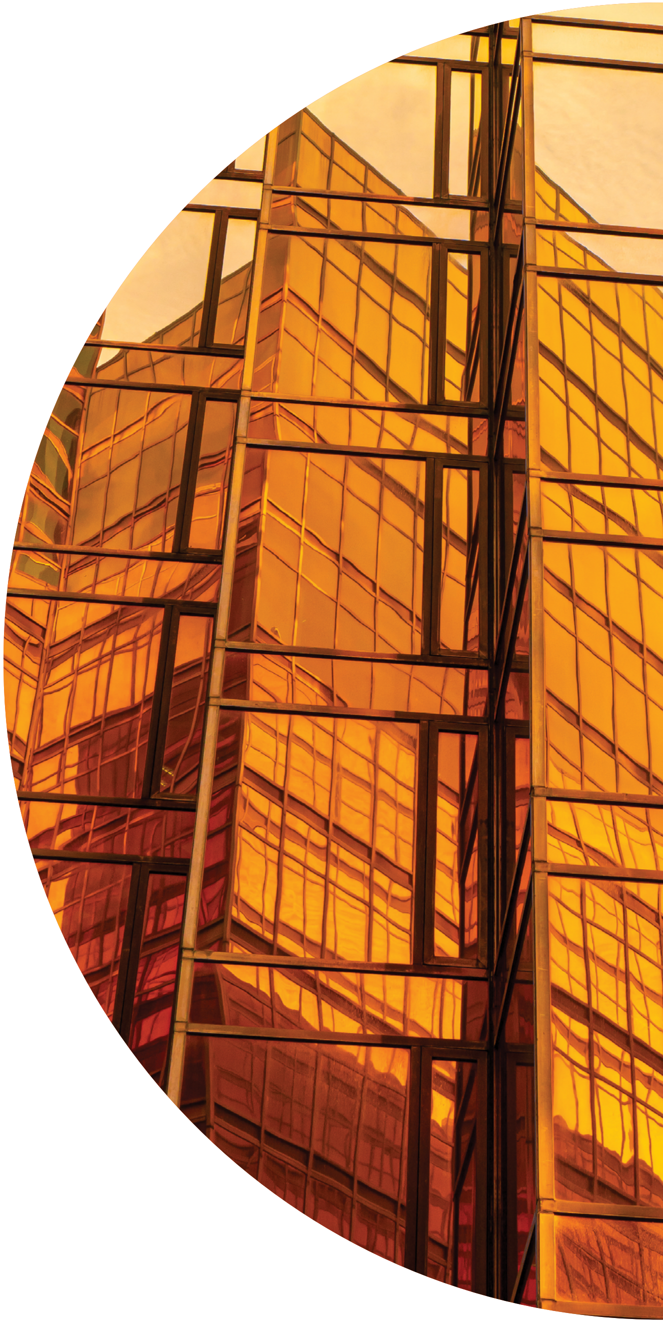
Insights

Stable value in today’s markets



Stable value in today's markets

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Over the past two years or so, uncertainty and volatility in financial markets have become a new normal and the complete impact of Federal Reserve actions and other macro factors on the economy and financial markets is yet to be seen. Providing retirement plan participants the opportunity to preserve capital in volatile times is essential. Given stable value options are specifically designed for use with retirement plans, they can help provide capital preservation, liquidity, and limited volatility during times of market volatility.

Stable Value, an asset class currently entrusted with nearly $862 billion[1] in retirement plan balances, has served as a staple investment choice of defined contribution plans for over 50 years since the Employee Retirement Income Security Act (ERISA) was enacted in 1974. Typically, all stable value products are constructed to maintain a stable principal and constant net asset value (NAV), gradually track interest rates, and generate relatively stable yields relative to other asset classes over long retirement savings time horizons.

The past 30 years included three short-lived periods of inverted yield curves in which money market rates were higher than fixed-income bond rates. During this time, stable value outperformed money market funds by greater than 40 percent. According to the Stable Value Investment Association, during even the most volatile markets, including the crash of 2008 and the 2020 pandemic year, stable value was one of the few retirement savings categories that preserved capital for its investors and performed as expected.[2]

[1] Stable Value Investment Association (SVIA), Stable Value at a Glance, 3/31/2025.

[2] Stable Value Investment Association (SVIA), 5 Reasons to Include Stable Value in Your Portfolio, updated April 1, 2024; https://www.stablevalue.org/5-reasons-to-include-stable-value-in-your-portfolio/

Even in today's environment with rapidly changing interest rates, stable value has continued to perform as expected maintaining preservation and stability and, therefore, peace of mind. By design, stable value crediting rates lag current market rates — remaining higher when interest rates fall and lower as rates rise such as in current markets. Typically, the product delivers the performance of the underlying fixed income portfolio over the long term but with relatively stable yields.

Even so, stable value products are not without risks and, of course, are subject to the claims-paying ability and financial strength of the insurance provider and the terms and limitations of the applicable contract and plan.

Ongoing evaluation and due diligence assessments of stable value solutions remain vital and a common practice we see employed by the financial advisor community. Included with this article is a list of **Stable Value General Practice Points** advisers can reference when seeking to understand and incorporate stable value in their client's retirement plan offerings.

At MassMutual, we earn our clients' trust and confidence through our financial strength, stable value expertise, and customer focus. As one of the largest stable value providers in the industry, with over fifty years of experience, MassMutual is a trusted leader. To learn more about our stable value offerings, please contact us at **svi@MassMutual.com**.

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