

Add Life Insurance to Your Portfolio for Greater Expected Returns

The foundation of a diversified portfolio is an asset allocation that includes a variety of investments, but not all assets are created equal. A new study proves that it is economically beneficial to include permanent life insurance in a portfolio as a part of the fixed income asset class.

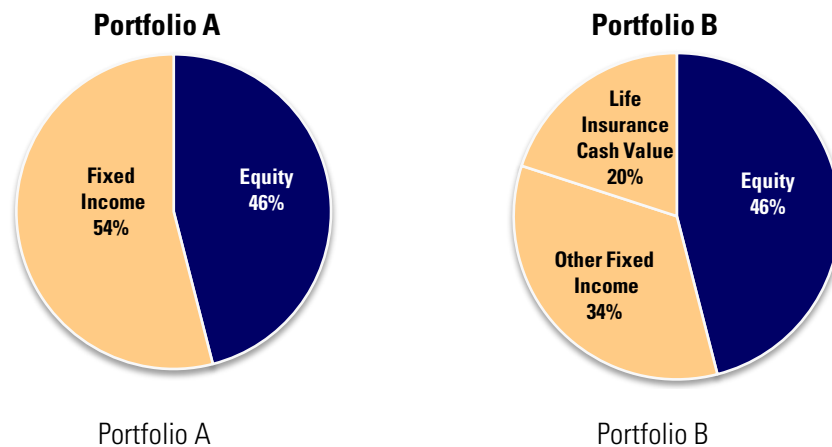
Fixed income is an essential part of any asset allocation, and there are several types of investments within this category, including high yield bonds, Treasuries, and cash or cash equivalents. While most investors recognize these investments as fixed income vehicles, few realize that the cash value of life insurance can also be considered part of this asset class and substituting it for traditional fixed income assets has the potential to improve portfolio performance.

The Cash Value of Whole Life Insurance Improves Portfolio Performance

According to a recent independent study¹ by Ibbotson Associates, a diversified portfolio including permanent life insurance from New York Life Insurance Company has higher expected returns and a lower standard deviation (risk) than a portfolio without life insurance.

In their analysis, Ibbotson measured the expected returns and standard deviation of sample diversified portfolios, and then measured the impact of replacing some of the portfolios' traditional fixed income investments with the cash value of a whole life insurance policy. For example, Ibbotson compares two portfolios that both have a 54% Fixed Income/46% Equity split, suitable for someone with a moderate risk tolerance.

- Portfolio A contains traditional fixed income asset classes such as High Yield Bonds, TIPS, Short-term Bonds, and Cash Equivalents.
- Portfolio B contains these same asset classes, but allocates a portion of the investment in Whole Life Insurance Cash Value.

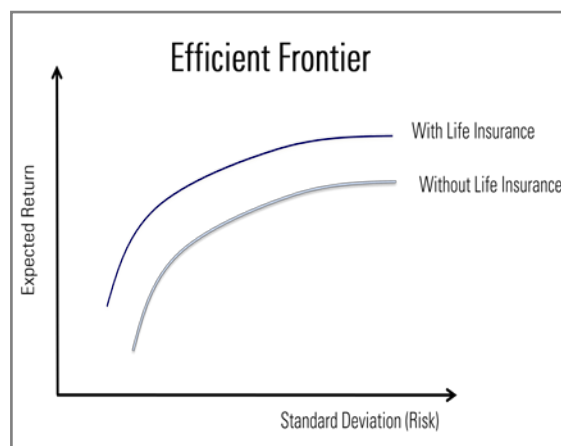


	<u>Portfolio A</u>	<u>Portfolio B</u>
Expected Return ²	6.02%	6.28%
Standard Deviation (Risk) ³	10.14%	9.69%

In Portfolio B, as the allocation to life insurance cash value was increased to 20%, not only could the investor expect up to 26 bps of higher returns, but the standard deviation, or risk associated with Portfolio B, was reduced by 45 bps when compared to Portfolio A.

These results are possible in part because of the unique benefits of whole life insurance, such as tax-deferred accumulation, the potential to earn dividends,⁴ and the financial strength and management of life insurance policies' assets by issuing company.

This study is one critical step in helping to prove that incorporating life insurance cash value into a financial portfolio can improve the overall risk and return profile associated with that portfolio and provide for an enhanced efficient frontier⁵.



Life Insurance Offers Additional Benefits

In addition to improving the expected performance of diversified portfolios while reducing the portfolios' risk, whole life insurance also offers several other benefits:

- A guaranteed death benefit
- A level premium guaranteed never to increase
- The ability to borrow from cash value, generally, on a tax-free basis⁶

Take Action Today

NYLIFE Securities LLC is a wholly owned subsidiary of New York Life Insurance Company.

¹ This analysis is based in part on the study, "Estimating Expected Return and Standard Deviation of New York Life Insurance Company General Account for Investors", Ibbotson Associates, 2009.

² The average of a probability distribution of possible returns. Used as a measure of expected performance associated with an asset or a portfolio.

³ A measure of dispersion of data from its mean. Calculated as the square root of variance. Used as a measure of expected risk or volatility associated with an investment or a portfolio.

⁴ Dividends are based on the policy's applicable dividend scale, which is neither guaranteed nor an estimate of future performance.

⁵ Based on modern portfolio theory, efficient frontier is the line of optimal portfolios offering the maximum possible expected return for a given level of risk. Graph is a hypothetical illustration based on expected return and standard deviation of model portfolios with whole life insurance cash value incorporated as part of fixed income asset class.

⁶ Loans against your policy accrue interest at the current variable loan interest rate and decrease the death benefit and cash value by the amount of the outstanding loan and loan interest.



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