A Q&A with New York Life Chief Investment Officer Tony Malloy

Why New York Life's Chief Investment Officer believes in whole life.

Anthony Malloy is Executive Vice President and Chief Investment Officer of New York Life Insurance Company. Mr. Malloy is responsible for the management of the company's assets. Mr. Malloy is also the head of the firm's global asset management business, which manages over $575 billion in fixed-income, equity, and alternative investment strategies for insurance, institutional, and retail clients. He is a member of New York Life's Executive Management Committee and serves on its Risk Steering Committee.

Mr. Malloy joined New York Life in 1999 and has more than 30 years of investment management and financial services experience. He has held various positions of increasing responsibility in New York Life, including Senior Managing Director and Head of Fixed Income. He has also served as Managing Director and Head of Leveraged Finance. Prior to joining New York Life, Mr. Malloy achieved positions of increasing responsibility in lending, risk management, and debt capital markets with J.P. Morgan, Toronto-Dominion, and First Chicago. Mr. Malloy serves on the board of trustees of Good Shepherd Services. Mr. Malloy earned a B.A. in English and Economics from Middlebury College and an M.B.A. in Finance from New York University.

In most jurisdictions, the New York Life Whole Life, and Custom Whole Life, policy form number is ICC 18217–50P (4/18). State variations may apply.

With years of successful investing experience on his side, Tony Malloy views whole life insurance as a powerful and flexible financial product.

Q: Tony, as the Chief Investment Officer for New York Life and someone who has built a successful career with investment products, why do you speak so favorably about whole life insurance?

A: Whole life insurance is an incredibly versatile and valuable financial product for several reasons. First, there is the life insurance protection benefit, allowing you to protect your loved ones by providing a death benefit to your beneficiaries on a generally income tax-free basis. Second, there is the guaranteed[1] tax-deferred accumulation component, or cash value, which can be accessed to ultimately be used for things like helping fund your child's education or supplementing your retirement income.[2] Third, you can borrow against the accumulated cash value of your policy to help meet unexpected financial needs.[3] It's simply not possible to replicate these features with traditional investment products. From my perspective as both an investor and a policy owner, whole life insurance belongs in everyone's portfolio.

Note: There may be tax implications for policies recognized as modified endowment contracts (MECs) for loans or partial surrenders.[4]

Q: What do you see as the value proposition of whole life?

A: Whole life combines the benefits of an insurance product, the death benefit, with the benefits of a savings product, guaranteed cash value growth. It also allows participating policy owners to be eligible for dividends.[5] All of this is wrapped within the product's tax benefits of tax-free buildup and tax-free transfer. It's a unique and powerful combination. Whole life is especially valuable when placed in a trust used for legacy and estate-planning purposes. Wealthy people should seriously consider whole life as an important part of their trust assets.

Q: What do you see as the competitive advantage for New York Life's whole life products?

A: The value proposition of owning a participating whole life insurance policy from New York Life has never been better. New York Life is committed to paying the strongest possible dividend each year while maintaining unquestioned financial strength to back the long-term guarantees we make.[5] Whole Life is essentially a long-duration obligation, so it's logical that you would want to buy your policy from a company that will remain strong, not just for the next five or 10 years, but for the rest of your life. In some cases, that could be 40 to 50 years, or longer. At New York Life, we invest the premiums we receive, including whole life premiums, and manage them for the long-term security and peace of mind for our policy owners. We employ an investment strategy that is prudent and balances risk with potential rewards. And that strategy has put us in a very strong financial position, where we have among the highest possible financial strength ratings currently issued to any U.S. life insurer.[6] That is our competitive advantage. And I am proud that this year marks our company's 175th anniversary as a strong, stable mutual life insurance company.

Q: How much credibility do you attach to the "buy term and invest the difference" strategy?

A: When I started out in my career, "buy term and invest the rest" was the conventional wisdom. I still do believe that term insurance makes sense for people who may be just starting out and don't have a lot of disposable income. But that also means they may not have much to invest for the future either, so in my view the "buy term and invest the difference" strategy just doesn't work in that scenario. But as your income goes up and you begin to accumulate wealth, I think a whole life policy could be the answer. That's because you really must be an incredible investor to add the returns necessary, on a pre-tax basis, to match the long-term cash value growth in a well-funded whole life policy.

Q: What is your investment philosophy when it comes to the assets backing our whole life policies?

A: We have a well-established set of investment principles that we adhere to. First and foremost, we take a long-term view with our investments. We are making long-term promises and guarantees, so we want the assets we're investing in to have a high degree of safety so they can support those guarantees. Second, we do our own fundamental credit research and investment analysis. We don't buy things based on what someone else says; we do our own work in that regard. Third, we believe strongly in the power of diversification. We don't want to have any concentrations that bring unnecessary risk to our portfolio. We spread our assets across many investment sectors. Lastly, we believe we should get paid for the risks we are taking. We do have to take some measure of risk, because we aim to generate a yield that meets our policy obligations, which in most cases, exceed the yields available in the treasury bond market. So, we take the necessary investment risk to achieve the desired yield but do so only if we believe we are being compensated appropriately for the risks we take. By sticking with these core investment principles, we're able to deliver the consistent results we have been able to provide for our whole life policy owners.

Q: Dividend eligibility is an important part of a whole life policy. What is behind the recent consistency of our whole life dividend?

A: Our diversified business model is a critical differentiator that has allowed us to maintain a relatively stable dividend. As a result of the persistently low interest-rate environment, our portfolio yield has steadily declined, which puts downward pressure on the dividend. We have been able to partially mitigate this by investing a portion of our portfolio in private asset classes, which offer the opportunity for higher returns than traditional investments. We own a diversified and growing portfolio of operating businesses. We have been able to use a portion of the earnings from these businesses to help offset the impact of low interest rates to support the dividend. These are complementary businesses that we have built and invested in over the years and that support our strong core life insurance business. Ultimately, the earnings from all our businesses help fund growth, contribute to the dividend and help maintain our unparalleled financial strength–all for the benefit of our eligible participating policy owners.

Editor's Note: As you plan for your future, be sure to discuss whole life with your New York Life financial professional as a possible solution to your protection needs.

[1] The guarantees of a policy are based on the claims-paying ability of the issuer.
[2] Accessing the cash value of the policy will reduce the total available cash surrender value and total death benefit.
[3] Interest is charged on a policy loan.
[4] Certain tax advantages are no longer applicable to a life insurance policy if too much money is put into the policy during its first seven years, or during the seven-year period after a "material change" to the policy. If the cumulative premiums paid during the applicable seven-year period at any time exceed the limits imposed under the Internal Revenue Code, the policy becomes a modified endowment contract, or MEC. An MEC is still a life insurance policy, and death benefits continue to be tax free, but any time you take a withdrawal from an MEC (including a policy loan), the withdrawal is treated as taxable income to the extent there is gain a in the policy. In addition, if you are under 59½, a penalty tax of 10% could be assessed on those amounts and upon surrender of the policy.
[5] Dividends are not guaranteed. Some policies are participating, but are not expected to receive dividends.
[6] Individual Independent Rating Agency commentary as of 10/15/2020: A.M. Best (A++), Fitch (AAA), Moody's Investors Service (Aaa), Standard & Poor's (AA+).

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