Honorable Mention

By Editorial Staff *Thu, Aug 27, 2020*

Retirement Income Journal takes a break; Explaining the stock market/real economy disconnect; MetLife Investment Management originates $6.2 billion in private placements; Jackson National creates insurance portal for 'iRIAs'; DPL platform adds Principal disability and term life products; Dialog needed as kids return to nest: New York Life.

Retirement Income Journal takes a break

RIJ staff will take a two week vacation, starting today. We will publish next on September 17, 2020. Happy Labor Day to all.

Explaining the stock market/real economy disconnect

Many market-watchers have wondered publicly and privately why equity prices have recovered over the past five months in defiance of the weakness in the U.S. economy, as reflected by persistently high unemployment rates and uncertainty about the future impact of COVID-19.

In a recent working **paper** from the National Bureau of Economic Research, two MIT economists propose an answer. They say, in short, that the discrepancy is exactly what you'd expect to see when a central bank responds correctly when economy stalls because of a sudden drop in demand.

The "wide disconnect between the main stock indices and the state of the real economy in the U.S. following the Fed's powerful response to the Covid-19 shock" is a "vivid example" of optimal central bank policy to the emergence of a "negative output gap," write Ricardo Caballero and Alp Simsek. (A negative output gap means spare capacity in the economy as a result of weak demand.)

"Overshooting" is how they describe the rise in stock prices prior to a recovery in output and demand. "To minimize the output gap," they write, "the central bank optimally induces asset price overshooting." It should do so, "even if there is no output gap in the present but the central bank anticipates a weak recovery dragged down by insufficient demand."

In a separate **paper**, the authors explain how the initial "supply shock," which occurred when exports from China to the U.S. slowed last spring, led to a drop in asset prices and aggregate demand, and how the central bank's responses have helped drive up asset prices, which help drive up aggregate demand, which fosters a broad economic recovery. The authors rejected the idea that its actions favored banks over consumers.

Noting the huge rise in the NASDAQ-100 (which is heavy on Apple, Microsoft, Facebook, Alphabet and other tech stocks) since the Fed eased rates last March, the authors remark that firms “not adversely affected by the productivity shock see their shares’ value rise above its pre-recession level since they benefit from the central bank’s attempt to boost asset prices without suffering from the decline in potential output.”

MetLife Investment Management originates $6.2 billion in private placements

MetLife Investment Management (MIM), the institutional asset management business of MetLife, Inc., today announced it originated $6.2 billion in private placement debt for the first half of 2020, across nearly 100 transactions, including $1.7 billion of investments originated on behalf of institutional clients.

MIM’s private placement debt origination for the first half of 2020 comprised $4.5 billion in corporate private placement debt transactions and $1.7 billion in infrastructure private placement debt transactions. This origination activity, which added 29 new credits, helped increase the value of MIM’s total private placement debt portfolio to $91.2 billion as of June 30, 2020.

MIM’s corporate private placement activity was diversified across industry sectors, including general industrial, healthcare, professional services, retail and utilities. “MIM was selective in its infrastructure private placement opportunities and participated in transactions that provided strong structural protections and relative value across the following sectors: electric transmission, renewable power, social housing and infrastructure, and stadiums. Investments included nearly $550 million in six transactions across the renewable power and social housing and infrastructure sectors,” an MIM release said.

As of June 30, 2020, MIM had $629.1 billion in total assets under management.

Jackson National creates insurance portal for ‘iRIAs’

Under Jackson National Life’s new digital distribution service for independent Registered Investment Advisors (iRIAs) and their clients, Jackson’s insurance-licensed distribution associates can facilitate transactions, the company said in a release today.

The new online portal, designed specifically for iRIAs, comes more than a year after Jackson began making its products available through third-party iRIA distribution partners, including DPL Financial Partners, TD Ameritrade, RetireOne and Financial Insurance Group.

The new digital service complements Jackson's existing distribution channels, including independent broker-dealers, banks, and full-service national brokerages ("wirehouses"). These traditional channels will continue to service hybrid RIAs who maintain an affiliation with a broker-dealer, while Jackson's six dedicated RIA consultants will serve iRIAs.

"The digital experience on Jackson.com provides clients of iRIAs with access to a suite of fee-based annuity offerings with no commissions or withdrawal charges, including Jackson Private Wealth, an investment only variable annuity; Perspective Advisory II, a variable annuity with add-on benefits; and MarketProtector Advisory, a fixed index annuity," a Jackson release said.

"Through the launch of the new online portal, "We are highlighting our commitment to a digital-first approach, including the submission of client information as well as paperless processes all serviced by a fully licensed concierge team," said Dev Ganguly, senior vice president and chief information officer, Jackson.

Independent RIAs can learn more at Jackson.com/ria-and-wealth-managers.html or call 800-711-7397.

DPL platform adds Principal disability and term life products

DPL Financial Partners, host of an insurance sale platform for registered investment advisors (RIAs), is offering additional products from Principal Financial Group on the DPL platform.

"Coupled with last month's announcement of a long-term care insurance alternative, the addition of disability and term life insurance means that virtually every major financial insurance category is now available to DPL's 1,000 member RIA firms," a DPL release said.

Both the disability and term life products became available on the DPL platform starting Aug. 25, 2020.

Dialog needed as kids return to nest: New York Life

The proportion of Americans whose adult children moved back home with them (or adults who said that they moved back home with their parents) is relatively small; however, the data identifies a disconnect in longer-term expectations, according to a new survey by New

York Life.

Parents believe that they will need to support their children for a longer period than their children believe, the survey showed. For example, 38% of adult children believe they will only need financial support for six months or less, while only 27% of parents share that sentiment.

Of the parents whose children moved back home, nearly one in three (29%) expect their kids to stay with them for three or more years. Only 14% believe their children's stay will last three or fewer months. In contrast, just 17% of adults living with their parents expect to stay there for three or more years, whereas 22% expect to stay three or fewer months.

"This suggests a greater need to normalize family discussions about finances," a New York Life release said, suggesting an adviser's intervention.

New York Life commissioned Morning Consult to conduct a series of recurring surveys among a national sample of 2,200 adults. This poll was conducted online between May 29-June 1, 2020.