Income-producing funds from New York Life

By Editorial Staff *Thu, Oct 3, 2019*

Short-term high-yield funds, insured municipal bond funds: These vehicles offer out-of-the-ordinary options for yield hunters, says the fixed annuities sales leader.

Given the Fed's recent pivot from tightening to loosening, risk-averse investors and retirees must continue to scrounge for income, sometimes in non-obvious places.

Short-duration high-yield bonds, taxable municipal bonds, taxable municipal bonds, and dividend-paying equities are all potential sources of excess yield, according to a new white paper from New York Life, which doesn't issue index annuities but which has MainStay mutual fund for each of those asset sub-classes.

The **white paper**, "New York Life Investments Guide to Generating Income," offers income-producing alternatives to the insurer's own fixed annuities. The Fed lowered the Fed funds rate a quarter point in July and another quarter point in September.

"Given the current interest rate environment and bouts of volatility driven by trade rhetoric, geopolitical risk, and Fed uncertainty," the white paper said, "there is a need to think outside the Barclay's Aggregate Bond Index for income solutions."

Short-duration high-yield bonds

If you're looking for an investment with more kick than short-term bonds but less risk than high-yield bonds, this category offers a compromise.

"Historically, short-duration high yield has underperformed the broader high-yield market during periods of price appreciation and outperformed during market sell-offs when spreads widened. In a period of market volatility, we believe short-duration high-yield bonds compare favorably to investment-grade alternatives, offering a potentially higher yield with less interest rate risk."

Taxable municipal bonds

This category, an alternative to corporate bonds, consists of high-quality taxable bonds that are used for infrastructure. "Deteriorating U.S. infrastructure requires $4 trillion of capital in order to be restored to a state of good repair," the white paper said.

"With only about 55% of the funding in place, municipalities and public-private partnerships will be expected to pay for the remaining approximately $2 trillion over the course of the next 10 years. Because of IRS limits to the amount of tax-exempt debt municipalities can issue, we believe that taxable municipal bonds will provide most of this new financing."

Insured municipal bonds

Troubled municipalities can add a layer of insurance to their bonds to make them more attractive to investors. "This type of bond, as represented by the Bloomberg Barclays Municipal Insured Bond Index, have offered a higher total return over the past five years when compared to traditional municipal bonds.

Insured municipal bonds also have had attractive upside/downside characteristics, as they have captured essentially all the upside in the market, while participating in only about three-quarters of the downside," New York Life said.

Dividend-paying equities

In this go-to category for income seekers, New York Life recommends the stocks that have consistently grown their dividends over the years. "Equity income strategies that focus on shareholder yield and companies that generate free cash flow tend to be lower risk than pure dividend-paying stocks," the white paper said.

"Stocks that consistently increase their dividends have outperformed all other stocks over the past five decades. From March 1972 through the end of 2018, dividend growers have offered a very attractive annualized compound growth rate of 12.5%."

Below are links to descriptions of these New York Life's offerings, all with minimum investments of $15,000:

MainStay MacKay Short-Duration High-Yield (MDHAX, MDHIX). The expense ratio 1.05%, and there's a 3% load for investments of $100,000 or less. Its largest sector exposure is in telecommunications.

MainStay MacKay Infrastructure Bond Fund (MGVAX, MGOIX). The expense ratio is 0.85%. There's a 4.5% load for investments of $100,000 or less.

IQ MacKay Municipal Insured ETF. The expense ratio is 0.30%. The top holding is Detroit Michigan Sewer Disposal Revenue bonds.

MainStay Epoch U.S. Equity Yield Fund (EPLPX, EPLCX). The expense ratio 1.07%. The sales load ranges from 5.5% for investments under $50,000 to 2% for investments of $500k to $1 million.