SECURITY BENEFIT

RIA Economic Outlook Index Overview

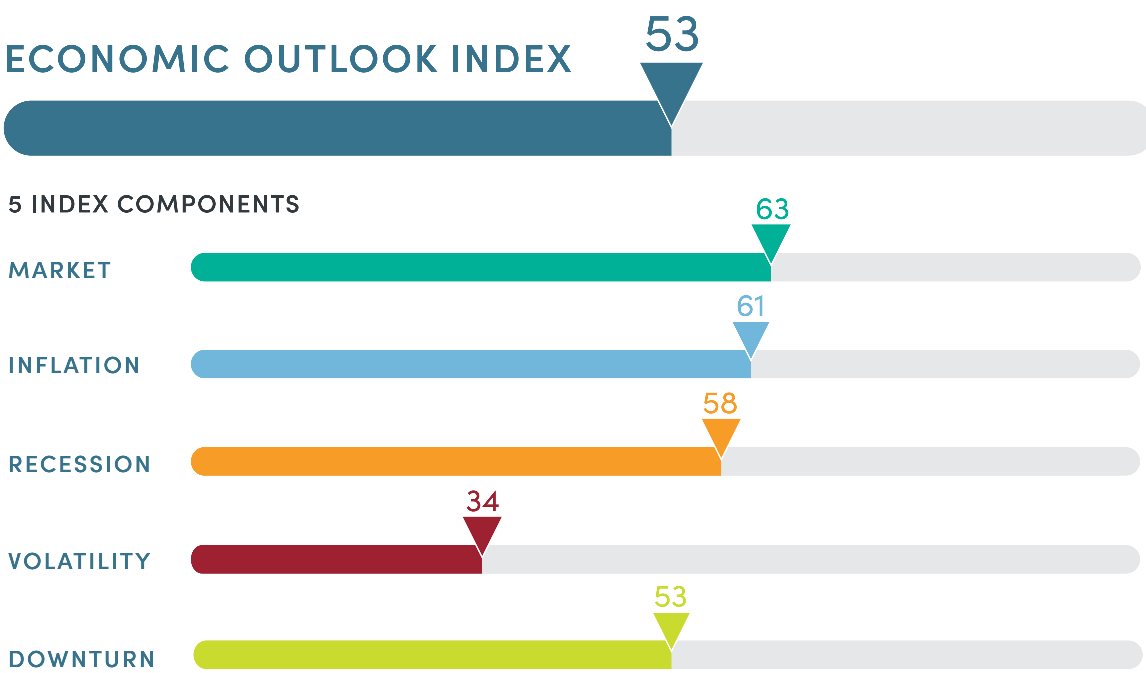
3RD QUARTER 2024

Summary

The RIA Economic Outlook Index, was established to gauge Registered Investment Advisors' (RIAs) expectations for the economy and market trends in the upcoming year. This index was created from five major economic indicators designed to represent the overall attitude of RIAs, including the expected performance of the S&P 500®, inflation rates, recession likelihood, market volatility, and concerns over a major equity market downturn. The current index score of 53 suggests that RIAs maintain a mildly optimistic stance on the economy's potential trajectory over the next 12 months, although optimism has slightly decreased compared to earlier in the year.

Approach

The index is constructed from responses to five questions, each representing a significant economic aspect affecting investment strategies and market perceptions. Responses are quantitatively scaled from 0 (most pessimistic) to 100 (most optimistic), allowing for an understanding of RIAs' economic expectations. The resulting index score, averaging individual responses, captures the overall economic sentiment among RIAs. This analysis is based on a survey of 100 financial professionals, evenly split between pure and hybrid RIAs, to ensure a comprehensive view of the current market outlook. This information was gathered in August of 2024.



Source: Information gathered in August 2024 for the 3rd Quarter 2024 Security Benefit RIA Economic Outlook Index, conducted by Greenwald & Associates.

Key Insights

Index Score and Sentiment: The index score is 53, showing that RIAs are s*omewhat optimistic, but are becoming more cautious* compared to previous months.

Market Performance: 55% of RIAs believe the S&P 500® will be over 2% higher in twelve months. This is a drop from earlier months, indicating *more modest expectations* for market growth.

Inflation Expectations: Almost 90% of RIAs expect inflation to be between 2% and 3.9% over the next year. This shows that their expectations for inflation are *steady, despite general economic uncertainties*.

Recession Probability: About 20% of RIAs think a recession is almost certain or highly likely, which is an increase from the start of the year. However, nearly half believe there's a *low chance of recession*, showing mixed views on economic risks.

Volatility and Downturn Concerns: The number of RIAs *expecting higher market volatility* in the next year has risen to 57%, up from 47% in the second quarter.

Additional Findings

Interest Rate Expectations: Nearly all RIAs (97%) believe that the Federal Open Market Committee (FOMC) is very likely to change interest rates before the end of the year, with most expecting at least two rate reductions in the next twelve months. Over half of the RIAs predict that rates will fall by less than 0.5%.

Election Impact on Markets: Over half of the RIAs surveyed (57%) believe a Trump win in the upcoming Presidential election would cause equity values to rise, while around half expect a Harris win to cause values to fall.

Millennial Clients' Behavior: According to surveyed RIAs, Millennials, despite making up a smaller portion of the client base, demonstrate a higher interest in using technology for communication (such as Zoom, email, or text) and leveraging new sources like social media for investment research. They are also more open to adopting artificial intelligence (AI) as a tool in their investment strategy.

Client Preferences for Reviews: Nearly 80% of RIAs report that Millennial clients are more likely to opt for virtual annual reviews compared to older generations. Additionally, half of the Millennial clients may choose to skip annual reviews altogether.

Investment Strategy Adjustments: Half of the RIAs have modified their investment strategies due to anticipated interest rate changes, with over a third increasing allocations to fixed investments.

Conclusion

The 3rd quarter results of the RIA Economic Outlook Index show a mix of cautious optimism and strategic adaptation among RIAs. While many expect changes in interest rates and potential impacts from the upcoming Presidential election, most remain confident in their current approaches. Millennial clients are driving a shift toward more tech-enabled engagement, and RIAs are adjusting their investment strategies to manage anticipated risks, particularly with increased allocations to fixed investments. Overall, RIAs are preparing for uncertainty while maintaining a steady outlook on the economic environment.

Please consider this overview for strategic planning and as an early indicator of possible economic turning points.

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