

RIA Economic Outlook Index Overview

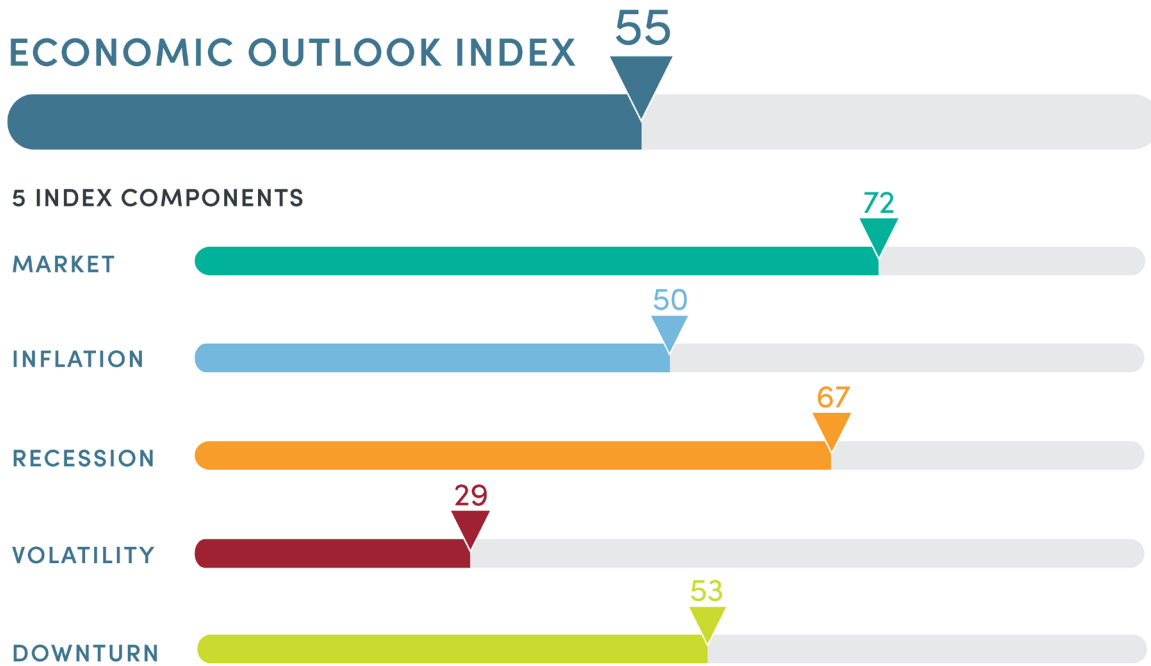
1ST QUARTER 2025

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 55 indicates a continuation of cautious optimism, with slight fluctuations across most economic indicators compared to the 4th quarter of 2024. These results reflect RIAs' perspectives in the aftermath of the Presidential election, which brought minor shifts in sentiment rather than dramatic changes.

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 February of 2025.



Source: Information gathered in February 2025 for the 1st Quarter 2025 Security Benefit RIA Economic Outlook Index, conducted by Greenwald & Associates.

Key Insights

- **Index Score and Sentiment:** The index score decreased to 55 in Q1 2025, indicating a slight pullback in optimism compared to Q4 2024, though sentiment remains largely stable. Hybrid RIAs continue to express greater confidence than pure RIAs.
- **Market Performance:** A majority (59%) of RIAs anticipate the S&P 500 will grow between 3% and 9% over the next year, marking an increase in market growth expectations compared to previous quarters and a more confident outlook on performance.
- **Inflation Expectations:** Inflation expectations have risen slightly, with 55% of RIAs predicting a rate between 3.0% and 3.9% in the next twelve months. Despite growing concerns, the majority expect inflation to remain within a manageable range.
- **Recession Probability:** 71% of RIAs see little to no chance of a recession in the next twelve months, indicating increased confidence in economic stability compared to Q4 2024.
- **Volatility and Downturn Concerns:** Stock market volatility expectations are rising, with 62% of RIAs predicting higher turbulence in 2025, while 19% are highly concerned about a major downturn—up slightly from Q4 2024 but lower than Q3 2024.

Additional Findings

- **Client Growth and Practice Expansion:** Nearly three in four RIAs expect to add new clients in 2025, with 48% planning to focus on high-net-worth individuals, showing a clear trend toward industry growth and prioritizing serving wealthier clients.
- **Regulatory Talk Ramping Up:** Most RIAs (70%) are having conversations with their clients about upcoming regulations, showing that policy changes are top of mind. While some (37%) see new regulations as a positive, nearly one in four (24%) worry about the negative impact.
- **Investment Adjustments:** 31% of RIAs plan to increase equity allocations, but many are staying cautious as they brace for more market volatility. Nearly half (46%) are adjusting their investment strategies in response to the new administration.

Conclusion

The 1st Quarter RIA Economic Outlook shows that RIAs are hopeful, but staying realistic as they move through current market trends, inflation, and regulatory changes. Many expect moderate market growth and feel confident in economic stability, yet concerns about volatility and policy shifts are prompting adjustments to investment strategies. With most RIAs planning to grow their client base and fine-tune their portfolios, the focus is on staying adaptable and navigating the complexities of today's market.

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

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