

# Benchmark

DATA-BASED INSIGHT FROM FINANCIAL PLANNING AND ARIZENT RESEARCH

## Retirement Advisor Confidence Outlook

# Retirement confidence reached new heights on Fed's promised rate cuts

As the new year got underway, wealth managers were feeling unusually optimistic about the U.S. economy — and many said it was thanks to the central bank.

By Nathan Place

In early 2024, one trend from late 2023 was going strong: Retirement advisors were feeling increasingly optimistic about the U.S. economy.

Every month, Arizent's Retirement Advisor Confidence Outlook (RACO) survey asks wealth managers about their economic outlooks. And in January 2024, RACO recorded the highest level of confidence since the survey first started last June.

"The economy seems to remain strong, and this is good for client confidence," one advisor told the survey.

RACO's overall outlook score, which measures advisors' confidence on a scale of minus-100 to 100, rose to 5.12 in January — a new record, and only the second time the score has ever reached into positive territory.

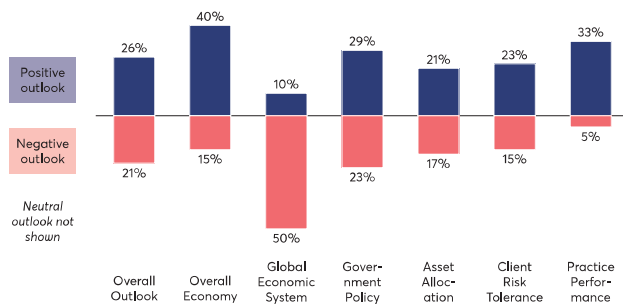
The data continued a long upswing in advisor bullishness. In October, the outlook score reached a record low of minus-21.35, but since then it rose for three straight months.

"I think we are setting up for a good year if the global issues don't turn things very negative," another planner wrote.

What could account for this optimism? One clear reason is the Federal Reserve, which announced in December not only that it was most likely finished raising interest rates, but that it plans to lower them three times in 2024.

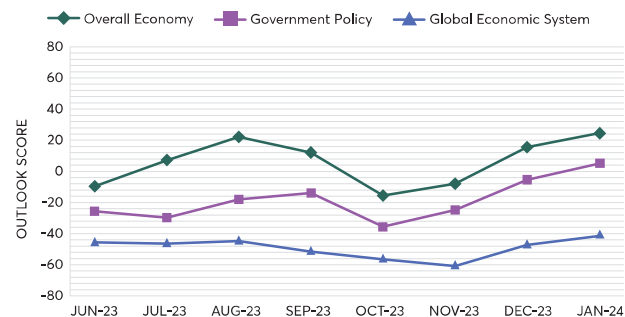
Retirement advisors welcomed this news. RACO found that 57% of planners felt more optimistic about the economy as a result of the Fed's decision. And 40% expected monetary policy to have a positive impact on their clients' finances, compared to just 15% who thought the impact would be negative.

## JANUARY OUTLOOK COMPONENTS



Source: Arizent Retirement Advisor Confidence Outlook Survey January 2024  
Base: 230 Financial Advisors

## ECONOMIC OUTLOOK



Source: Arizent Retirement Advisor Confidence Outlook Survey June 2023 - January 2024

"Lower rates will help everything," one advisor said.  
"Should be good for all asset classes except commodities."  
This positive view of the Fed may have boosted other

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RACO scores as well. Advisors' confidence in government policy rose to 5.9, and their outlook on the overall economy jumped to 25.2 — both new records for those categories.

Client risk tolerance also reached new heights, inching up to a record score of 8.2. Some planners attributed this to the Fed as well.

"Rate cuts will help people take more risks and move out of cash if cuts are big enough," one wealth manager said.

On the other hand, not everyone thought the Fed's announcement was good news. In fact, 8% said the central bank's forecast made them less optimistic.

"Rate cuts mean that the Fed expects a too-slow economy," one advisor said.

Several other planners echoed this concern. Others worried the battle against rising prices was not yet won.

However, a much larger number of respondents noted that inflation has cooled significantly, raising their hopes for a stronger economy this year. Since June 2023, the yearly

change in the consumer price index has hovered around 3% — a long way down from June 2022, when it reached 9.1%.

"I do feel that as of right now, inflation has stabilized," one planner said. "And with that, steady rates, if not rate cuts, will take place at some point this year."

In terms of advisors' own businesses, RACO's data was more mixed. The score measuring the bullishness of clients' asset allocations edged up to 4.4, only a slight increase from December's score of 2.8. And the score for practice performance slid downward, decreasing from 30.9 in December to 27.4 in January.

Nevertheless, wealth managers were generally more hopeful about the bigger picture. Even the score for the global economic system, which typically gets the lowest marks of all RACO's categories, rose to minus-40.4 — a record high.

"Lower inflation and lower interest rates should have a positive effect in the long term," one advisor said.

Another put it more simply: "Things will get better." **FP**

**Nathan Place** is a retirement reporter with *Financial Planning*.

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