

# Benchmark

DATA-BASED INSIGHT FROM FINANCIAL PLANNING AND ARIZENT RESEARCH

## Retirement Advisor Confidence Index

# Bear market only adds to stock woes

Future retirees showed low confidence in the stock market in recent months.

By Nathan Place

Even before Wall Street tumbled into a bear market in June, investors were showing unusually low confidence in stocks — including within their retirement accounts.

New data from Financial Planning's Retirement Advisor Confidence Index (RACI) shows that in May 2022, many future retirees were already nervous about equities and wondering how to limit their exposure.

"Many were asking if we would experience another 2008 with all that is going on," one retirement advisor said. "A few clients closer to retirement age have de-risked a bit."

Investors were only slightly more confident in stocks in May than they had been in April — and April's numbers were particularly low. That month, the index measured an overall composite score of 45, marking only the second time the score had dipped below 50 since the pandemic-battered spring of 2020. In May, that number crept up — but just barely — to 45.2.

RACI scores above 50 indicate an increase in confidence, while scores below that mark signify a decline.

Advisors cited the ongoing Russia-Ukraine war, rising inflation and interest rates as reasons for the anxiety.

"Clients want to take on less risk as fears of inflation and recession loom," one advisor said.

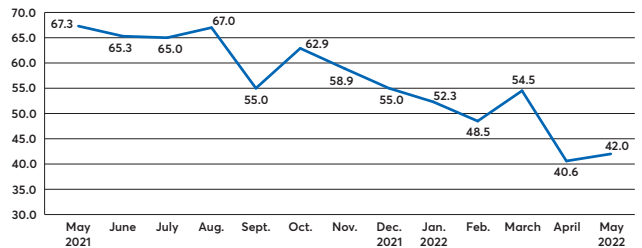
Those fears were reflected by the clients' investments. The amount of capital used to buy equities recovered only slightly — by 1.4 points since April — but remained at a historically low score of just 42. That's 25.3 lower than the same time last year.

In fact, confidence in contributions to retirement plans went down by 4.2 points in May, sinking to an overall score of 52.

"Clients are nervous and want to be more conservative with equity positions by using higher-quality, cash flow positive positions," one respondent said.

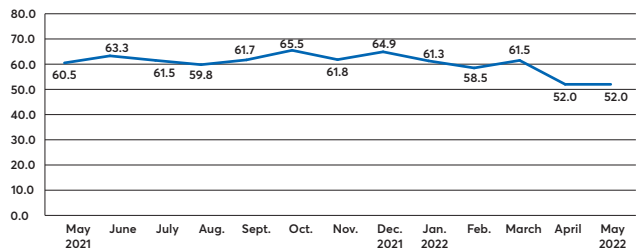
The survey gathered answers from 200 retirement advisors, and the results are full of warning signs. When asked whether

## AMOUNT OF CLIENT ASSETS USED TO PURCHASE EQUITY-BASED SECURITIES



Source: Arizent Research

## DOLLAR AMOUNT OF ALL CONTRIBUTIONS RECEIVED FOR RETIREMENT PLANS



Source: Arizent Research

they'd adjusted their strategies due to fears of a recession, a whopping 77% answered "yes" or "somewhat."

Meanwhile, a plurality of the advisors — 48% — said their clients' risk tolerance was lower in May than it had been in April. Overall, RACI's risk tolerance score remained low at 31, making an anemic recovery of just 2.5 points since April.

"Recession rhetoric makes my clients uneasy," one said.

One can only imagine how such clients are feeling now. On June 13, the S&P 500 plunged by 3.9%, leaving it almost 22%

The Retirement Advisor Confidence Index, published in partnership with ADP®, is created by the editors of Financial Planning and is based on a monthly survey of about 300 advisors. Visit [financial-planning.com](https://financial-planning.com) for more results.

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below its high point in January. The drop put the stock market solidly in bear territory.

Even so, many advisors told RACI their clients were ready to ride out the storm.

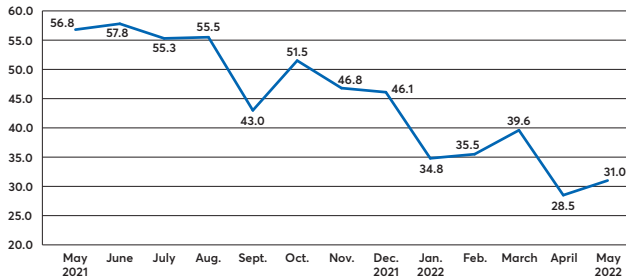
"[Talk of recession] made them more nervous," one said, "but by and large, they stayed the course we laid out for them from the beginning, which is focused on time horizon, among other

factors."

As many advisors pointed out, a good retirement account is typically diverse and focused on the long term, leaving it less vulnerable to a temporary downturn.

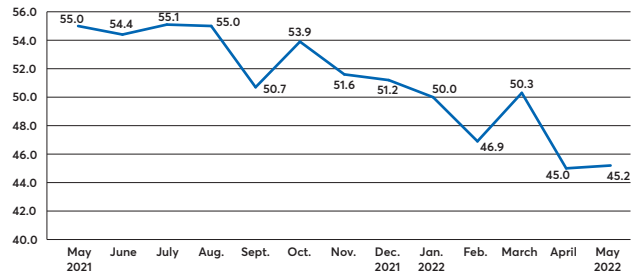
"We walk through the fire drill," one explained, giving clients a "reminder of positioning for downturns, steady for the long term." **FP**

## RISK TOLERANCE



Source: Arizent Research

## RETIREMENT ADVISOR CONFIDENCE INDEX



Source: Arizent Research

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