Janus Henderson
INVESTORS

INVESTOR SURVEY:

INSIGHTS FOR A BRIGHTER FUTURE

2024 EDITION

How is the macro environment shaping individual investor attitudes and behaviors?

INVESTING IN A BRIGHTER FUTURE TOGETHER

INVESTOR SURVEY:

INSIGHTS FOR A BRIGHTER FUTURE

2024 EDITION

Executive Summary

We surveyed **1,000 U.S. mass affluent and high-net-worth investors** to understand how the economic and political environment is shaping financial attitudes, preferences, and behaviors. Our research was conducted in partnership with 8 Acre Perspective, an independent marketing research firm. Based on this year's results, we identified **five major themes** financial advisors would do well to keep in mind as they engage with clients and manage their practices.

Politics remain top of mind Pg. 4

The upcoming U.S. presidential election is the top concern for investors in 2024, eclipsing persistent inflation, higher interest rates, poor stock market performance, or a potential recession. With more than six in 10 investors planning to reduce portfolio risk until after the election is decided, advisors must stand ready to help clients maintain perspective.

The shift out of equities continues Pg. 6

A third of respondents have moved money out of equities into cash or fixed income over the past year and 32% plan to do so in the next 12 months. Despite the increased preference for safer investments, investors view tech and healthcare as good investment opportunities. Advisors will be instrumental in helping investors pivot back to stocks or add duration to fixed income holdings.

AI is fueling financial exploitation fears Pg. 8

More than half of investors are worried that they or a loved one will fall victim to financial fraud – and nearly three-quarters (73%) believe AI tools will greatly increase the risk. Notably, investors are looking to their advisors for guidance, with 45% reporting their advisor has provided resources on avoiding fraud and 29% expressing interest in receiving them.

Financial literacy is high, but overconfidence looms Pg. 9

A financial literacy quiz found relatively high levels of knowledge on key financial concepts such as compounding, inflation, and diversification. However, some investors appear overconfident in their knowledge of these concepts. The good news is that 87% of investors are interested in building their financial knowledge, creating an opportunity for advisors to deliver content aimed at helping investors mitigate emotional biases.

Advisor satisfaction levels receive high marks Pg. 10

Nearly all (98%) investors surveyed who use an advisor are satisfied with their relationship. The most satisfied investors cited their advisor's engagement with family members, interaction with other professionals, and robust offering of financial education as factors contributing to their satisfaction. Additionally, advisors proactively addressing their own succession plans was correlated with clients being very versus somewhat satisfied.

DEMOGRAPHICS (N = 1,000)

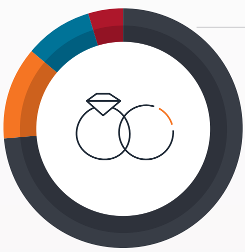
GENDER

- Male 50.0%
- Female 49.8%
- Non-binary 0.20%

ETHNICITY

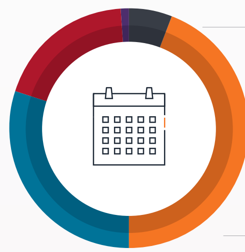
- White 85.8%
- Non-white 14.2%

MARITAL STATUS



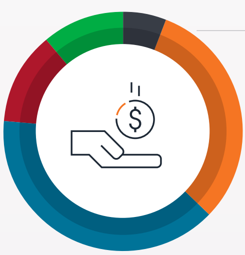
- Married/ partnered 73.8%
- Single, never married 12.4%
- Divorced or separated 9.1%
- Widowed 4.7%

AGE



- Silent (79+) 5.6%
- Boomer (60-78) 44.7%
- Gen-X (44-59) 30.3%
- Millennial (28-43) 18.5%
- Gen-Z (25-27) 0.90%

HOUSEHOLD INCOME



- Less than $50,000 6.0%
- $50,000 to $99,999 31.3%
- $100,000 to $199,999 39.2%
- $200,000 to $299,999 12.6%
- $300,000+ 10.9%

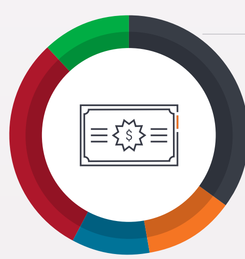
EMPLOYMENT STATUS

- Employed 55.6%
- Retired (or not working) 44.4%

ROLE IN FINANCIAL DECISION-MAKING

- Primary decision maker 67.4%
- Shared decision maker 32.6%

TOTAL INVESTABLE ASSETS



- $250,000 to $499,999 35.0%
- $500,000 to $749,999 12.4%
- $750,000 to $999,999 10.6%
- $1,000,000 to $2,999,999 30.1%
- $3,000,000+ 11.9%

Note: As a requirement of our study, we only surveyed investors ages 25 and up who have investable assets of at least $250,000 and are either the shared or primary decision maker in their household.

INSIGHTS FOR A BRIGHTER FUTURE

POLITICS REMAIN TOP OF MIND

Key Highlights

As was the case in 2023, **the political climate is weighing heavily on the minds of today's investors.**

Detailed Findings

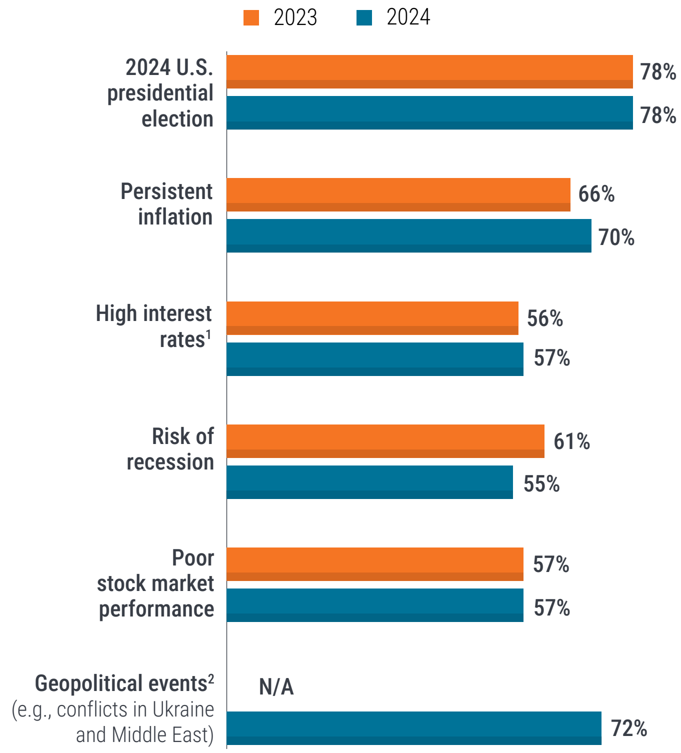
Our 2024 survey found that **78% of investors are concerned about how the upcoming presidential election may impact their financial situation over the next 12 months.** These findings are identical to the results of our 2023 survey. More investors are concerned about the election than are worried about persistent inflation (70%), high interest rates (57%), poor stock market performance (57%), or a potential recession (55%) (Exhibit A). Notably, the proportion of investors concerned about a recession impacting their financial situation declined from 61% to 55% this year. Additionally, 72% of investors reported that they are concerned about geopolitical events, with the conflicts in Ukraine and the Middle East provided as examples.

From a longer-term perspective, investors expressed significant concerns about the political climate both at home and abroad. The four most-cited concerns over the next 10 years were the long-term impact of growing political discord within the U.S. (77%), the rising cost of healthcare (67%), the national debt (66%), and U.S.-China relations (64%).

Exhibit A:

Areas of concern over the next 12 months

(% of respondents indicating they are very or somewhat concerned, as it relates to the impact on their finances)



Advisor Implications

Given the 2024 presidential election once again ranks as investors' top concern, it is perhaps not surprising that **62% of investors plan to take less risk with their investments until the election is decided.** It is common for investors to experience heightened anxiety during election years and to make emotional decisions about their portfolios as a result. Financial advisors must remind these investors that portfolio moves intended to avoid short-term volatility can pose significant risk to long-term financial goals.

It may also be helpful for advisors to reiterate the historical futility of market timing, as discussed on the following page.

[1] The 2023 survey asked about "rising interest rates;" this was changed to "high interest rates" for 2024 survey.
[2] "Geopolitical events" was a new option added in the 2024 survey, thus data on investor sentiment is not available for 2023.

Prioritizing history over politics

Despite typical investor anxiety around presidential elections, history shows that equities can still generate positive returns in election years (Exhibit B). Furthermore, **broader market drivers such as rates trajectory, economic growth, inflation, and corporate profits are likely to play a greater role in shaping this year's investment landscape** than the election.

Exhibit B: Market returns during U.S. presidential election years (1937-2024)

Considerable anxiety in advance of elections but little discernable impact on returns

	Average annual return of S&P 500® Index
All years	12.07%
Presidential election years	10.13%
Average during other years	12.72%

Source: Janus Henderson Investors, as of June 30, 2024. Market performance based on S&P 500 Index for the period 1937-2024.
Note: "Election years" and "All years" include year-to-date performance through June 30.

The market generally prefers congressional gridlock and a divided government, as they create less disruption and fiscal policy uncertainty (Exhibit C). Yet, S&P 500® Index performance data shows varying results under different party control scenarios. This underscores that strong market performance hinges more on supportive economic fundamentals than political party dominance.

Exhibit C: Market returns based on party control (1937-2024)

A house divided seems to stand just fine

	Average annual return of S&P 500® Index
Unified government (Democrat)	12.06%
Unified government (Republican)	16.13%
Divided government, Democratic President	15.93%
Divided government, Republican President	9.37%

Source: Janus Henderson Investors, as of June 30, 2024. Market performance based on S&P 500 Index for the period 1937-2024. Party control designated in the calendar year following elections.

Note: Unified government indicates that the party of the incumbent president also controls both houses of Congress. Divided government indicates that the party of the incumbent president does not control both houses of Congress.

THE SHIFT OUT OF EQUITIES CONTINUES

Key Highlights

A third of investors have moved out of stocks to cash and/or bonds in the past year, and 32% plan to do so in the next 12 months. Despite this trend of de-risking, investors view healthcare/biotech and technology as good investment opportunities over the next few years.

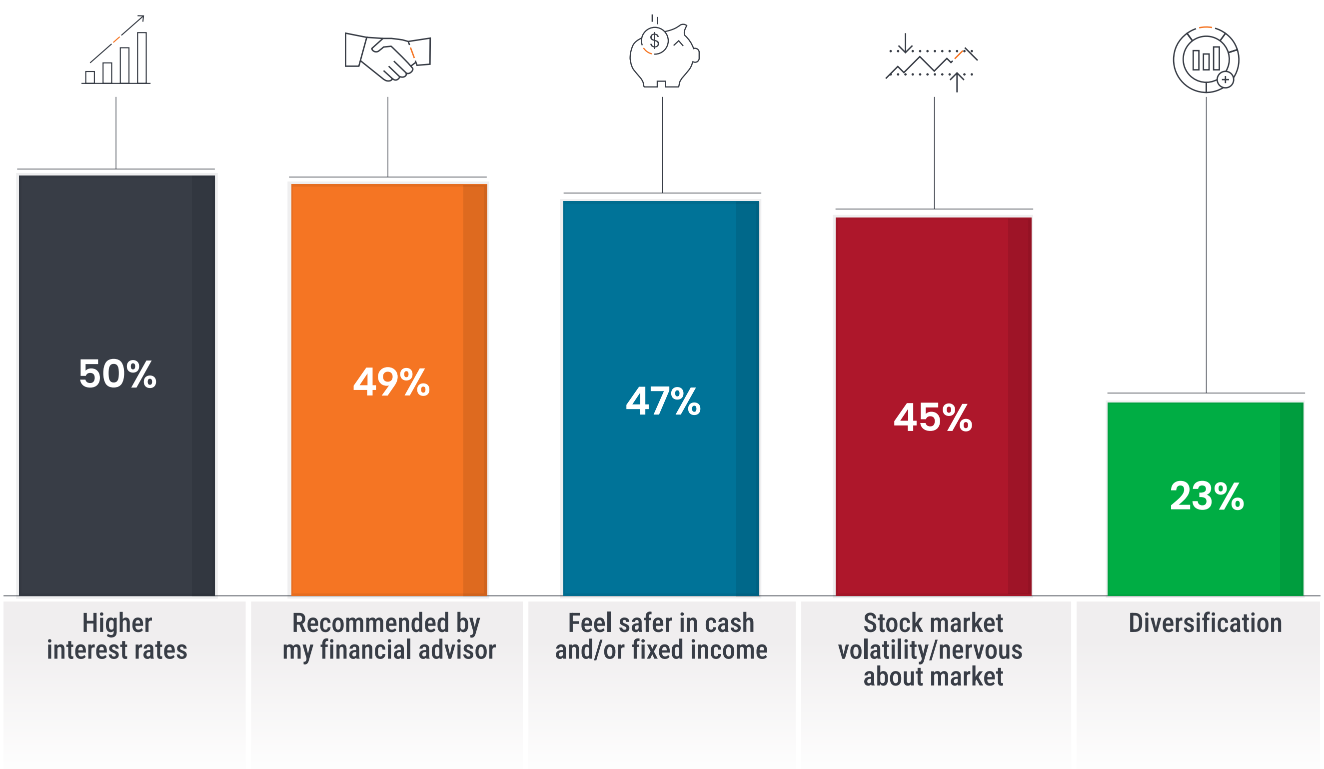
Detailed Findings

Those making the shift from equities to cash or fixed income were disproportionately Millennials, served as the primary decision-maker (versus shared decision-maker) for the household, and/or had investable assets greater than $3 million. Investors cited higher interest rates as the top reason for shifting or planning to shift out of equities, with acting on a recommendation from their advisor, feeling safer in cash or fixed income, and being nervous about market volatility close behind (Exhibit D).

Despite this de-risking trend, **investors appear bullish on certain sectors.** When asked which industries/themes they think represent good investment opportunities over the next few years, 73% chose technology and 62% selected healthcare/biotech, with more modest interest in real estate (38%) and sustainable investing (34%). Only 11% view non-U.S. investing favorably, potentially signaling both home-country bias and recency bias based on recent U.S. market performance.

Exhibit D:

Top reasons investors have shifted out of or plan to shift out of equities to fixed income/cash



Preference for active management remains steady

When asked about preferences regarding active and passive investing, more than four in 10 investors indicated they are looking for an equal mix of active and passive investments, with 43% noting such a preference, up from 37% a year ago. Also notable, among mutual fund investors, 26% prefer active managers compared to 18% who prefer passive managers. The remaining balance had no preference or were unsure.

> "The era of ultra-low interest rates coincided with the growth of passive investment strategies designed to follow the market. Funds that closely track benchmarks have a place in meeting certain investment objectives. Yet, in a higher cost of capital environment, **we believe an active approach to security selection is better suited to separating the winners from the losers and generating outsized returns.**"
>
> **Ali Dibadj,** CEO
> Janus Henderson Investors

Advisor Implications

While it is understandable that income-hungry investors are eager to take advantage of today's higher interest rates, **financial advisors may want to help investors pivot back to stocks and/or begin adding duration to fixed income portfolios.** With inflation off its 2022 peak and recent signs indicating that the economy may be slowing, many economists are predicting a downward trend in rates. In this environment, bonds with longer duration will be poised to outperform cash and shorter-term securities.

Investors' interest in specific sectors or themes presents an opportunity for advisors to incorporate thematic investing strategies, although it's important to ensure that focusing on specific themes does not cause the portfolio to deviate from a client's objectives and risk tolerance. **Thematic investing may also allow advisors to evaluate investment managers based on their thematic expertise and investment capabilities.** For example, advisors should question whether the manager has a differentiated or unique perspective on viable investment themes, a systematic and repeatable thematic investment process, and/or a history of generating superior risk-adjusted returns.

AI IS FUELING FINANCIAL EXPLOITATION FEARS

Key Highlights

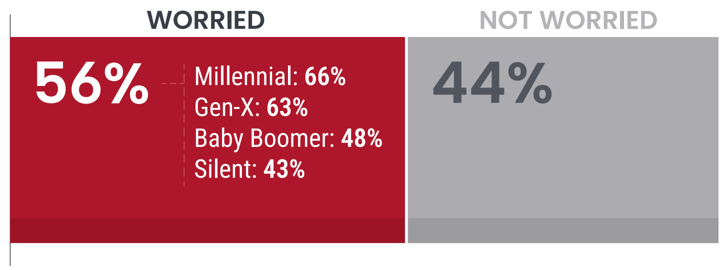
73% of investors believe AI will greatly increase the risk of financial fraud – a risk that appears to be weighing heavily on a large portion of investors. More than half of investors (56%) said they are very or somewhat concerned that they or a loved one could fall victim to financial exploitation.

Detailed Findings

Perhaps surprisingly, **concerns about financial fraud are more prevalent among Generation X and Millennials than older cohorts (Exhibit E).** This may reflect younger investors' greater knowledge of how AI can be used to commit financial scams. It may also stem from worries about their parents' and/or grandparents' susceptibility to fraudsters.

But investors don't have an entirely negative view of AI. In fact, among those who use a financial advisor or would consider hiring one in the next two years, a large percentage feel either good or neutral about their advisor using the technology for administrative tasks (83%) or to create educational content (85%). However, over a third (36%) would object to their advisor using AI to make investment recommendations, and an even greater number (44%) would be upset if they learned their advisor used AI to respond to their texts or emails.

Exhibit E:
Investors worried that they or a loved one will fall victim to financial fraud



73% of investors feel **AI tools will greatly increase the risk** of financial fraud for investors.

Advisor Implications

Many forward-thinking advisors have taken steps to address concerns about financial exploitation and the risks it poses. Among advised investors, **45% have already received resources from their advisor on avoiding financial exploitation** and another 29% reported they have not yet received resources but would like to. With financial scams increasing due to the proliferation of AI technologies, it is critical to educate clients on the growing risk. Furthermore, engaging clients on the topic presents advisors with a win/win opportunity, as investors who have spoken to their advisor about financial exploitation expressed higher levels of relationship satisfaction compared to those who are interested but have yet to do so.

When it comes to the use of AI in advisors' practices, most investors appear comfortable with advisors using the technology to assist with more "hands-off" administrative tasks. However, the large percentage of investors who objected to advisors' use of AI for investment recommendations or direct communication is a clear indication that clients still strongly value the human element for these key aspects of their advisory relationship.

FINANCIAL LITERACY IS HIGH, BUT OVERCONFIDENCE LOOMS

Key Highlights

Most investors correctly answered three basic financial literacy questions included in the survey. However, responses to other self-assessment questions indicate that **some investors may be overconfident in their financial aptitude**.

Detailed Findings

To assess their basic financial literacy, investors were asked three questions focused on compounding interest, the impact of inflation on purchasing power, and the benefits of diversification (see appendix for additional information). **Most investors displayed high levels of financial literacy, with almost two-thirds (62%) answering all three questions correctly and only 3% answering all three questions incorrectly.**

Additionally, the survey asked investors to rate their level of financial knowledge on a scale of 1 (indicating "beginner") to 7 (indicating "highly knowledgeable"). The mean score was 4.6 (Exhibit F). Notably, there were significant differences in both measures of financial literacy based on gender. Males were more likely to correctly answer each of the three objective knowledge questions and to report higher levels of self-assessed subjective knowledge. This gap presents an opportunity for financial advisors to help female investors build their technical competencies and increase their investing confidence.

Another area of analysis was investor overconfidence, as measured by the gap between self-assessed knowledge and actual knowledge revealed through the financial literacy questions. Cohorts exhibiting the greatest overconfidence included males, younger investors, investors with an aggressive risk tolerance, and investors with assets greater than $3 million.

Our findings also show that overconfidence can affect investment decisions. Investors were asked to choose between a portfolio comprised of seven large U.S. technology companies (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla – a.k.a., the "Magnificent Seven") or a portfolio comprised of 493 large U.S. companies that excludes these seven companies. Overconfidence was strongly tied to choosing the Magnificent Seven portfolio, suggesting that overconfident investors may be willing to sacrifice diversification for what they view as the potential for bigger gains.

Exhibit F:
Gender gap in self-assessed financial knowledge

Note: Scores reflect mean stated investment knowledge level.
Scale: **1** = Beginner, **7** = Highly knowledgeable

Advisor Implications

One way advisors can help clients better understand emotional biases like overconfidence is through education. **87% of investors are very or somewhat interested in building their knowledge of investments.** Interestingly, higher levels of overconfidence are associated with stronger levels of interest in financial education. While this finding may appear counterintuitive, researchers have found that high levels of confidence are often a precursor to asking for and a willingness to accept financial counseling and guidance.

ADVISOR SATISFACTION LEVELS RECEIVE HIGH MARKS

Key Highlights

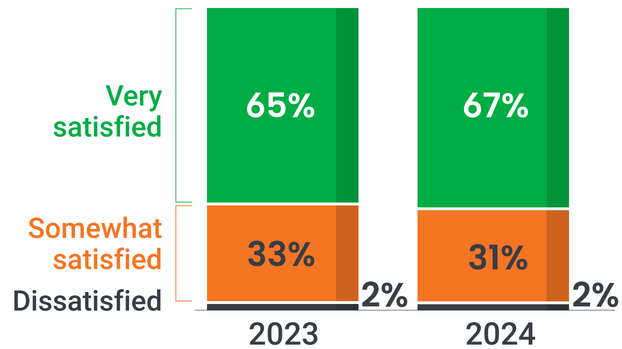
For the second year in a row, **almost all investors who use a financial advisor are either very or somewhat satisfied.**

Detailed Findings

Among the 65% of investors who use a financial advisor on an ongoing basis to help manage their savings and investments, **67% are very satisfied and 31% are somewhat satisfied with their relationship (Exhibit G).** These findings are virtually unchanged from the 2023 survey.

A closer examination of client satisfaction levels found that very satisfied investors are more likely to report that their advisor "cares about me as a person, beyond just my financial situation" and "provides peace of mind that I'm on track to reach my goals."

Exhibit G:
Investor satisfaction with their financial advisor



This year's survey also asked investors to provide their advisor's approximate age and whether they had engaged in discussions related to succession plans the advisor had in place for their practice. Among 650 advised investors, 77 reported that their advisor was age 60 or older. Within this group, nearly half (49%) said their advisor had addressed the topic of succession planning while 31% did not know their advisor's plans but would be interested in learning more. The remaining 20% of investors did not see the need to address this topic. Importantly, the data showed that talking about succession planning is closely associated with higher levels of client satisfaction.

Advisor Implications

When asked what they appreciate most about their financial advisor, investors' most-cited attributes were "softer" skills, such as "effective, proactive communication" (44%) and "friendly, professional service" (34%), whereas more technical capabilities like portfolio management and providing good advice/recommendations were less frequently cited. These are all **strong indications that maintaining a focus on client service and relationships is key to keeping clients satisfied.** The near-perfect satisfaction levels reported suggest that most advisors are in fact focused on the attributes their clients value most.

Additionally, the data found that **advised investors are feeling better about their financial picture compared to do-it-yourselfers.** Advised investors also report having better money conversations with spouses/loved ones. This is noteworthy as many advisors are shifting toward a model that serves the client's whole family. Advisors would be well-served to proactively promote this model, as unadvised investors may be unaware that a holistic approach is becoming more common.

For advisors seeking to take action on our survey findings, consider the following steps:

1. **Remind clients that research shows little evidence that election results are directly correlated with stock market performance.** Indeed, over the past 85 years, stocks have performed well regardless of which political party retains or gains control of the federal government.
2. **Put current market events in proper context by leveraging thoughtful perspective from seasoned investment professionals.** To help clients make sense of today's investing environment, we provide timely updates, investment outlooks, and differentiated perspectives from our portfolio managers and asset allocation experts.
3. **Take the lead on educating clients about ways to protect their financial plans as AI evolves and increases the risk of financial exploitation.** Through our partnership with Wayne State University's Institute of Gerontology, we've developed resources to help advisors engage with clients about this growing concern.
4. **Combat cognitive biases that can lead to poor financial decisions.** We offer a variety of behavioral finance resources, including a program developed with Texas Tech University's School of Financial Planning exploring the challenges arising from the differing mindsets men and women bring to finances and investing.
5. **Create and share concise succession plans crucial for robust advisory services and client trust.** Clients rely on advisors for future planning and value knowing their advisors have a solid plan for client service post-retirement. Our Practice Management Consultants assist in planning and managing this transition.

We hope you find the results of this year's survey helpful, and we would be happy to discuss their implications with you in greater depth. **For more information, please contact your Janus Henderson Investors representative.**

ABOUT THE AUTHORS

Matt Sommer, PhD, CFP®, CFA® | Head of Specialist Consulting Group

Matt Sommer is Head of Specialist Consulting Group at Janus Henderson Investors. His team consists of various subject matter experts across several disciplines including retirement planning, wealth advisory, practice management, and investment strategies. They provide clients actionable insight and expertise they can implement into their business practice to retain and gain clients. Before assuming his current role in 2023, Matt was head of the firm's defined contribution and wealth advisor services team and lead behavioral finance researcher and wealth strategist. Prior to joining Janus in 2010, Matt spent 17 years at Morgan Stanley Wealth Management and its predecessors, Citi Global Wealth Management and Smith Barney, during which time his roles included director of financial planning and director of retirement planning.

Matt received his bachelor's degree in finance from the University of Rhode Island and an MBA with a concentration in finance from Pace University, Lubin School of Business. He received a doctorate degree (dissertation Three Essays Investigating the Bequest Intentions and Expectations of Older Adults) from Kansas State University. His doctoral candidacy research was selected for publication in the Journal of Financial Planning and the Journal of Personal Finance. Matt is a frequent guest on CNBC and Bloomberg TV, a regular contributor to Kiplinger's Building Wealth column and has been extensively quoted in various industry publications including the Wall Street Journal, Barron's, and Investment News. He has 31 years of financial industry experience.

Ian Gordon | Chief of Staff and Director of Strategic Analysis

Ian Gordon is Chief of Staff and Director of Strategic Analysis at Janus Henderson Investors, a position he has held since 2024. In this role, he supports the CEO and senior management in defining and executing the firm's strategy. Ian joined the firm in 2022 as director of strategy and corporate development. Prior to joining the firm, Ian held several roles with AllianceBernstein (AB) from 2014 to 2022 and from 2002 to 2011, including buy-side and sell-side research analyst, and most recently as vice president, strategy and corporate development from 2019. From 2012 to 2013 he was a senior equity analyst focused on the consumer sector at S&P Capital IQ. Earlier in his career, he spent five years as an investment banker with Credit Suisse and ING Baring Furman Selz.

Ian graduated with dual BS degrees in economics and engineering, with a focus on finance and systems science engineering, from the University of Pennsylvania – Jerome Fisher Programme in Management and Technology, graduating magna cum laude. He has 27 years of financial industry experience.

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8 Acre Perspective is a recognized leader in financial services thought leadership research whose work is leveraged by leading financial institutions in a variety of ways, including wide-ranging media coverage, whitepapers, sales and marketing materials, and more.

APPENDIX

METHODOLOGY

To determine whether a significant relationship existed between two variables of interest, this research conducted a series of logistic, ordinal logistic, and ordinary least squares (OLS) regression models. Demographic characteristics such as age, gender, household decision making role, ethnicity, marital status, investable assets, household income, and risk tolerance were included in each model as control variables. Significance was determined at $p<0.05$. Models are available upon request.

Financial Literacy Questions[3]

1. Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, **how much do you think you would have in the account if you left the money to grow?**
    - **a.** More than $102
    - **b.** Exactly $102
    - **c.** Less than $102
    - **d.** Not sure

2. Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, **how much would you be able to buy with the money in this account?**
    - **a.** More than today
    - **b.** Exactly the same
    - **c.** Less than today
    - **d.** Not sure

3. Buying a single company's stock usually provides a safer return than a mutual fund.
    - **a.** True
    - **b.** False
    - **c.** Not sure

Correct answers are (a), (c), and (b).

[3] Lusardi, A., & Mitchell, O. S. (2011). Financial literacy and retirement planning in the United States. *Journal of Pension Economics & Finance, 10*(4), 509-525.

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INVESTORS

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Active and passive investments may both lose value when valuations fall and market and economic conditions change.

Equity securities are subject to risks including market risk. Returns will fluctuate in response to issuer, political and economic developments.

Volatility measures risk using the dispersion of returns for a given investment.

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

Duration measures a bond price's sensitivity to changes in interest rates. The longer a bond's duration, the higher its sensitivity to changes in interest rates and vice versa.

Monetary Policy refers to the policies of a central bank, aimed at influencing the level of inflation and growth in an economy. It includes controlling interest rates and the supply of money.

Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. As interest rates rise, bond prices usually fall, and vice versa. The return of principal is not guaranteed, and prices may decline if an issuer fails to make timely payments or its credit strength weakens.

S&P 500® Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.

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