SECURITY BENEFIT

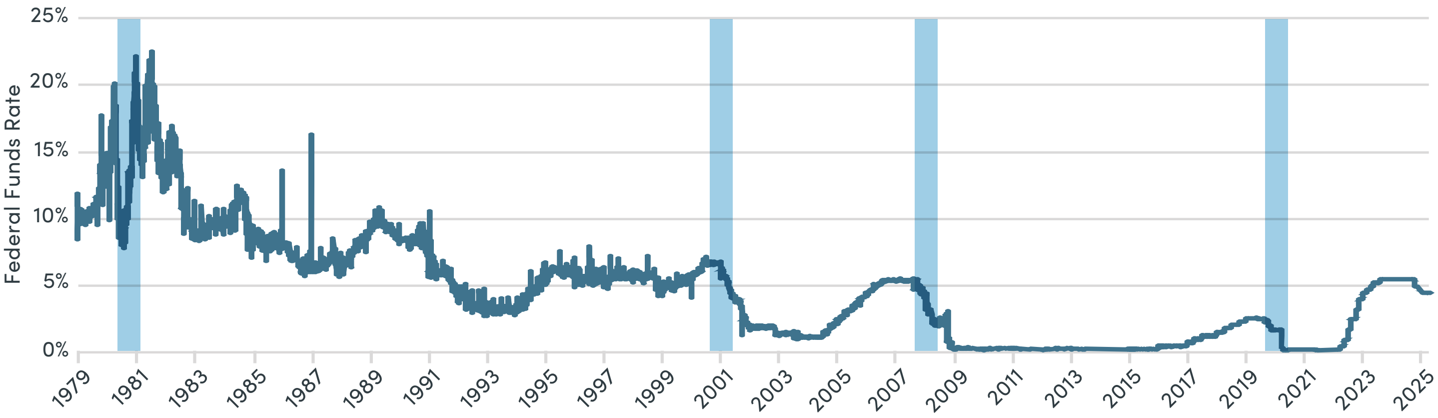
History of Declining Federal Reserve Rate Environments

The Federal Reserve is projecting a series of rate cuts over the next few years which may impact the investments you are using for your long-term planning such as retirement. The Fed's interest rate policies significantly influence the U.S. economy, particularly through their impact on borrowing, spending, and saving.

Declining interest rate environments occur when the Federal Reserve cuts its benchmark rates to stimulate economic activity, typically in response to slowing growth, inflation concerns, or financial crises. In contrast, the Fed raises interest rates when the economy overheats, resulting in too much inflation.

Many are concerned about the potential for an economic recession, and investors need to examine what factors are driving the Fed now as it considers when to begin rate cuts. To understand our current situation, examining the recent history of periods in which the Federal Reserve embarked on a series of rate cuts is helpful.

Fed Funds Rate History From 1979[1]



1980s

The Great Inflation

In the late 1970s and early 1980s, the Federal Reserve tried to fight inflation by raising the federal funds rate from 10% at the start of 1979 to 19% by the middle of 1981[1]. As inflation started to go down the next year, the Fed lowered the rate by almost half to about 9%.

2001

The Dot-Com Bubble Bust and 9/11

When the dot-com bubble burst in the early 2000s, the economy took a big hit. To help, the Fed cut interest rates substantially — from its January rate of 6% to just 1.75% in December. The goal was to encourage economic growth and recovery after the stock market collapse and the 9/11 attacks.

2008 - 2009

The Great Recession

During the 2008 financial crisis, the Fed quickly reacted to help the economy. In 2007, the federal funds rate was over 5%. However, after several big banks collapsed and a severe recession began, the Fed cut rates to near-zero by the end of 2008. The rate stayed at historically low levels (0-0.25%) through 2015 to support a weak economic recovery.

2020

COVID-19 Pandemic

The COVID-19 pandemic caused a huge economic shock. In April, about 20.5 million jobs were lost and the unemployment rate jumped to 14.7%. To help the economy during the crisis, the Fed quickly slashed its benchmark interest rate to near-zero (0-0.25%) during emergency meetings to support the economy as businesses shut down and unemployment spiked.

[1] Macrotrends.net

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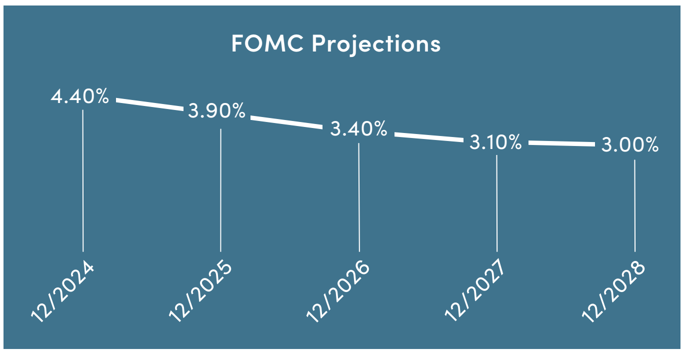
Our Current Situation: The Slow Stair Climb Down

While the Fed's approach to raising and lowering rates has typically been to raise them gradually — step-by-step — and cut them quickly when a threat to the economy occurs, this cycle has demonstrated the opposite. The Fed rapidly hiked rates from March 2022 to July 2023 to fight inflation, then began a gradual descent to guard against inflation resurging. It projects a series of gradual cuts until it reaches 3.00% in 2028.



How Does the Market Respond to Rate Cuts?

Historically, stocks have performed well following the first rate cut. Since 1974, stocks have been positive 80% of the time after one year following the first rate cut, with an average return of 15%[2].

Stocks & Rate Cuts (S&P 500 Forward Returns Post Rate Cut)[2]

Date	1-year	3-year	5-year
12/09/1974	39.0%	17.3%	15.8%
05/30/1980	25.2%	19.9%	16.6%
11/02/1981	17.4%	16.1%	19.8%
11/21/1984	27.8%	17.9%	19.9%
06/06/1989	16.4%	12.1%	10.6%
07/06/1995	21.4%	29.9%	23.6%
09/29/1998	22.5%	1.0%	0.4%
01/03/2001	-12.4%	-4.8%	0.2%
09/18/2007	-22.2%	-7.4%	1.5%
07/31/2019	11.1%	13.3%	14.7%
Average	**15%**	**12%**	**12%**
Median	**19%**	**15%**	**15%**
% Time Positive	**80%**	**80%**	**100%**

Key Considerations During Uncertain Times

1. **Consider rebalancing your portfolio.** Maintaining diversification is key to mitigating market risks. An assessment of your portfolio may entail rebalancing equities and bonds to suit your needs.
2. **Protect against downside risks.** This may be a time to consider leveraging fixed annuities that provide tax deferral, guarantees against the loss of principal, and the potential for credited interest.
3. **Maintain focus on your long-term goals.** Regardless of market possibilities, keep your eye on your financial goals and the primary factors that impact them — economic growth, interest rates, and corporate earnings.

Your path *To and Through Retirement®* begins here.

Talk to your financial professional to learn more or contact us at 800.888.2461.

[2] Morningstar.com/financial-advisors/whats-next-markets-economy-after-fed-rate-cut

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