

Market Volatility

Navigating market downturns, while challenging, present unique opportunities to optimize your financial strategy. By acting thoughtfully during these periods, you can reduce taxes, manage risk, and position yourself for long-term growth. Here are five key strategies to consider when asset prices are lower, designed to enhance your financial resilience and capitalize on market volatility and recovery.

1. Roth Conversions

While asset prices are lower during a drawdown, you may want to think of converting these assets to a Roth IRA or 401k at a reduced value, meaning you pay taxes on a smaller amount today. Once the market recovers, the growth in your Roth accounts becomes tax-free.

2. Tax-Loss Harvesting

Selling investments at a loss during a downturn allows you to offset gains elsewhere in your portfolio or even up to \$3,000 of ordinary income annually. You can then reinvest the proceeds into similar (but not identical) assets to maintain your market position. This strategy can lower your tax bill while keeping you poised for a rebound. Its even possible to sell ETFs and buy similar investments from another company keeping you invested while harvesting the losses.

3. Gaging Portfolio Risk

Market drawdowns are the perfect time to look at the risk in your portfolio. Do you believe it is behaving how you thought it would? Is the idea of viewing your account making you lose sleep? These are signs that we should be reviewing the risk in your account to see if we should be making adjustments in the future.

4. Retirement Contributions

If your income remains steady during a drawdown, consider increasing contributions to tax-advantaged accounts like a 401(k) or IRA. You'll buy more shares at lower prices, amplifying your gains when the market recovers.

5. Estate Planning Moves

Lower asset values can be a boon for gifting or transferring wealth. For example, you could gift depressed stocks to heirs or a trust, reducing your taxable estate while passing on assets that may appreciate later.