Financial Planning Strategies to Consider During Market Volatility

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In today's environment of heightened market volatility, staying grounded in a sound financial strategy is more important than ever. While market movements can't be predicted, you can control how you plan, save, and allocate your assets. Periods of market uncertainty can present meaningful opportunities to revisit your financial strategy, make thoughtful changes, and position yourself for the next bull market.

1. Reassess Your Financial Plan and Investment Allocation

Market fluctuations offer a timely opportunity to review your overall financial plan to ensure your investment portfolio reflects your goals, time horizon, and risk tolerance.

If you are in or near retirement, we typically recommend prioritizing liquidity and ensuring you have adequate cash and fixed income to cover near-term expenses. This could allow you to avoid liquidating equities during market downturns.

If you're in the accumulation phase of life, consider maintaining regular contributions to investment accounts. Consistent investing—such as through dollar-cost averaging—can help mitigate the impact of short-term volatility over time.

2. Consider Strategic Gifting

Gifting assets while values are temporarily depressed can effectively transfer future appreciation out of your estate. For 2025, you can give up to $19,000 per year per beneficiary ($38,000 for married couples) tax-free, and the lifetime gift exemption is $13.99 million per person. This can be done directly or through trusts, depending on your goals and the beneficiaries' financial situation.

Certain vehicles, such as Grantor Retained Annuity Trusts (GRATs), are particularly attractive in a down market as contributions grow tax-free. These are best suited for individuals with sufficient income to meet lifestyle needs and looking for solutions to reduce their taxable estate efficiently.

3. Front-Load 529 Plan Contributions Using the 5-Year Election

If education funding is a priority, consider making a large, one-time contribution to a 529 plan. The IRS allows individuals to contribute up to five years' worth of annual exclusion gifts—$95,000 per beneficiary (or $190,000 for married couples) in 2025—without using the lifetime gift tax exemption.

This strategy maximizes the tax-deferred growth potential of the account and can be a valuable tool for multi-generational wealth planning. Keep in mind that once the 5-year Election is made, no additional gifts can be made to that beneficiary during the 5 years, and the contribution is irrevocable.

4. Evaluate Roth IRA Conversions

A market downturn may present an ideal window to convert traditional IRA assets to a Roth IRA.

Converting during a period of lower asset values allows you to move investments with long-term growth potential into a tax-free account at a reduced tax cost. This strategy is most appropriate for individuals with substantial IRA balances, sufficient liquidity to cover the tax liability, and those in relatively low-income years. Review with a tax advisor to evaluate the potential benefits.

5. Maximize Retirement Contributions

Contributing to retirement accounts during market pullbacks may enhance long-term returns. Eligible individuals should consider contributing to traditional IRAs, Roth IRAs, or employer-sponsored plans. Depending on their structure, business owners may also benefit from higher contribution limits through SEP IRAs or SIMPLE IRAs.

6. Use Tax-Loss Harvesting to Improve Tax Efficiency

If certain investments in your taxable accounts are trading below your purchase price, it may be beneficial to realize those losses to offset capital gains elsewhere in your portfolio.

Unused losses can offset up to $3,000 of ordinary income annually, with any remaining amount carried forward to future years. Be mindful of the wash sale rule, which disallows a loss deduction if you repurchase the same (or substantially identical) security within 30 days.

This strategy can be especially impactful for those in higher tax brackets or with concentrated stock positions and significant unrealized gains.

7. Explore Net Unrealized Appreciation (NUA) Strategies

If you hold employer stock within your retirement plan, you may be eligible for a strategy known as Net Unrealized Appreciation (NUA). When you leave the company and take a lump-sum distribution from your retirement plan, you can transfer the shares to a brokerage account and pay ordinary income tax only on the original cost basis—while any future gains are taxed at the typically lower capital gains rate.

A market decline may offer an opportunity to reset the cost basis at a lower level, improving the tax efficiency of a future NUA distribution. Because this strategy is complex, it should be coordinated with your financial advisor and tax professional.

Market volatility, while challenging, can also catalyze proactive financial planning. Whether rebalancing your portfolio, optimizing your tax strategy, or positioning your legacy through gifting, thoughtful action during uncertain times can lead to meaningful long-term benefits.

If you'd like to explore how any of these strategies may apply to your situation, please get in touch with your wealth consultant or take our client compatibility survey.

representation as to its accuracy or completeness.