RILEY & LOWE
FINANCIAL SOLUTIONS LLC
CREATE • MANAGE • PROTECT

Enduring Market Volatility with a Financial Plan

If you hope to retire soon and are concerned about what the future may hold for your investments, you are not alone. Inflation has many retirees and soon-to-be retirees worried about outliving their savings and investments.[1]

What might you do to survive and even thrive during volatile markets? A financial plan may help you feel more confident and help you consider a few additional ways to manage your financial worries in retirement.

Benefits of a Financial Plan

Having a financial plan—and sticking to it—may help ease your mind during market downturns. There are many reasons for this. A financial plan may:

- Help you focus on long-term patterns instead of short-term disruptions.
- Give you the flexibility to adapt to market changes.
- Guide your asset allocations to be appropriate for your risk tolerance, age, and other factors.
- Prevent you from making any costly actions with your investments.

The temptation to do something—anything—when your investments decline is strong. A financial plan may ground you and help ensure that your actions align with your strategies and goals.

Financially Thriving in Volatile Markets

Along with having a financial plan, here are a couple of strategies you may consider during a down market.

Reduce Your Debt

Paying back expensive debt or anything with a variable or adjustable rate may help you withstand economic uncertainty. Higher interest rates mean a higher cost of borrowing, so the more debt you have, the more it costs you.

By prioritizing debt paydown, you may put yourself in a position of financial flexibility, allowing you to balance your household expenses to match your income or investment gains.

Have Adequate Cash Reserves

Although reducing debt is a worthy goal, it should not happen at the expense of all of your cash. You want to strike a balance between putting away money and lowering your overall debt load.

For retirees, having between 12 and 24 months of living expenses in cash may help you avoid having to withdraw from retirement funds during a market downturn.[2] By keeping your funds invested, they may be poised to recover once the downturn ends.

Consider Tax Loss Harvesting

Suppose you are holding some taxable investments that are worth less than you paid for them. In that case, you may be able to take advantage of tax-loss harvesting to offset some capital gains tax liability for other investments. By selling these investments (or "harvesting" your loss), waiting one month, and then repurchasing the same assets, you may generate a paper loss (a loss in value that appears in your accounts, but does not involve a real cash loss) that you could use for your tax liability on the winning investments.

If tax losses exceed annual gains for that tax year, the taxpayer may use the rest of the losses to offset up to $3,000 in ordinary income from federal taxes.[3] Tax losses may also be carried forward to continue to offset investment gains in the future.

Footnotes: 1 Inflation has many retirees worried about outliving their savings, NPR, https://www.npr.org/2022/02/19/1081875948/inflation-has-many-retirees-worried-about-outliving-their-savings, 2 ·Navigating retirement savings during volatile markets, BlackRock, https://www.blackrock.com/us/individual/education/retirement-volatility-strategies
3 Can Tax Loss Harvesting Improve Your Investing Returns?, Forbes, https://www.forbes.com/advisor/investing/tax-loss-harvesting/