

Market Update | April 2025

Proactive Moves to Consider During This Market Selloff

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Introduction

As we anticipated in our last update, markets have responded negatively to the newly announced Trump tariffs. Considering this evolving landscape, many clients are asking, “What should I do now?” While some expect the response to be “nothing,” we recommend proactive strategies to strengthen your financial plan. Now is not the time to retreat or hesitate. Let’s explore a few actionable ideas.

Tax Loss Harvesting

Tax loss harvesting is one effective strategy during a market selloff. It involves selling securities at a loss to offset taxable gains, thereby reducing your tax liability. This approach allows you to reposition your portfolio while enhancing tax efficiency. However, be mindful of the wash sale rule, which disallows claiming a loss if you repurchase the same security within 30 days.

Roth Conversions

Market downturns can also be an ideal time for Roth conversions. Lower account values minimize the tax burden of converting traditional retirement accounts to Roth IRAs, allowing you to pay taxes on a reduced amount and potentially achieve greater tax-free growth. Additionally, converting during a selloff helps lock in lower tax rates, enabling your investments to grow tax-free in the Roth account.

Funding Estate Planning Vehicles

Another important consideration during market volatility is funding estate planning vehicles, such as Irrevocable Life Insurance Trusts (ILITs) or family limited partnerships. By contributing to these vehicles while asset values are depressed, you can leverage the potential for recovery over time. This strategy not only provides a way to manage future estate taxes but also helps ensure that your heirs benefit from any eventual market rebound, potentially increasing the overall value of your estate.

Revisiting Your Financial Plan / Modeling

A market selloff is an excellent opportunity to revisit your financial plan and modeling. Use this time to assess your current asset allocation, risk tolerance, and long-term goals. By conducting stress tests and scenario analyses, you can better understand how your plan holds up in volatile conditions. This reflective process allows you to make informed adjustments, ensuring that your financial strategy remains aligned with your objectives and that you're prepared for future market fluctuations.

In Conclusion

While these "silver lining" strategies are worth considering, we advise against making drastic changes to your investment approach. Avoid large bets on US dollar outperformance, like going to cash. Focus on executing your current plan to navigate this volatility; we've experienced similar market fluctuations before and will likely see them again in the future. A solid strategy can help mitigate these impacts, and we're here to ensure yours is up to date.

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