GLOBAL WEALTH MANAGEMENT
RETIREMENT, SIMPLIFIED

WHAT TO DO WHEN THE MARKET GOES DOWN

Five concrete actions Florida pre-retirees can take right now — and the three things they should never do during a correction.

83%	50%	5 Actions
less return from missing the 30 best market days	of the best market days happen inside bear markets	you can take right now to put a down market to work for you

For informational purposes only. Not financial advice. Investing involves risk. Past performance does not guarantee future results.

DOWN MARKETS ARE UNCOMFORTABLE. THEY ARE ALSO FULL OF OPPORTUNITY.

Most of the financial conversation around market downturns focuses on what not to do — don't panic, don't sell, don't try to time the bottom.

That advice is correct. But it is incomplete.

A down market is not just a period to endure. For pre-retirees who are still working, still contributing, and still building — and even for those who have recently retired — a correction creates a specific set of planning opportunities that do not exist when markets are at all-time highs.

This guide walks through five concrete actions that Florida pre-retirees can take during a down market, and the three moves that feel right but almost always make things worse. Every item is grounded in data, not intuition.

83%	50%
Less total return for investors who missed the 30 best trading days — vs. staying fully invested	Of the S&P 500's best single trading days occurred specifically during bear markets
Source: Hartford Funds, S&P 500 1995–2024	*Source: Hartford Funds, S&P 500 1995–2024*

THE CORE PRINCIPLE

A down market does two things simultaneously: it makes your current portfolio worth less on paper, and it makes every new dollar you invest worth more in future shares. Whether a correction hurts or helps you depends almost entirely on what you do next.

1 Hartford Funds. "Timing the Market Is Impossible." hartfordfunds.com. Missing 30 best days: 83% less return. 50% of best days in bear markets. Data 1995–2024.

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FIVE ACTIONS TO TAKE IN A DOWN MARKET

WHAT YOU CAN ACTUALLY DO RIGHT NOW

These five actions are not theoretical. They are concrete, time-limited moves that a down market makes available — or more advantageous than usual. Not every action applies to every situation, but each one is worth a deliberate conversation with your advisor.

1

KEEP INVESTING — AND CONSIDER INCREASING YOUR CONTRIBUTIONS

Dollar-cost averaging (DCA) is the practice of investing a consistent amount on a regular schedule, regardless of market conditions. During a correction, that fixed contribution buys more shares at lower prices — mechanically reducing your average cost per share. For anyone still contributing to a 401(k), IRA, or other account, a down market is not a reason to reduce contributions. If you can afford to temporarily increase them, the long-term math strongly favors doing so.

2

CONSIDER A ROTH IRA CONVERSION

A Roth conversion means moving money from a traditional, pre-tax retirement account to a Roth account. You pay income tax on the converted amount now — but qualified withdrawals in retirement are tax-free, including all future growth. During a market downturn, account values are lower. Converting the same number of shares costs less in taxes than it would at market highs. If the market recovers (as it historically has), that growth happens inside the Roth — permanently shielded from future taxes. This strategy is particularly powerful for pre-retirees in years when their income is lower than usual, or who expect to be in a higher tax bracket in retirement.

3

HARVEST TAX LOSSES

Tax-loss harvesting means selling investments that are down to realize a capital loss, then using that loss to offset capital gains elsewhere in your portfolio — reducing your current-year tax bill. You immediately reinvest the proceeds in a similar (but not identical) investment, maintaining your market exposure. The IRS wash-sale rule prohibits buying back the same security within 30 days, but a well-structured approach can capture the tax benefit while keeping your overall allocation intact. This strategy is most valuable in taxable brokerage accounts. Your advisor and tax professional can identify the right candidates.

4

REBALANCE YOUR PORTFOLIO

A market correction rarely affects every asset class equally. As equities decline, your portfolio's allocation drifts away from its target — you may be holding proportionally more bonds and cash than intended. Rebalancing restores your target allocation by systematically buying the depressed assets and trimming the ones that held up. This is a disciplined, rules-based approach that accomplishes the goal every investor talks about — buying low — without requiring any prediction about when the market will bottom. Most financial plans specify a rebalancing trigger.[2] If yours does not, ask your advisor what yours should be.

5

REVIEW YOUR INCOME FLOOR FOR RETIREMENT

If you are within five years of retirement, a down market is the right moment to stress-test your income plan against a bad sequence of returns. Specifically: do you have enough in stable, accessible assets to cover two to three years of living expenses without selling equities at depressed prices? If yes, you can ride out the correction with your growth portfolio intact. If no, addressing that gap now — before retirement begins — is far less costly than discovering it in year one of retirement when you are forced to sell.[3]

2 AE Wealth Management. "What to Consider Doing in a Down Market." Internal whitepaper. Dollar-cost averaging, Roth conversion, and portfolio review guidance.
3 IRS Publication 550. Wash-sale rule: 30-day repurchase restriction on substantially identical securities. irs.gov.

THREE THINGS THAT FEEL RIGHT — BUT AREN'T

THE MOVES THAT COST MORE THAN THE CORRECTION ITSELF

Some of the most expensive financial decisions are made with the best of intentions. During a market downturn, a specific set of reactive behaviors consistently produces worse outcomes than simply doing nothing. Here are the three most common — and why they backfire.

1

MOVING EVERYTHING TO CASH

Feels like: Taking control and stopping the bleeding. What it actually does: Locks in your losses permanently, removes you from the recovery, and forces you to make a second difficult decision — when to get back in. Hartford Funds data shows that missing just 10 trading days over 30 years reduces your wealth by 54%. Most of those days happen during and immediately after the worst stretches.

2

STOPPING CONTRIBUTIONS

Feels like: Protecting income during uncertain times. What it actually does: Stops the mechanism that benefits most from a down market. When you stop contributing during a correction, you miss the window when each dollar buys the most shares. You pay the full price of re-entering when confidence returns — which typically means buying back in at higher prices than where you stopped.

3

WAITING FOR "CERTAINTY" BEFORE ACTING

Feels like: Being patient and prudent. What it actually does: Certainty never arrives. By the time a recovery feels "confirmed" to most investors — when the headlines turn positive, when friends start talking about the market again — much of the rebound has already happened. Investors who waited for certainty in 2009, 2020, and 2025 consistently paid a steep premium to re-enter a market they had already been in.

> *The investor's chief problem — and even his worst enemy — is likely to be himself.*
> *~Benjamin Graham, The Intelligent Investor*

4 Benjamin Graham. The Intelligent Investor. Revised edition, commentary by Jason Zweig. HarperCollins.

KEEPING PERSPECTIVE: WHAT HISTORY SHOWS

EVERY BEAR MARKET IN HISTORY HAS ENDED

The S&P 500 has delivered an average annualized return of 9.96% since 1928 — through the Great Depression, World War II, the 1970s stagflation, the dot-com crash, the 2008 financial crisis, the COVID-19 selloff, and the tariff-driven volatility of 2025.[5] That average includes every bear market and correction along the way.

This does not mean every individual stock recovers. It does not mean every year is positive. It means the index itself — a diversified representation of the broad U.S. economy — has demonstrated a consistent long-term tendency to recover from every downturn it has ever experienced.

5 Investopedia. "S&P 500 Average Returns and Historical Performance." May 2025. investopedia.com.

9.96%

Average annualized S&P 500 return since 1928, through every bear market and correction in history

Source: Investopedia, May 2025

22%

Of the S&P 500's best single days occur in the first two months of a new bull market — a window most sidelined investors miss entirely

Source: Hartford Funds

6 Hartford Funds. "Timing the Market Is Impossible." 22% of best days in first 2 months of bull market. hartfordfunds.com. Data 1995–2024.

THE 2025 CORRECTION: A CURRENT EXAMPLE

In April 2025, tariff-related uncertainty pushed the S&P 500 briefly into bear market territory during intraday trading — a decline of more than 20% from its recent high. By the standards of market history, this was not unusual. Bear markets occur, on average, every three to four years.

Investors who responded with panic selling locked in losses at or near the low. Investors who stayed invested — and especially those who continued contributing or used the opportunity for Roth conversions — participated in the subsequent recovery. The pattern was consistent with nearly a century of prior market history.

WHAT THIS MEANS IN PRACTICE

The goal during a down market is not to feel good about your portfolio. It is to make decisions today that your future self will thank you for. That usually means staying the course, taking advantage of the specific opportunities a correction creates, and avoiding the reactive moves that feel right but historically cost the most.

YOUR DOWN MARKET ACTION CHECKLIST

Use this checklist during any significant market correction. Review each item with your GWM advisor to determine which apply to your situation.

7 This checklist is for general informational purposes only and does not constitute financial advice. Individual circumstances vary significantly. Please consult a qualified financial advisor regarding your specific situation.

ACTIONS TO CONSIDER TAKING

- ✓ Confirmed I am staying invested — no panic selling or moves to cash
- ✓ Reviewed my contribution rate: am I maintaining or increasing during the correction?
- ✓ Roth conversion opportunity assessed with advisor: is this a favorable year to convert?
- ✓ Tax-loss harvesting candidates identified with advisor in taxable accounts
- ✓ Portfolio rebalancing reviewed — has my allocation drifted from target?
- ✓ Income floor for retirement assessed: do I have 2-3 years of stable assets to avoid forced selling?

BEHAVIORS TO AVOID

- ✓ Moving a significant portion of my portfolio to cash or money market
- ✓ Reducing or suspending regular contributions to retirement accounts
- ✓ Making major portfolio changes based on news headlines or market predictions
- ✓ Waiting for "certainty" or a "clear bottom" before making planned moves
- ✓ Comparing my portfolio to last year's high-water mark as a primary metric

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QUESTIONS TO BRING TO YOUR ADVISOR

- ✓ Given the current market, is there a Roth conversion opportunity we should model?
- ✓ Are there any tax-loss harvesting candidates in my taxable accounts?
- ✓ Has my allocation drifted significantly from target, and should we rebalance?
- ✓ Is my retirement income plan stress-tested against a bad sequence of returns?
- ✓ Is this an appropriate time to increase contributions to any accounts?

Want to review your plan for the current market environment?

Our fiduciary advisors work with Florida pre-retirees every day on exactly these situations. Schedule a complimentary conversation. globalwealthmanagement.com

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