

# The Upside of Volatility: Wealth Planning Opportunities



WEALTH PLANNING GROUP  
WPG@PATHSTONE.COM

We all expect ups and downs in asset values when investing over the long term, and the latest fluctuations resulting from tariff announcements are following this course. However, while no one wants to see their assets decline in value, temporary downturns can create wealth planning opportunities. Below we briefly outline some ideas that may provide a silver lining to the current market disruptions, depending on your goals and circumstances. We also highlight the importance of engaging professional guidance given potential tax considerations.

## ESTATE PLANNING

**Make larger lifetime gifts:** With a decline in value, gifts utilizing these temporarily depressed valuations can significantly amplify the benefit of using the current increased lifetime exemptions. The opportunity remains present even when considering an extension of the increased exemptions. Consider gifts to Dynasty Trusts that are not subject to estate tax (or GST tax) again until the trust terminates.

**Fund a Grantor Retained Annuity Trust (“GRAT”):** Fund new GRATs with drawn-down securities expected to rebound as economic conditions or market reactions normalize. If the contributed asset values recover, most of the appreciation will pass to family beneficiaries with little or no transfer tax cost.

**Sell Assets to Irrevocable Grantor Trusts:** Installment Sales to Irrevocable Grantor Trusts (“IGTs”) operate mathematically like GRATs, transferring appreciation on assets sold - above a statutory interest rate - to multigenerational trusts for the benefit of family at no transfer tax cost. A trust purchasing the asset at a depressed valuation can amplify the appreciation transferred.

**Asset Swaps with Grantor Trusts:** Swapping a well-performing asset in a Grantor Trust with a depressed asset will transfer the appreciation on that asset to the trust with little to no transfer tax cost.

**Consider Refinancing and Asset Substitutions:** Loans, GRATs and Sales to IGTs shouldn't be 'set it and forget it' planning strategies. All can benefit from ongoing monitoring and occasional modification when economic circumstances warrant.

## INCOME TAX PLANNING

**Consider Roth Conversions:** Market volatility can create opportunities if considering a full or partial Roth IRA conversion. Converting retirement savings from a traditional IRA to a Roth IRA while portfolio values are temporarily depressed should result in a lower overall income tax liability. Generally, post conversion, any growth associated with the market recovery and all subsequent appreciation will not be taxed as ordinary income when the funds are withdrawn from the Roth IRA.

**Tax Loss Harvest:** Harvesting portfolio losses regularly and proactively, either as part of periodic rebalancing or more tactically as particular sectors, managers or positions experience down-side volatility, can produce significant tax savings over the long run, effectively boosting your after-tax return.

**Crypto Tax Loss Harvest:** In periods of trading volatility, crypto trading losses can be harvested while new positions are repurchased simultaneously, thereby always maintaining desired economic exposure.

**Exercise your Options:** If holding vested but unexercised non-qualified stock options (“NQSO”) or incentive stock options (“ISO”), consider whether an opportunistic exercise in a market downturn might be beneficial. Since compensatory options are taxed as ordinary income on the spread between their grant price and strike price, exercising at depressed market valuations has the potential to convert post-exercise stock appreciation into more favorably taxed long-term capital gain upon subsequent sale (if held for at least one additional year).

## RECOMMENDED NEXT STEPS

As with any wealth planning and preservation strategy, it is important to have a full understanding of the potential impact of tactical choices such as those highlighted above on your overall investment, wealth, and income tax planning goals. We recommend seeking advice from advisors with relevant expertise. We also encourage having an ally working on your behalf to coordinate with the right resources to seek that silver lining on your behalf.

*If you are a client of Pathstone, please contact your advisor for tailored guidance, which may include referrals to professionals qualified to provide appropriate services.*

---

## Disclosures

This presentation and its content are for informational and educational purposes only and should not be used as the basis for any investment decision. The information contained herein is based on publicly available sources believed to be reliable but is not a representation, expressed or implied, as to its accuracy, completeness or correctness. No information available through this communication is intended or should be construed as any advice, recommendation or endorsement from us as to any legal, tax, investment or other matters, nor shall be considered a solicitation or offer to buy or sell any security, future, option or other financial instrument or to offer or provide any investment advice or service to any person in any jurisdiction. Nothing contained in this communication constitutes investment advice or offers any opinion with respect to the suitability of any security, and this communication has no regard to the specific investment objectives, financial situation and particular needs of any specific recipient. Past performance is no guarantee of future results. Additional information and disclosure on Pathstone is available via our Form ADV, Part 2A, which is available upon request or at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Pathstone will act solely in its capacity as a registered investment advisor and does not provide any legal advice. Although Pathstone can provide accounting and tax services, the client should seek the counsel of a qualified accountant and/or attorney when necessary. Pathstone may assist clients with tax harvesting, and we will work with a client’s tax specialist to answer any questions related to the client’s portfolio account. Any tax advice contained herein, including attachments, is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of (i) avoiding tax penalties that may be imposed on the taxpayer or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.