

DAVIES WEALTH MANAGEMENT

Your Volatility Survival Checklist

A practical, step-by-step guide to protecting your portfolio — and your peace of mind — when markets get turbulent.

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4 moAverage S&P 500
correction recovery**+15%**Median 1-year return
after a 10% decline**17,715%**Return since 1930
for staying invested**1**

Portfolio Review

Before reacting to market headlines, run through these portfolio fundamentals.

- Verify your cash buffer** — Do you have 1–2 years of living expenses in cash or short-term bonds? This prevents forced selling during downturns. If you're within 5 years of retirement, aim for 2 years.
- Check your asset allocation** — Does your stock/bond split still match your risk tolerance and timeline? Market moves shift your allocation. A portfolio that started 60/40 may now be 55/45 after a correction.
- Review your withdrawal rate** — Is your annual withdrawal still at or below 4% of your portfolio? If a decline pushed your rate above 4%, consider temporarily reducing discretionary spending.
- Assess sequence-of-returns exposure** — Are you in the "danger zone" (5 years before or after retirement)? 77% of your portfolio's final outcome is determined by returns in the first 10 years of retirement.
- Confirm diversification** — Are you spread across asset classes, sectors, and geographies? Concentration in a single stock or sector amplifies volatility risk. Review your top 10 holdings.

KEY INSIGHT

Since 1980, the S&P 500 has dropped an average of **-14% intra-year** — yet delivered average annual returns of **+13%**. Temporary declines are the price of long-term growth.

2 Tax Opportunity Window

Market dips create tax-saving opportunities that aren't available during bull markets. Act while prices are lower.

- Identify tax-loss harvesting candidates** — Which holdings are currently at a loss?
Sell losing positions to offset capital gains elsewhere. Reinvest in similar (not identical) assets to stay in the market. In H1 2025, Parametric harvested \$5.5B in losses, saving investors \$2B+ in taxes.
- Evaluate Roth conversion opportunity** — Is your portfolio value lower than usual?
Converting traditional IRA to Roth at depressed values means less tax on the conversion — and all future growth is tax-free. This is especially powerful for Florida residents with no state income tax.
- Review charitable giving timing** — Can you donate appreciated assets or bunch contributions?
Donating appreciated stock avoids capital gains tax. Bunching charitable gifts using a donor-advised fund maximizes your deduction in one year.
- Check wash sale rule compliance** — Have you waited 30 days before repurchasing "substantially identical" securities?
The IRS disallows losses if you buy the same or substantially identical security within 30 days before or after the sale.
- Calculate your tax bracket headroom** — How much room do you have before the next bracket?
Use bracket headroom for strategic Roth conversions or realizing gains at lower rates. Know your IRMAA thresholds too.

PRO TIP

Tax-loss harvesting generates **1-2% annual tax alpha** for many investors. On a \$2M portfolio, that's up to **\$40,000 in additional after-tax value every year**. Volatility makes this possible.

3 Behavioral Discipline

The biggest risk during volatility isn't the market — it's our own reactions. These steps protect you from emotional decisions.

- Reduce financial media consumption** — Limit market news to once per day, max.
Constant headlines amplify anxiety without adding useful information. Most "breaking" market news is noise.
- Re-read your written financial plan** — Does your plan account for periods of volatility?
A good plan was designed for this exact scenario. If you don't have one, that's the first thing to address.
- Schedule a check-in with your advisor** — Not to make changes, but to confirm your plan is intact.
Dalbar research shows the average investor underperforms the market by 3–4% annually due to emotional decisions. An advisor helps close that gap.
- Set a "do nothing" commitment** — Promise yourself you won't make portfolio changes for 48 hours after a major drop.
The best market days often occur within days of the worst ones. Missing just the 10 best days over 20 years cuts returns by 50%+.

4 Emergency Preparedness

Ensure you're financially prepared so market drops don't force your hand.

- Inventory your income sources** — Social Security, pensions, annuities, rental income, part-time work.
Non-portfolio income reduces your dependence on withdrawals during down markets.
- Identify discretionary expenses to cut** — What spending can you temporarily reduce if needed?
Even a 10–15% reduction in discretionary spending during a correction can dramatically extend portfolio longevity.
- Assess your liquidity** — Can you cover 6 months of expenses without selling investments?
Include savings accounts, money market funds, CDs, and any available credit lines.
- Review insurance coverage** — Are health, long-term care, and property insurance up to date?
An unexpected medical or property event during a market downturn compounds the financial impact.

REMEMBER

Since 1930, investors who stayed fully invested earned **17,715%**. Those who missed the 10 best days per decade earned just **28%**. The cost of panic is far greater than the cost of patience.

READY TO TAKE THE NEXT STEP?

Let's Build Your Volatility-Proof Plan

Schedule a complimentary discovery call to discuss your specific situation with a fee-only fiduciary advisor who puts your interests first.

[Schedule Your Free Call](#)

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