

What Should You Do When Asset Values Are Falling?

A practical guide to navigating market volatility and protecting your financial future

This guide contains 16 pages and will take approximately 15 minutes to read



When markets fall, knowledge is your greatest asset

This guide explains why markets fall, how they recover, and what you can do to protect and grow your wealth during turbulent times.

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Understanding Volatility

Understanding the volatility of asset prices is essential for investors. It helps them to make informed decisions about their investments and to manage their risk. Volatility is a measure of the rate of change in the price of an asset over time. It is often measured using the standard deviation of the asset's returns.

Volatility is a key component of risk. It is the risk that the price of an asset will fall significantly. This risk is often measured using the asset's beta, which is a measure of its sensitivity to the overall market. High volatility assets are considered to be high risk, while low volatility assets are considered to be low risk.

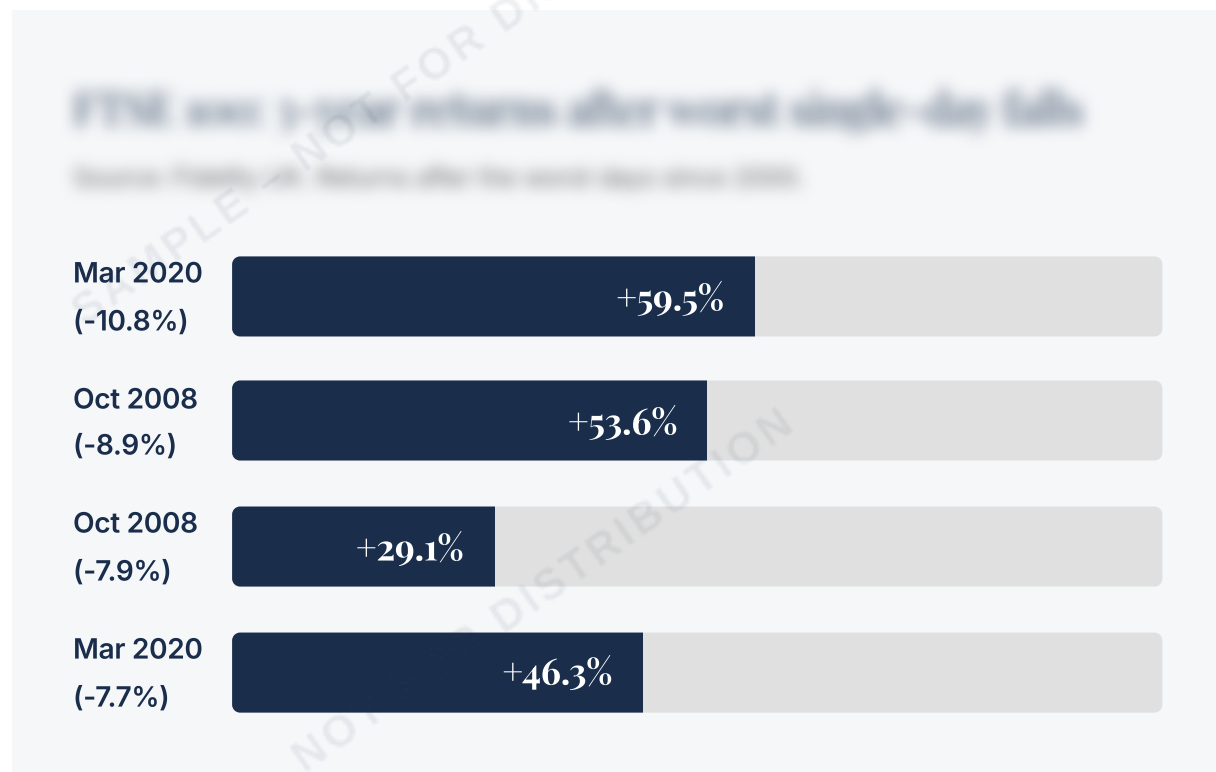
What causes markets to fall?

- Economic downturns or recession
- Unexpected events such as natural disasters or conflicts
- Changes in government policy or regulation
- Shifts in market sentiment or investor behavior



A History of Falls and Recoveries

The FTSE 100 has weathered several major falls of the past few decades and gone on to reach new highs. It has recovered after the worst falls.



Why Your Brain Works Against You

When markets fall, our natural tendency is to make decisions that feel safe but often cause the most damage. Understanding these patterns is the first step to avoiding them.

Loss aversion

Research by Daniel Kahneman and Amos Tversky's prospect theory shows that losses feel roughly twice as painful as equivalent gains feel good. A portfolio drop of 50% needs to rise 75% to reach the same satisfaction. This resistance drives investors to sell at the worst possible moment, leading to a loss of about 20% more value than necessary.

Recency bias

When markets are falling, investors often believe their thinking. The urge to follow the market will continue to hold, it really, the best step in the market almost always comes immediately after the worst step. Some of the best trading steps in a 20-year period occurred within two weeks of the last worst step.

Did you know?

80% of all investors chose their portfolio at least once since 2000 when markets fell, and 60% chose to sell when it fell. Research shows that investors who sell when they panic lose more than 20% of their portfolio's value. The best trading step is to hold on to your portfolio.

The Cost of Trying to Time the Market

Many investors believe they can outperform a buy-and-hold strategy in the market. The evidence shows that timing the market is difficult.

Missing the best days

Investors who missed the best days of 1929-1932 lost more than 90% of their money. Investors who stepped into the market throughout would have lost only 50%. Missing out on the 5 best trading days cost the investor 30% more than the buy-and-hold strategy.

Why timing fails

The best days are often days when the market is falling. Missing the best days of 1929-1932 cost the investor 90% of their money. The 5 best trading days of 1929-1932 were on 11/11, 11/12, 11/13, 11/14, and 11/15. Investors who sold on the Monday missed out on the best days of the year in the 1930s.

The real cost of stepping out

An investor who stepped out of the market in 1929 and missed the best days of 1929-1932 would have lost 90% of their money. Investors who sold after the market fell and stepped back in during the best days of 1929-1932 would have lost 50% of their money. The 5 best trading days of 1929-1932 were on 11/11, 11/12, 11/13, 11/14, and 11/15.

The numbers

8.3%

Investor who missed the best days of 1929-1932 lost 90% of their money.

5.0%

Investor who stepped into the market throughout would have lost 50% of their money.

30%

Missing out on the 5 best trading days cost the investor 30% more than the buy-and-hold strategy.

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The Bigger Picture

Market volatility rarely happens in isolation. When market values fall, the impact ripples across your entire financial plan, your personal confidence, your life strategy, your life priorities and your long-term goals of course.

A downturn can create opportunities. Lower prices mean your regular contributions buy more units. Reinvesting of those contributions positions you for stronger growth when markets recover. We consider how volatility affects your complete financial picture, so no opportunity is missed.

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Taking Control

The current market environment is characterized by volatility and uncertainty. This is due to a variety of factors, including rising interest rates, inflation, and geopolitical tensions. These factors have led to a decline in asset values and a general sense of pessimism among investors.

There are several strategies that can be used to manage risk and protect your portfolio in this environment. These include diversification, asset allocation, and the use of derivatives. It is important to consult with a financial advisor to determine the best strategy for your individual needs and risk tolerance.

What comes next

- The potential for a market recovery
- The impact of inflation on asset values
- The role of central banks in managing the economy
- The importance of staying diversified



Five Things to Do and Three Things Not To

These guidelines are for your information only and do not constitute an offer or recommendation. Please consult your financial advisor for more information.

1 Do your research	2 Keep your portfolio diversified
3 Don't panic	4 Stay invested
5 Reinvest dividends	x Don't chase returns
x Don't trade too frequently	x Don't use leverage

Tax-Smart Moves in a Downturn

Following market volatility, there are several opportunities to take advantage of tax-efficient moves. These strategies can help you reduce your tax liability, protect your gains, and make the most of your portfolio.

Strategy	How it works	Tax benefit
Bed and ISA	Sell from general account, repurchase within a Stocks and Shares ISA	Crystallises loss + future growth is tax-free
Bed and SIPP	Sell from general account, repurchase within your pension	Crystallises loss + tax relief on contribution
Bed and spouse	Sell shares; your spouse or civil partner repurchases them	Uses both CGT exemptions (2 x £3,000)
Offset gains	Pair a loss-making sale with a profitable one in the same tax year	Losses reduce your CGT bill pound for pound
Use your ISA allowance	Invest up to £20,000 per year in a Stocks and Shares ISA	All future income and gains are completely tax-free
Pension carry forward	Use up to 3 years of unused pension annual allowance	Could contribute up to £220,000 in one year

Case Study: David and Helen

When markets fell sharply in 2022, David and Helen faced the same dilemma as many investors: How long for markets to recover?



David 65 and Helen 68 ▲ 10% Annual

They retired couple with a diversified portfolio of stocks and bonds, a 401(k), a 529 and a general investment account.

- Retire fully at 65
- Help son with house deposit
- Travel in retirement

SITUATION

David and Helen were in their late 60s and had just retired. They had a diversified portfolio of stocks and bonds, a 401(k), a 529, and a general investment account. They were concerned about the impact of market volatility on their retirement savings.



ACTION

They decided to take a more conservative approach to their investments. They reduced their stock holdings and increased their bond holdings. They also considered other options like annuities and private equity.



RESULT

By taking a more conservative approach, they were able to protect their retirement savings from market volatility. They were able to continue to help their son with his house deposit and travel in retirement.

What You Should Know About This Case

The situation is complex and the couple's needs are changing. What if they had not been able to reduce their stock holdings? How would they have managed the volatility, especially during retirement?

The Power of Staying Invested

Over the long term, the consistent outperformance of staying invested in a diversified portfolio versus the volatility of cash. Here's how they compare.

Cash

- Maintains value during downturns
- No market risk fluctuations
- 4.5% real return over 10 years
- Higher volatility than stocks over 10 years
- No compounding returns over time

Net Gain
Minimal real return over 10 years and compounding loss

RECOMMENDED

Diversified Portfolio

- 10% real return over 10 years
- 4.5% real return over 10 years
- Compounding returns over time
- Higher volatility during downturns
- Lower real volatility

Net Gain
Higher real return over 10 years

How We Help You Through Turbulent Times

When markets are volatile, finding professional advice is not a luxury. It's one of the most valuable things you can do for your financial future.

The value of advice

Research from the International Longevity Centre and Royal London found that people who receive financial advice were on average 20% better off a decade later. Longevity Research's Alpha research shows that advisers following best practices can add up to 2% a year returns for their clients each year, with behavioural coaching being the single largest component.

What we do when markets fall

- Review your portfolio against your goals and time horizon
- Rebalance to maintain your target asset allocation
- Identify any emerging opportunities created by the downturn
- Provide perspective based on decades of market evidence
- Help you avoid the costly mistakes that average long-term wealth

We are here when you need us most

Whether you need reassurance, a portfolio review or a financial health check, get in touch.

Your Action Plan

Take these steps to ensure your portfolio stays on track during periods of market volatility.

1 **Check a routine with us** 5 MINS

Call us or send an email to arrange a portfolio review. We will review your current position and confirm your plan to sell or trade.

2 **Review your latest statements** 15 MINS

Review recent statements from all your pensions, and any general investment accounts. This helps to give you the most accurate picture.

3 **Check your tax allowances** 10 MINS

Check you have your £20,000 tax allowance for 2025/26. We will help you make the most of your remaining allowance.

Ready to take the next step?

Call us on **0800 000 0000** or email advice@pensions.com to book your free 15-minute consultation.



Your Financial Adviser

Your wealth deserves a steady hand

Markets will always have their ups and downs. What matters is having a clear plan, a long-term perspective, and a trusted adviser by your side. We are here to help you navigate whatever comes next.

Ready to take the next step?

Our team of experienced financial advisers is here to help you make the most of your financial planning opportunities.