



Stock Market Volatility Can Be Your Best Friend (or your worst enemy)

We at Payne Wealth Partners want to share our thinking with regards to market volatility. Our hope is that this will help you see the opportunity that lies in these recent market declines, as the glass is half full!

Here are 11 reasons stock market volatility can be your best friend

(or if you do the reverse of each of these ideas, why it can be your worst enemy):

11. IRA contributions

Make your IRA or Roth IRA contribution now, and see it buy more shares at these lower prices.

10. College savings

Add to your child's college savings account (e.g. 529 account) and see it buy more shares at these lower prices.

9. 401(k)s

Rebalance your 401(k) portfolio back to your desired percent in stocks (due to market declines this will require buying stocks and selling bonds) and see the bond proceeds buy more stock shares at these lower prices.

8. Loans

Resist the urge to pay off your home mortgage (at presumably a historically low interest rate) and allow those dollars the potential to grow in your portfolio from these low market levels (when doing this you must also acknowledge that portfolio growth is not a straight line and you will likely see more volatility in the future).

7. Roth IRA conversion

Know that if you performed a Roth IRA conversion in 2010, you have until October 15, 2011 to do a "re-characterization," meaning you can undo the Roth IRA conversion if the account has decreased in value since the conversion was performed.

6. Gifts

Make a lump sum contribution to a child's college savings 529 account of up to 5 years worth of annual exclusion permitted gifting of \$13,000/year (\$26,000/year for couples) and invest this money at low prices.

5. Purchases

Postpone any unplanned major purchases for which you would use your portfolio, to the extent you are able. Auto or vacation home purchases, major renovations or other large expenditures require selling portfolio positions at low prices (while the market is experiencing weakness) to create cash.

4. Trusts

Establish an irrevocable trust or other wealth transfer vehicle and sell assets to that trust for a note at low interest rates. Should the assets grow faster than the note interest rate, the residual left in the trust will eventually be received by beneficiaries (presumably children or grandchildren) with no estate tax.

3. Personal investments

Rebalance personal investment portfolio back to desired levels of stocks and bonds as per a pre-determined Investment Policy Statement. Given stock weakness and bond strength, this would require buying more stock oriented holdings and selling fixed income oriented holdings.

2. Portfolio reallocation

Perform a "tactical" portfolio reallocation in a thoughtful and measured way to increase allocation to assets which offer the most return potential given their price and fundamentals. This is certainly judgmental, however when prices move down without a corresponding deterioration in fundamentals, return opportunities increase.

1. Wealth plan

Continue to update your wealth plan at least annually, while considering lower portfolio values. This will help inform decisions such as when to retire, how much spending is possible in retirement, a second home purchase or other important financial items given the current legislative and market environment.

We hope you find these 11 tips helpful. If so, please share them with others that might find them useful.

As always, do not hesitate to call us if you would like to talk about your financial situation.



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