

The Volatility Survival Guide for High-Net-Worth Investors

Simon Quick Advisors Webinar Transcript

Darcy O'Brien (Moderator): Welcome everyone, and thank you for joining us today for our webinar, the Volatility Survival Guide for High-Net-Worth Investors. My name is Darcy O'Brien. I'm the Chief Marketing Officer here at Simon Quick Advisors. We're an independent wealth management firm specializing in investment advisory, financial planning, and family office services for high net worth individuals.

I'll be your moderator today guiding our conversation with a panel of Simon Quick Advisors. Together we'll explore how volatility impacts your portfolio and overall financial strategy — and more importantly, what you can do about it.

In uncertain times emotions can run high. This webinar is designed to provide clarity, perspective, and clear steps forward even when markets seem chaotic. We'll begin by looking at what history tells us about volatility, then walk through practical strategies for pushing through it. At the end, we'll open the floor for Q&A, so feel free to drop your questions into the Q&A window at any time and we'll get to as many as we have time for.

Please note that this webinar is being recorded and will be available online later this week.

Now, before I introduce our panelists, I'd like to read a brief disclaimer. Please keep in mind that past performance may not be indicative of future results. Different types of investments involve varying degrees of risks and there can be no assurance that the future performance of any specific investment or investment strategy will be profitable or equal to historical performance levels. This webinar includes forward-looking statements, including statements relating to future market conditions or other future conditions or developments based on speculation, expectations, estimates and assumptions that are subject to change. Forward-looking statements are not a promise or guarantee about future events.

Okay, so with that, I'd like to introduce our panelists. Our panel today includes three of Simon Quick's advisors, each bringing deep expertise and working with clients on investment management and financial planning. Let's take a moment to meet our panelists, starting with Connor.



Connor Donovan: Thanks so much, Darcy. My name is Connor Donovan. I'm a client advisor and a principal here at Simon Quick. I've actually been at Simon Quick my whole career. I joined in 2017 and I got my certified financial planner designation in 2020. And now today, myself and my team, we have the pleasure to work with over 40 of our clients, helping them manage their financial lives. And really a hot topic for a lot of our clients this year has been around market volatility, and that's why I'm excited today to be able to share some of the techniques and planning that we do for our clients and hopefully everyone's able to get something out of today's webinar.

Lisa A. Manzolillo: Hi, I'm Lisa Manzolillo, also a client advisor and principal at Simon Quick. I joined the firm in 2018, bringing over 20 years of experience in wealth management. As a certified financial planner, I work closely with families to build and maintain multi-generational wealth. I'm looking forward to today's discussion on how we guide clients through periods of volatility while staying focused on their long-term goals.

Garrett Wells: Good afternoon everyone. My name is Garrett. I'm also a client advisor, principal owner and certified financial planner here at Simon Quick. Like Connor, I joined in 2017 and I helped develop tailored financial plans and investment strategies for our clients. We're really excited to dive into — seems like everyone's favorite topic, or potentially least favorite topic this year — volatility. So, thanks Darcy.

Darcy O'Brien: Awesome, thank you everyone. Lisa, when markets drop dramatically, investors fear the worst. How do they know if they're experiencing a normal dip or something catastrophic?

Lisa A. Manzolillo: Well, Darcy, market volatility is nothing new. Throughout history, markets have moved in cycles — periods of expansion followed by contraction. While these fluctuations are a natural part of investing, they can understandably feel unsettling in the moment.

Short term ups and downs are part of long term investing. Markets have weathered a lot over the years — wars, recessions, pandemics, and policy shifts. Even with these events, markets still have continued to trend upward over time. But as human beings we're hardwired to be risk averse, so these sharp swings can and usually are uncomfortable.

Although downturns can feel prolonged while we're in them, recoveries often come swiftly and unexpectedly. Investors who stay disciplined are often rewarded as markets rebound. Some of the market's strongest gains have occurred during periods of heightened volatility. Trying to time the market — jumping in and out —



can lead to missing those best days, which can significantly reduce long-term returns.

Ultimately, successful investing is about staying focused on your long-term goals, maintaining perspective, and avoiding emotional decisions in reaction to short-term noise.

Volatility is normal. It is always present in the markets to some degree. However, volatility usually has a negative connotation, but volatility itself is a neutral term. It's simply a statistical measure of price changes for a security or index.

One measure of the volatility of a market is through the VIX index, also sometimes referred to as the fear gauge. The VIX measures how much volatility professional investors think the S&P 500 will experience over the next 30 days.

When the VIX is below 15, markets are calm with low volatility. When trading between 15 and 20, this is considered normal levels. But when it trades between 20 and 30, this indicates rising uncertainty. Above 30 often signals fear, panic, and crisis conditions.

For example, during periods of significant market stress, such as the 2008 financial crisis and the 2020 COVID-19 pandemic, the VIX index spiked well above 40, reaching levels of 50 to 60 in 2020 and peaking near 80 in 2008. Conversely, in calmer market environments, the VIX typically trades in the high teens.

While not predictive, this index serves as a helpful gauge and one of many data points we use to monitor market conditions.

The slide we're currently looking at illustrates the S&P 500's rolling annualized returns from 1950 to 2024. If you look at the time interval of one year, you will see how dramatic the volatility can be — ranging from a high of 60% returns to as low as negative 41%. It's a powerful visual that captures the emotional extremes of the market, both fear and optimism, and highlights the inherent volatility investors must navigate.

However, when looking at a 30 year time period, that variance narrows significantly. Returns have ranged from 8% to 15% annually. While the market has produced strong annual growth over time, returns are far from steady and predictable.

Another way we manage volatility is through diversification. As you can see, a 60/40 portfolio — 60% US stocks and 40% US bonds — in the one year time interval



experiences smaller swings compared to an all equity allocation. This demonstrates how asset allocation helps manage risk and reduces volatility.

With that, I'll turn it over to Garrett to share more on market recovery trends.

Garrett Wells: Thank you, Lisa. And before we get into more data and statistics, I just wanted to point out that when the value of your investments drop suddenly, it's natural to feel anxious or even a little panicked. You might worry about your income, your ability to pay the bills, or whether your long-term plans are at risk now. Maybe you're thinking about your retirement, your family's future, or just seeing the lower account balance stress you out. These feelings are real and you're not alone. Almost everyone feels uneasy during times like this.

Market downturns — or bear markets, as they're called — are a part of investing. On average, they happen every three and a half years with a typical decline around 32%, which lasts about 10 months. That's a large drop for about 10 months. And these declines can be triggered by many events — recessions, inflation, global conflicts, pandemics and more.

But it's really important to remember that bear markets are usually much shorter than the bull market or the upswing, which often lasts over four years. And history shows that recoveries often happen faster than what most people expect. So staying invested and keeping that long-term perspective are crucial.

Going back to the emotional side a bit — it is tempting to want to pull out your money when things look bad, hoping to avoid further losses. But history shows that trying to time the market, or as Lisa pointed out, jumping in and out, rarely works out well. Often the biggest gains come right after the biggest drops in the market, and missing just a few of those good days can make a huge difference in your long-term results.

I really like the quote from the book *Thinking Fast and Slow*: "Nothing in life is as important as you think it is while you're thinking about it." For me, this quote reminds me that our emotions can trick us into making decisions that feel urgent in the moment, but may not be the best for us in the long run. I think it's human nature to want to avoid losses, sometimes even more than we want to achieve gains. That feeling is called loss aversion and can lead us to make choices based on fear rather than data, logic and statistics.

But remember, feeling uncomfortable is normal and part of the process, but acting on those feelings can hurt your long-term goals.



For example, over the past 20 years, if you miss just the best 10 trading days, that would've halved your return. If you had a \$1 million investment in the S&P 500, in 20 years that would've grown to over \$7 million if left untouched — and missing just those 10 days would've cut that in half. If you missed the 30 best days, that would've left you with only \$1.3 million in a 20 year period. And there's a lot more than 30 days in 20 years.

The lesson is very clear: letting fear drive your decisions and trying to avoid losses by timing the market can drastically reduce your returns, and that's something you want to avoid.

Taking a look at the other chart on this graph, you can see some of the best days in the last 30 years for a daily return remind us of some traumatic moments in history — the global financial crisis or COVID in 2020. And Connor's going to dive a little bit more into each of these scenarios.

Connor Donovan: Thanks Garrett. So here we just wanted to take a look at three of the most recent and biggest bear markets that we've had in recent history.

Starting in 2008 with the global financial crisis — the collapse of the housing bubble — the S&P 500 declined 57% and it took five and a half years to recover to pre-crisis levels. Following that though, the market ensued on an 11 year bull market achieving over a 400% return. And as Garrett alluded to on the prior slide, four of the top 10 market performing days over the last 30 years actually occurred in 2008, which really shows the importance of just staying invested.

Then we take a look at 2020 where the S&P 500 declined about 34% in the first three months of the year. A lot of people were expecting this to look a lot like 2008, where we'd see a longer recovery — take about five years or so for the market to recover. Instead, the market fully recovered in just six months. We actually ended 2020 up 18%.

And then we look at 2022 most recently, where it was really inflation and interest rate hikes leading the market selloff, where the S&P declined about 25%. It took about a year for the market to recover, and then we had really strong market performance in 2023 and 2024.

So the common theme here is that the market has sold off for various different reasons and there's been different recovery periods in each of these bear markets that we're looking at. But the market has always recovered — it has always bounced back. And a lot of investors don't feel confident and comfortable enough to enter back into the market after they've sold out of it until the market has already



recovered. So that's why we've seen time and time again that the clients and investors who maintain discipline and maintain a long-term focus during downturns are usually, and almost always, better positioned on the other side of it.

But here on the next slide, why is it so difficult to stay disciplined and stay invested? It's because emotions can get in the way, and it's difficult to keep emotions out of the way. It reminds me of a Warren Buffett quote actually, where he said, "When it comes to investing, you've gotta check your emotions at the door." And that's extremely important — to recognize your own bias, to recognize your own emotions, whether it's fear, whether it's greed, overconfidence, anxiety — realizing that you don't want your emotions to be driving your portfolio and impacting long-term growth and long-term returns.

And for most investors — I know Lisa touched on the VIX and the volatility index — a lot of investors don't measure volatility by the VIX, but they just measure it by their own feelings, by their own emotions, how they're feeling in the moment. And to be a successful investor, it's really important that you maintain that long-term focus.

We have seen some of the common emotional reactions: panic selling during downturns — I can't tell you how many calls we had during 2020 during COVID of clients just wanting to sell when the market was at its bottom, down 33%, and trying to talk them into remaining invested during that period — people waiting too long to reenter the market, chasing past performance, anchoring to portfolio highs, and focusing on those short-term losses instead of the long-term goals.

So obviously we've talked a lot about the things that investors can't control — the market performance and trying to stay out of your own way. But now we want to shift gears a little bit and talk more about the things that you can do. What can you do within your control during periods of market volatility to benefit you and your financial plan?

Lisa A. Manzolillo: Thanks Connor. Many clients feel pressure to do something, but often the best course is strategic adjustments, not sweeping changes. But it's important to ask good questions because good questions lead to better decisions.

Market volatility often presents opportunities to make thoughtful changes to your portfolio that can position you for long-term success. One example that comes to mind is a client who held a concentrated position in a single stock and was growing concerned about the outlook due to changing market conditions. We decided that it made sense to reduce the concentrated position and reinvest the proceeds into a broad based equity index. This allowed the client to maintain similar equity exposure, but in a more diversified way, thus reducing some of the volatility and risk.



As we engage in thoughtful conversations with clients, these discussions often lead to more than one strategic adjustment tailored to each unique client's portfolio and financial goals.

During periods of heightened volatility, several planning levers may help unlock meaningful opportunities. I want to list a couple of planning levers to consider: diversify away from over-concentration — as in the example I just gave; harvest tax losses to reduce current and future liabilities; convert traditional IRAs to Roth IRAs; gift assets to trusts at depressed valuations; and assess your liquidity positioning.

I'll now turn it over to Garrett and Connor to share more on why one or more of these strategies might make sense to implement.

Garrett Wells: Thanks Lisa. Volatility can really expose the risk of having too much of your wealth tied up in one company, one sector, country exposure, etc. This is even more true for business owners or executives with high equity compensation — things like equity vesting, restricted stock units, and business ownership can really expose how much concentration you have.

So it's important to protect your long-term wealth and reduce this concentrated exposure over time. You can use simple sell strategies and tax advantage strategies to unwind concentration. As a general guideline, you don't want to see a single position over 10 to 15% of your long-term portfolio.

But I do want to emphasize that risk isn't just for a single stock or a single bond. Sometimes you can have excess concentration in public equities or too much fixed income. Maybe you have all of your assets in private equity or real estate. It really can be broad based and it's something you want to review consistently.

Now let's talk a little bit about harvesting losses and how you can use volatility to your advantage to unwind some of that concentration.

Market swings can actually create some opportunities to improve your tax returns and to diversify the portfolio. When an investment drops in value, you can sell the position to offset capital gains elsewhere, or bank the losses for future years, or potentially reset your basis in the investment — all while maintaining investment exposure through that period of time.

This is really important from a return perspective too, because the average investor who does not use tax advantage strategies like loss harvesting loses about 2.14% of their annual return to the IRS or to taxes on a yearly basis. To put some numbers to that percentage: for a \$2 million investment portfolio earning 7%, a poor tax



management strategy could miss out on over \$2 million over a 20 year period. That's money going to the IRS when it could be staying in your pocket. Proactively harvesting these losses really helps the investor keep more of their return, and that's typically the goal at the end of the day.

But this isn't the only tactical option that you have. There are other things you can control. I'll hand it over to Connor to go through a few of the planning topics as well.

Connor Donovan: Thanks Garrett. Another technique that we see with our clients during periods of market volatility is looking to convert a traditional IRA to a Roth IRA. So first let's define each of those. An IRA is an individual retirement account. A traditional IRA is funded with pre-tax dollars, which then at retirement when withdrawn, that money is then taxed. Whereas a Roth IRA is the opposite — it's funded with after tax dollars, and then at retirement, when you go to take that money out, that money is not taxed because it was already taxed on the way in.

So when we see a market pullback, you have the opportunity to convert your traditional IRA to a Roth IRA. This can mean that you're paying tax on a smaller value now because the market's pulled back — paying less in taxes on that conversion than you would down the road when you were to take that money out of your traditional IRA during retirement. So it's really a way to hedge against potentially higher tax rates in the future and making sure that you're getting that long-term upside of having that money in your Roth IRA where it's not going to be taxed again down the road.

And this could also be an estate planning or legacy planning technique as well. When a beneficiary were to inherit a traditional IRA, distributions on that money are going to be taxed. Whereas if you were to pass down a Roth IRA to your kids, those distributions will not be taxed. So it's a real benefit to your kids down the road — they can take this money out of the Roth IRA without having to be taxed on that income.

There are a few additional factors to consider when it comes to converting a traditional IRA to a Roth. One of them is just looking at your income scenario for that given year. If it is a higher income year — where maybe you've earned a really good salary or really good bonus — then it may not make sense to convert a traditional IRA to a Roth even if the market has pulled back, because you're already likely in a higher income tax bracket where this strategy's probably not going to make a ton of sense. However, if it is a lower income year for you and your spouse, maybe it does make more sense to look at converting a traditional IRA to a Roth.



It's also important to note that it doesn't have to be done all at once or just in one given year. This could be something that you have a strategy in place to do a little bit each year over the course of a few years, especially if you know that you may have a few lower income years.

So it's always helpful to consult with your advisor, talk through what makes the most sense, make sure you have a strong strategy in place, and what timing makes the most sense for you to implement this strategy.

And while that's a helpful strategy as it relates to income tax planning, gifting assets to trusts at depressed valuations can be really helpful from an estate tax planning perspective.

Here on the left hand side, we're showing a chart of the historical federal estate tax exemption over time. What you'll notice is that in 2018 with the Tax Cuts and Jobs Act, the estate tax exemption amount went way up. And today it's about \$14 million per individual – that's \$14 million that you could pass down to heirs during life or upon death estate tax free. The federal estate tax rate is 40%, so to have the ability to pass on this amount of wealth estate tax free is really beneficial. And it's a big reason why we've looked at implementing trusts and gifting to those trusts over the last few years to really take advantage of these high lifetime exemption amounts.

Some of the trusts that we're typically looking to use: an irrevocable trust like a SLAT – a Spousal Lifetime Access Trust – where you can move money out of your estate but your spouse retains the ability to access it. Or a Grantor Retained Annuity Trust, which we actually have an example of on the next slide showing exactly how that would work.

But it's really beneficial to get these assets to the trust at a depressed valuation because, one, you're able to use less of your exemption amount when the asset is depressed. And two, you're able to get all that long-term growth out of your estate. So that's why it's really beneficial to look at the timing of when you're actually looking to make these gifts.

Another good strategy to look at as it relates to trusts during periods of volatility is the power of substitution strategy. This is where you can take an asset that's held in your trust and replace it with an asset that's held outside of the trust, if it's at the same value. This could be beneficial if you have an investment held outside of the trust that has depreciated and you still think it's going to have some long-term growth potential. You could look to move that into the trust and replace it with something that maybe has already appreciated in the trust or maybe doesn't have the same long-term growth potential as that other asset.



When it comes to estate planning in general, it gets very complicated. There's a lot of different trusts out there, there's a lot of different strategies, and it's really helpful to consult with an estate attorney, consult with your advisor, make sure that everyone is on the same page, and make sure that you have a really strong plan in place that's going to meet your long-term goals. So I would say it's really helpful to make sure that all members of your financial team are on the same page and that you're able to consult with them prior to making any decisions around this.

Now as it relates to the Grantor Retained Annuity Trust — here the grantor is able to transfer assets into this trust. Each year the grantor receives an annuity payment that's based on an interest rate that the IRS sets — right now it's about 5%. Any appreciation beyond that interest rate is able to pass to beneficiaries estate tax free at the end of the term of the GRAT. GRATs can vary in length — it could be two years, four years, six years — depending on whatever term is selected at the beginning.

An example of how a GRAT worked out really well: we had a client who transferred a million dollars worth of shares of a concentrated stock position into a GRAT. This stock was trading very close to a 52-week low. This company was one the client had worked at for many years. He was really bullish on the company over the long term, still followed the company really closely, had a lot of friends that worked there, and wanted to remain invested in this company over the long term.

Because he was so bullish on it, we took this time to move the stock into a GRAT. The stock over a four year period — which was the term of the GRAT — annualized at a 20% rate of return. So he was able to transfer \$500,000 to his kids estate tax free. It was a very successful GRAT, and it was really based on the timing of when we looked to make this transfer. If we had waited longer until the stock had appreciated and already rebounded, this GRAT would not have been as successful. But it ended up being really successful for the client, and now they want to do GRATs all the time because this was so successful.

But it really depends on what the investment is, the timing, and again — it's really helpful to consult with an advisor and an attorney to make sure that you have a strong plan in place for the GRAT before you go ahead and proceed with it.

So enough on the estate planning side of things. I'll pass it over to Lisa to discuss liquidity and how it can really be helpful to plan for this during volatile times.

Lisa A. Manzillo: Thanks Connor. Liquidity provides both flexibility and protection, especially during periods of market volatility. Having access to cash or liquid assets allows you to avoid selling investments at depressed prices, giving your portfolio

time to recover. It also ensures that you're able to take advantage of opportunities that may arise when others are forced to sell.

Some key things that I always like to be reviewing: Is your emergency fund or your cash buffer still aligned with your expected withdrawal needs over the next 6 to 12 months? Do we have enough money to pay for taxes? Do we have enough for living expenses, and some maybe one-time purchases that are on the time horizon?

In addition to cash, having access to credit — such as a portfolio line of credit, margin, or a home equity line of credit — can serve as a valuable liquidity backstop. The key is to establish these lines before you need them and before credit conditions tighten.

If liquidity is a concern, it may not be the best time to commit to large illiquid investments or large discretionary purchases. Postponing these types of purchases can help preserve liquidity and reduce stress on your portfolio in the short term.

Volatility is a good reminder of why proactive planning is so important, and revisiting your financial plan is critical. Garrett, can you please dive into this a little more?

Garrett Wells: Of course. Periods of uncertainty are a great time to revisit your financial plan, even when the markets are bumpy. We've listed out a few things already — there are smart steps you can take.

I'm not saying you should revisit your financial plan every single day in a volatile market — that's probably not great for your mental health if you're checking it every single day. But revisiting it should give you some confidence to feel like you're in the driver's seat, you know where you stand, and how you are achieving your long-term goals.

Use the time to ask: Has my life changed? Do I need to adjust the goals? Do I need to change the spending or investing level that I'm currently using? Are there things I can do to balance the portfolio out with a big swing up or down? Have some of my investments grown to a size that's out of balance? Rebalancing will help you stay on track for the long term, take advantage of those losses like we mentioned before to increase the tax efficiency of your portfolio, and also to balance out the portfolio.

The key here is to stay focused on those long-term goals during a period of volatility. You refresh your plan, and if you have positive results — as you should, because plans should be conservative and factor in periods of volatility — that should give you the confidence that you're in a good place. Make some smart adjustments, use this volatility to your advantage, and continue on.



Taking action — or sometimes just talking to an advisor — can really help you feel more in control, even when things seem uncertain. And going back to the emotional side: it's completely normal to feel uneasy when the market can be so unpredictable. But that reaction out of fear is what we want to avoid, because that can make things worse. Instead, focus on what you can control — your plan, the goals you've set, and the actions you take. Or just talk with someone to have a discussion.

Your advisor and your team is here to help you through every step of life and walk you through periods of volatility and ensure you're on the right trajectory, especially when headlines or news is making you feel uncertain.

Darcy O'Brien: Great, thank you Garrett. It's almost like volatility provides us with an opportunity to refocus on what's most important to us within our financial plans.

So let's take a moment to recap everything we've learned so far. Volatility is a normal and expected part of investing. It simply reflects the natural ups and downs of the market as they react to new information and changing conditions. Historically, despite periods of turbulence, markets have always recovered over time, rewarding investors who remain patient and stay the course.

Remember, your plan is there to help keep you on track. So let it guide you, not the headlines. In fact, smart strategic moves when the market dips can actually set you up for even greater gains later on down the road. And lastly, having an experienced team by your side can help you stay focused and disciplined even when markets get bumpy.

So with that, we are ready to move into Q&A. For those of you on the call, please do feel free to use the Q&A window to submit your questions. We've got a few that have come in so far, and that is where I will begin.

The first one is: what are some strategies to help manage emotions and avoid impulsive decisions when the market is swinging?

Garrett Wells: I can take that one, Darcy. I think that goes back to the final slide I talked about, and really controlling what you can control. The emotional side is such a big part of this discussion, and sometimes that's just having a discussion — or your advisor proactively having a discussion with you — to give you an update on where you stand or what steps you can take during a period like this to improve your results for the long term.

Taking action — and sometimes taking action just means having a discussion and understanding where you stand — maybe you're still in such a great place there isn't



a move to make. But at least you know that. I think something you don't want to do is let it dwell and grow and get worse and really drain your emotional capacity over time. Have the discussion, get some clarity. That's really what I think is best — take action by doing something and getting more clarity in the situation.

Darcy O'Brien: Exactly, Garrett. It's almost like you just need an emotional support buddy — someone to talk to about what you're going through.

The next question I'm going to direct towards Lisa: what indicators should I watch to understand if volatility might continue or stabilize?

Lisa A. Manzolillo: Darcy, I would suggest looking at the VIX that I mentioned earlier in my discussion. And really that is known as a gauge of what professional investors are expecting the S&P 500 to perform like over the next 30 days. So it is a pretty useful index to measure how the market emotions are feeling. Are we above 20 where it's a little bit of heightened uncertainty? Are we past 30 where it's really heightened? We know that when it's 30 or above, it's in more of a panic, fear type of mode. And once it gets into the lower twenties into the high teens, we're calming things down — more of a normal baseline.

Garrett Wells: Yeah, the VIX is certainly one to track and helps to measure, as an index, where the market is when it comes to uncertainty.

Darcy O'Brien: So that's all the questions that are in the queue. Thank you to everyone who has joined us. If you would like to speak to an advisor about your specific situation, please visit our website to schedule a free introductory conversation. We would be happy to speak with you.

I'd also like to thank our panelists, Connor, Garrett and Lisa for their thoughtful remarks. And thank you to all of our guests for spending some time with us today. Have a great afternoon. Bye-bye.

Connor Donovan, Garrett Wells & Lisa A. Manzolillo: Thank you, Darcy. Bye-bye. Thank you.
