5 Strategies to Turn Uncertainty *into a Planning Opportunity*

Rising complexity across markets creates uncertainty and volatility. But these same challenges can also present meaningful planning opportunities. By refining structures, improving tax efficiency, and proactively planning, families with significant wealth can take advantage of the current environment to position assets for long-term goals.

Five strategies may be especially relevant in uneven markets:

1. Gifting while assets have lower valuations
2. Grantor Retained Annuity Trusts (GRATs) and Spousal Lifetime Access Trusts (SLATs)
3. Roth IRA conversion
4. Tax-loss harvesting
5. Proactive fiduciaries

Here is what these strategies look like in practice.

Background: Volatility and Tax Law

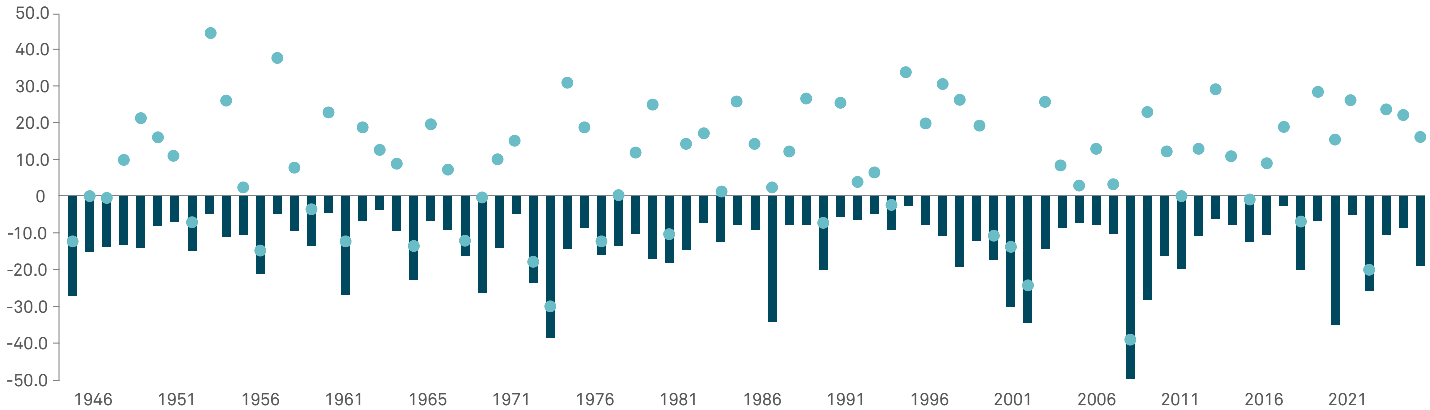
Today, we find an unusual mix of the S&P 500 touching all-time highs even as higher inflation, interest-rate uncertainty and geopolitical tensions are shaping sentiment and causing periodic volatility.

Elevated Volatility in Markets

While headline markets may appear resilient, underlying price swings and valuation dislocations can create meaningful windows for action. This is partly because market volatility is a structural feature of equity investing. As the chart below shows, the S&P 500 has experienced an average intra-year maximum drawdown of -13.8% since 1946, yet has still delivered a 9.0% average annual return with 70% of years closing positive. Meaningful interim declines routinely precede full-year recoveries.

S&P 500 Max Drawdowns (%)

Per Year and Calendar Year Returns: 1946 to 2025



Data through 12/31/2025. Source: Bloomberg. Returns are price returns
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The current environment, with elevated volatility following two consecutive 20%-plus years, fits this long-run pattern precisely.

Within this environment, three dynamics make the current moment particularly actionable. First, when there is market turbulence, valuation compression reduces the transfer-tax cost of moving assets, allowing more to be transferred within existing exemption amounts. Second, wide price swings improve outcomes for strategies where the subsequent rebound occurs outside the taxable estate. And third, IRS hurdle rates drive the success of rate-sensitive strategies by setting the minimum return needed to produce meaningful wealth-transfer benefits.

While the strategies best equipped to capture these conditions are not new, timing and layering are what differentiate outcomes.

The Current Tax Landscape

In order to understand how planners can leverage volatility for planning, it is also worthwhile to review the federal estate taxes and gift taxes that inform these strategies:

- **The Federal Estate Tax**
  Applies to the total taxable value of a decedent's estate above a legislatively defined threshold.
- **The Gift Tax**
  Governs lifetime transfers, broadly defined as any conveyance for less than full and adequate consideration.
- **The Generation-Skipping (GST) Tax**
  Applies to transfers that skip a generation.

All three operate under a unified exemption: each individual may transfer up to $15 million free of federal estate, gift and GST tax. Assets gifted or transferred above the exemption amount are taxed at a top rate of 40%. The recent One Big Beautiful Bill Act eliminated the previously scheduled 2025 sunset, making the $15 million exemption permanent and indexed for inflation beginning in 2027.

Federal taxes are not the only consideration. Twelve states, and the District of Columbia, impose their own estate taxes, often at lower exemption thresholds. Four additional states assess an inheritance tax on recipients.

An additional consideration is gifting. Gifting can be strategically significant for tax efficiency because it removes not only the present asset value, but all future appreciation from the taxable estate. This means that growth that occurs after the transfer will never be subject to estate tax.

This legislation forms the background against which families can leverage planning strategies that make use of volatility.

1. Lower valuations can make gifting more efficient

One of the clearest and most efficient opportunities in a volatile market is gifting assets that are temporarily lower in value.

When an asset declines in value, the transfer tax cost of gifting that asset also declines. This can be advantageous in two ways: a donor may transfer the same asset while using less of their lifetime gift exemption or transfer more units of the asset using the same amount of exemption. If the asset later recovers, that rebound can then occur outside the donor's taxable estate.

The illustration below shows, within the context of a contraction, the potential difference between gifting shares (less exemption used) versus gifting fixed value (more shares gifted). In this situation, temporary dislocation creates a more efficient time to act.

Example 1: Gifting Shares

(less exemption used)

If given today, approx. **$15,000,000 of gift tax exemption** is required.

If given after contraction, only approx. **$12,000,000 of gift tax exemption** is required.

Example 2: Gifting Fixed Value

(more shares gifted)

If given today, approx. **10,000 shared** may be gifted.

If given after contraction, approx. **12,500** shares may be gifted.

This can be especially relevant for assets where a temporary valuation reset creates a compelling planning window, such as concentrated public equity holdings or closely held business interests.

Bear in mind that gifting should never be approached in isolation. Any transfer strategy should be evaluated in the context of liquidity needs, broader estate objectives and the family's long-term cash flow. Proper valuation support is also critical. Periodic reviews of assets can identify opportunities to sell or convert assets in order to generate liquidity, reduce concentration efficiently and preserve value.

Timing is key. It's important to have trusts in place, so that gifts can be made when market conditions are right. These windows are often temporary, and if values rebound quickly, an opportunity may narrow just as fast as it appeared.

2. Harnessing volatility with GRATs and SLATs

Two forms of trusts that can be especially effective in uneven markets are Grantor Retained Annuity Trusts (GRATs) and Spousal Lifetime Access Trusts (SLATs).

GRANTOR RETAINED ANNUITY TRUSTS

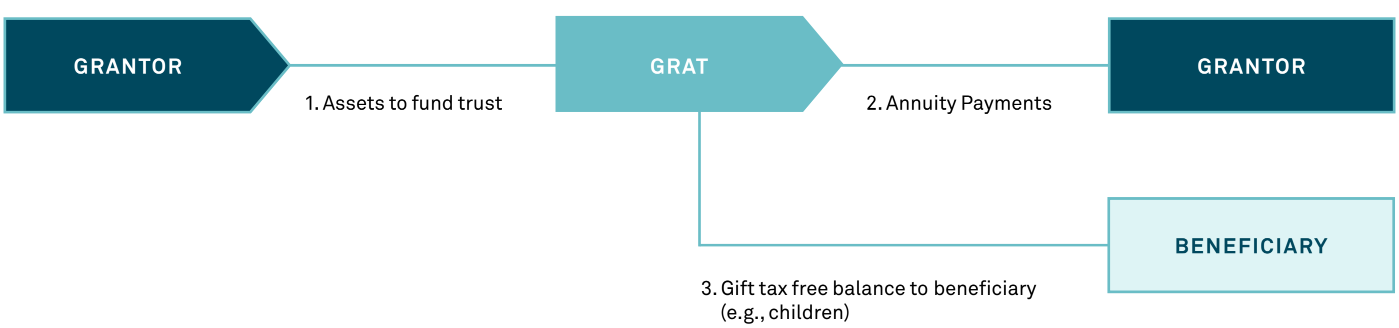
GRATs allow a grantor to transfer assets to an irrevocable trust while retaining an annuity stream for a fixed term. If the assets in the trust appreciate at a rate above the IRS §7520 hurdle rate, that excess appreciation may pass to beneficiaries with little or no additional gift tax cost or exemption use. If the assets do not outperform the hurdle, the strategy will simply return the value to the grantor through the annuity payments.

That asymmetry is part of the appeal.

In a volatile environment, a GRAT can be funded with assets that have meaningful rebound potential. If recovery occurs during the trust term, that appreciation is shifted outside of the estate. If it does not, the downside may be relatively limited compared with other transfer techniques.

The diagram below illustrates how a GRAT is structured: the grantor funds the trust with assets and receives annuity payments over the term. Then, any appreciation above the IRS hurdle rate passes to beneficiaries free of additional gift tax.

Asset Flow of GRAT



GRATs are a potentially useful strategy for both clients who are new to gifting and those who have gifted the entirety of their exemption and want to do more.

Implementation matters for GRATs. These structures are sensitive to interest rates, term selection and asset choice. In higher-rate environments, the IRS hurdle becomes more difficult to clear, making precision especially important.

Many families address this challenge by using short-term or rolling GRATs. These are structures with two- to three-year terms that are re-funded as each term concludes, capturing appreciation across multiple market windows rather than relying on a single outcome. This approach is particularly well-suited to concentrated equity positions (where a single stock may experience episodic volatility rather than steady linear growth), and to pre-liquidity assets (such as closely held business interests where a near-term valuation event may create a narrow but significant window for transfer). The rolling structure ensures the strategy can be deployed at each market dislocation.

For an example of how a GRAT works, see the diagram below. A five-year GRAT, funded with $5 million at an 8% growth rate against a §7520 hurdle rate of 5%, would return approximately $5.77 million to the grantor through annuity payments over the term. This is while passing roughly $571,000 to beneficiaries completely free of gift tax. The taxable gift at inception is $0.

This outcome is the asymmetry that makes GRATs a compelling complement to outright gifting, particularly when funded with assets that carry strong rebound potential.

Your GRAT With Initial $5M Funding

ASSUMPTIONS			
Initial Gift Amount	$5,000,000	Growth Rate	8%
Payment Schedule	Annual	GRAT Term	5 Years
§ 7520 Rate (June 2026)	5.00%		
BENEFITS			
Assets passing to beneficiaries free of gift tax			$571,492
Assets retained by Grantor			$5,774,338
Taxable Gift			$0.00

YEAR	BEGINNING PRINCIPLE	GROWTH 8%	ANNUITY PAYMENT	REMAINDER
1	$5,000,000	$400,000	$1,154,867	$4,245,132
2	$4,245,132	$339,610	$1,154,867	$3,429,875
3	$3,429,875	$247,390	$1,154,867	$2,549,397
4	$2,549,397	$203,951	$1,154,867	$1,598,481
5	$1,598,481	$127,878	$1,154,867	$571,492
SUMMARY	$5,000,000	$1,345,830	$5,774,338	$571,492

Used thoughtfully, GRATs can be an effective way to harness volatility rather than simply absorb it.

Optimized Payout Percentage determined by financial tools to account for IRS regulations.

SPOUSAL LIFETIME ACCESS TRUSTS

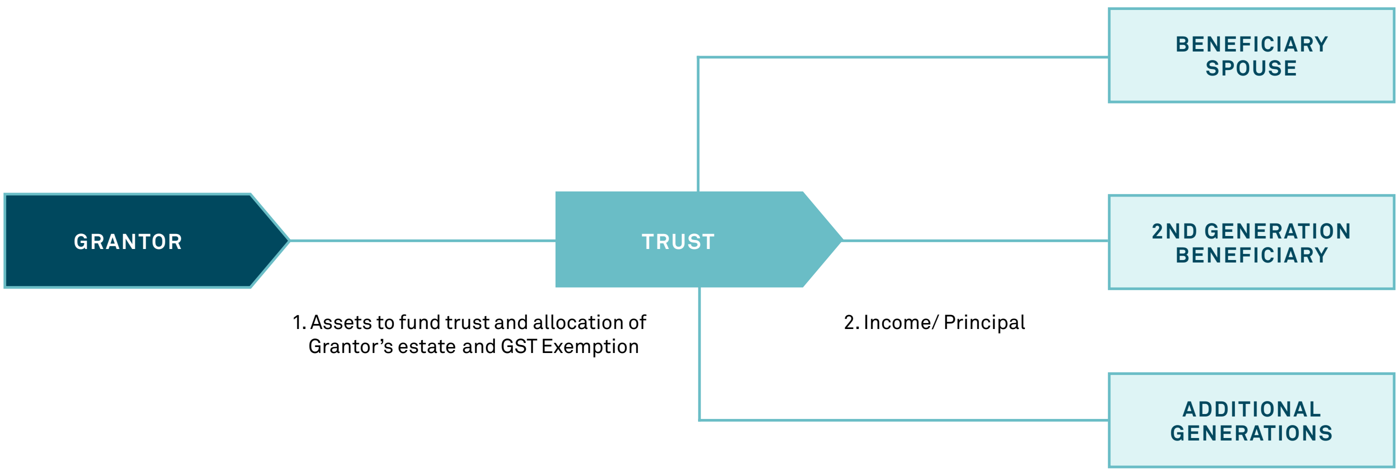
Spousal Lifetime Access Trusts, or SLATs, are a foundational planning strategy that can be especially useful in times of volatility.

A SLAT is an irrevocable trust that names the grantor's spouse and children and/or grandchildren as beneficiaries. Assets gifted to a SLAT that are not used by the spouse can continue to grow for the next generation outside the grantor's taxable estate.

Clients are currently using SLATs to lock in today's high exemption levels, while also taking advantage of the trust's ability to build flexibility into their planning through trustee discretion and distribution standards for a spouse.

This diagram illustrates how a SLAT is structured. The grantor funds the trust with assets and the spouse may receive income and principal distributions if needed, and remaining wealth ultimately passes to subsequent-generation beneficiaries.

Asset Flow of SLAT



The key benefit is as much psychological as it is financial: assets move outside the estate, but not necessarily beyond the family's reach.

The grantor's payment of income taxes on trust earnings is itself a form of additional tax-free wealth transfer. Because the grantor pays the tax liability from personal assets rather than trust assets, the trust compounds without tax drag, while the grantor's estate is simultaneously reduced by the amount of taxes paid. This "tax burn" effect can contribute meaningfully to the gap between in-trust and out-of-trust outcomes.

SLATs can also play an important role in generation-skipping transfer tax planning, particularly when designed to benefit multiple generations over time. Structured as a dynasty trust (an irrevocable trust designed to continue in perpetuity under favorable state law), a SLAT can shield assets from estate tax and generation-skipping tax at each generational level, not just at the grantor's death. For families managing wealth across decades, this multi-generational leverage can be substantial. The compounding of assets, free from recurring transfer-tax drag, is the defining advantage of long-duration trust structures. Proper GST exemption allocation at funding is essential to preserving this benefit.

The table below illustrates the potential impact of a SLAT. A hypothetical $15 million gift to the trust could result in a net to family of over $86 million after 30 years (as opposed to just $51 million without it). The gap between these figures is driven by the compounding of assets free from estate tax drag in the SLAT.

SLAT vs. Inclusion in Taxable Estate: Hypothetical Situation

SCENARIO	INITIAL FUNDING	VALUE AT 30 YEARS	ESTATE TAXES OWED AT 30 YEARS	NET TO FAMILY
SLAT	$15,000,000	$86,152,368	$0	**$86,152,368**
No SLAT	$15,000,000	$86,152,368	$34,460,947	**$51,691,421**

Assumptions:
- Trust assets under both scenarios increase by 6% annually.
- SLAT scenario illustrates initial maximum funding today of the unified gift and generation-skipping transfer tax exemptions into a properly structured irrevocable trust (such as a SLAT or other trust).
- No SLAT scenario assumes the assets pass to next generation outside of a trust.
- 40% federal estate tax applied. Federal exemption levels increase by 3% every year

When implementing SLATs, careful drafting is essential and using a third-party trustee can be key. If trust distributions are used in a way that suggests the grantor retained direct benefit or enjoyment of the assets, the IRS could challenge the intended tax treatment.

Another complexity that warrants close attention is the reciprocal trust doctrine. If both spouses create SLATs for each other, the IRS may treat the structures as effectively offsetting if they are too similar in design. The trusts are then “uncrossed,” the assets are pulled back into the taxable estate and the exemption is wasted. Red flags include trusts created at roughly the same time, with the same trustee structure, the same beneficiaries, the same distribution standards and the same funding amounts. Courts focus on the overall economic reality, not cosmetic drafting differences. This is where planning complexity begins, and where experienced guidance is indispensable.

Implications of divorce or death of the beneficiary spouse also require close attention. With this, it is important to note that distributions to beneficiary spouse are meant for unexpected needs, not supporting a spouse’s normal lifestyle.

STACKING STRATEGIES

Many ultra-high-net-worth families are combining these strategies to build a more coordinated approach to wealth transfer. In practice, these stacked strategies can include:

- SLATs to serve as a core wealth-transfer strategy
- GRATs to capture appreciation during periods of volatility
- IDGTs (Intentionally Defective Grantor Trusts) to support more leveraged transfer of future growth

Each strategy solves a different problem. Layered together, they can address the full range of transfer-tax, income-tax and flexibility objectives that wealthy families face.

3. Roth IRA conversions: Lower value may mean lower tax

Market volatility can also create income tax planning opportunities through Roth IRA conversions.

For many wealthy families, traditional IRA assets are not always ideal for wealth transfer. Withdrawals are generally taxable as ordinary income, and required minimum distributions (RMDs) can reduce flexibility over time.

A Roth conversion allows a family to pay income tax now in exchange for the potential of future income tax-free qualified growth and distributions. When asset values are temporarily lower, a conversion may be completed at a lower tax cost. If those assets subsequently recover within the Roth IRA, the future appreciation can potentially compound free from income tax.

These conversions are generally not all-or-nothing decisions. Instead, families evaluate partial or staged conversions, coordinating them with available liquidity and broader planning objectives.

The underlying principle is simple: paying tax when it is most efficient rather than later when it is unavoidable.

4. Tax-loss harvesting: Beyond year-end

Another area where volatility can create tangible value is in tax-loss harvesting. Tax-loss harvesting is the practice of intentionally selling investments that have declined in value in order to realize a loss that can then be used to offset capital gains elsewhere in the portfolio. The strategy is designed to keep clients fully invested. A replacement investment with similar characteristics is purchased concurrent with the sale, maintaining long-term allocation while capturing the tax benefit.

For wealthy families with complex portfolios, this can be a powerful tool when market dislocations create opportunities to reposition thoughtfully. Realizing losses can help offset gains, reduce current tax liability, create loss carryforwards for subsequent years and even offset future gains created by the sale of a business or other appreciated assets.

The example below illustrates how offsetting a realized loss against a realized gain reduces net taxable income.

	INVESTMENT A	INVESTMENT B	NET TAXABLE INCOME
Purchase Price	**$100,000**	**$100,000**	
Sale Price	**$70,000**	**$140,000**	
Realized Gain/Loss	**-$30,000**	**$40,000**	**$10,000**

Proactive tax-loss harvesting during times of volatility may include:

- Harvesting losses during market dislocations
- Repositioning portfolios while maintaining market exposure
- Using losses to offset gains from rebalancing or future liquidity events

This strategic approach has turned tax-loss harvesting from a year-end activity into an ongoing discipline.

Tax-loss harvesting can be especially effective when coordinated across taxable accounts, concentrated positions, family entities and anticipated liquidity events. When integrated with broader estate and investment planning, tax-loss harvesting may also enhance after-tax outcomes while still preserving market exposure and long-term strategic positioning.

Harvested losses can also serve purposes beyond directly offsetting capital gains. Applied strategically, harvested losses may reduce the taxable income triggered by a Roth IRA conversion (up to a defined threshold) effectively lowering the tax cost of converting traditional IRA assets into tax-free Roth status.

For those with Opportunity Zone (OZ) investments, these losses may be used to offset gains recognized at their conclusion, which can generate substantial appreciation upon exit.

That said, tax-loss harvesting requires close attention to technical details, including wash sale rules, fund distributions and state tax effects. Executing on these applications requires precise coordination of timing, and close collaboration among tax, investment and planning advisors. Individuals should look across the entirety of their balance sheet, including any grantor trusts, for opportunities, strategies should be evaluated in the context of concentration or liquidity goals.

Applied systematically, tax-loss harvesting can improve total after-tax return without requiring a departure from an individual's investment strategy in an adverse landscape.

5. The Proactive Fiduciary: Flexibility is Key

Today's fiduciary planning increasingly treats uncertainty as a reason to build flexibility into long-term structures.

As tax law, markets and family circumstances evolve, many families are implementing trust provisions that can adapt, rather than relying on rigid arrangements that may become less effective over time.

This approach also includes strategies that can take advantage of current conditions:

- **Substitution powers (or "Asset Swaps")**
  are a planning tool that can be especially valuable in changing environments. They can allow low-basis assets to be brought back into an estate and replaced with cash or higher-basis assets in trust. This creates opportunities for basis step-up planning and greater income tax efficiency.
- **GST planning**
  is another approach that families are finding useful in the current environment. GST exempt trusts are a way to transfer wealth to grandchildren or more remote descendants to preserve assets across multiple generations as efficiently as possible for transfer-tax purposes. With exemption levels still elevated, many families are leveraging today's levels before potential sunset.

A proactive trustee can respond to changing circumstances to adapt trusts to better serve family needs.

Changes in cost of living, tax rules, beneficiary circumstances, or a trust's place of administration may create opportunities to improve efficiency, while tools such as powers of appointment and disclaimers can help keep a plan aligned with a family's evolving goals. Integrating trust, estate and tax capabilities can also help families plan more efficiently.

The broader lesson is that uncertainty creates an opportunity to revisit existing structures and confirm that they are still positioned to serve the family well into the future.

Turning volatility into opportunity

In uncertain times, the goal is not to predict every turn in the market. It is to build a planning framework that can respond to changing conditions while keeping to long-term priorities. This includes the five strategies discussed here (gifting while assets have lower valuations, GRATs and SLATs, Roth IRA conversion, tax-loss harvesting and proactive fiduciaries), but it is also an approach that can be best summed up in three principles:

- Use volatility, don't fear it
- Transfer wealth efficiently while valuations are uncertain
- Maintain optionality as markets, policy and family circumstances evolve

Periods of volatility and uncertainty bring risk. But they also represent opportunities for planning that can position families to better achieve their goals.