CIO expects moderate growth and solid returns for the remainder of the year, but volatility remains unpredictable. (UBS)

Safeguarding your lifestyle against market downturns

15 May 2025, 08:09 UTC, written by UBS Editorial Team US Editorial Team

Funding a Liquidity strategy with enough resources to cover the next 3-5 years of your expected portfolio withdrawals can help safeguard your lifestyle against market downturns.

Why fund a Liquidity strategy?

A Liquidity strategy helps you maintain your lifestyle through periods of market volatility. By funding your spending needs with assets that prioritize capital preservation, you can avoid selling long-term investments at a loss during downturns. We generally recommend setting aside enough to cover 3-5 years of portfolio withdrawals, as this has historically allowed most balanced portfolios sufficient time to recover from even severe bear markets.

Why refill now?

Markets continue to face uncertainty, particularly due to recent US tariff increases and weaker economic growth (1Q 2025 GDP was -0.3%).

Despite these challenges, markets have rebounded from recent losses. We expect moderate growth and solid returns for the remainder of the year, but volatility remains unpredictable. Rather than trying to time the market, we recommend refilling your Liquidity strategy during bull markets—when markets are healthy, as they are today—ensuring you are prepared for future downturns and your core portfolio remains aligned with your long-term allocation.

How much will I need?

Your Liquidity strategy should reflect your anticipated withdrawals:

- **If you are working:** Maintain an emergency fund (6-12 months of expenses) plus funds for major planned expenses in the next 3-5 years.

- **If you are retired or approaching retirement:** Set aside enough to cover all expected portfolio withdrawals over the next 3-5 years, using cash, bonds, and borrowing capacity. Review your spending plans with your family and advisor, including any upcoming large or discretionary expenses.

Consider whether you want to include any additional short-term spending goals—such as travel, home renovations, or special gifts—while markets are healthy. Planning to "treat yourself" during healthy market environments can often buy you more flexibility to reduce spending if markets decline in the future.

How to invest a Liquidity strategy

When building a Liquidity strategy, we implement a **Core/Satellite approach** using a variety of solutions. Here is a quick overview of how we recommend using these solutions to build a customized strategy for your family's specific needs:

Core: Build a ladder of bonds or CDs, matching maturities to each year of planned withdrawals. This liability-driven approach prioritizes capital preservation.

Satellite: For spending needs with uncertain timing or amount, we recommend a Three-Tier approach:

- **Tier I (Everyday cash):** For daily expenses; prioritize liquidity and safety (e.g., cash deposits).

- **Tier II (Savings cash):** For short-term but not immediate needs; consider fixed-term deposits or money market funds for higher yield.

- **Tier III (Investment cash):** For medium-term spending (years 3-5); use solutions with some market or liquidity risk, but still prioritize capital preservation.

Conclusion and next steps

In summary, fund your Liquidity strategy with enough resources—cash, bonds, and borrowing capacity—to cover 3-5 years of expected withdrawals. Any cash that exceeds these needs should be invested for long-term growth. For more details, see our monthly report, **UBS Wealth Way: Building and refilling the Liquidity strategy**, and work with your financial advisor to tailor a Liquidity strategy to your family's specific needs.

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Original report - **A fresh chance to refill your Liquidity strategy, 13 May 2025.**

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