



This chart shows the historical performance of a 60%-40% stock-bond portfolio and borrowing cost for a variable-rate loan tied to 1-month LIBOR with 24-month rolling returns. (UBS)

# Fund spending from your Liquidity strategy

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**With both US stocks and bonds down about 10% from their last all-time high, this remains a poor time to raise cash for spending. The UBS Chief Investment Office (CIO) explains why you should spend down your Liquidity strategy assets instead.**

We recommend that you spend down your Liquidity strategy assets (cash, savings accounts, and high-quality bonds), without replenishing these reserves until this bear market is over, rather than raising cash for spending. This “dynamic refilling” strategy can allow the rest of your assets to remain fully invested and positioned for a recovery.

During a bull market, we generally recommend setting aside resources to fund 3-5 years of portfolio withdrawals, because this has historically been the time needed for most diversified, balanced portfolios to fully recover from a bear market losses and set a new all-time high.

At the time of writing, it has been about 17 months since the last S&P 500 all-time high, set in January 2022. If you are concerned about depleting your Liquidity strategy assets before the bear market is over, you may also want to consider borrowing as a part of your Liquidity strategy.

Tapping into your borrowing capacity—for example, a securities-backed credit line backed by your invested portfolio—can help you maintain your lifestyle without locking in otherwise-temporary losses in the stock and bond markets and triggering unnecessary capital gains taxes. As long as you maintain a safe amount of leverage that will not trigger a margin call if markets decline further, there is a good chance that your portfolio will outperform the borrowing cost. After all, some of the strongest market returns occur when markets are recovering from bear market losses, and borrowing costs tend to fall when the Federal Reserve cuts rates to stave off a recession.



For more CIO recommendations on how investors can continue to exercise caution before the end of the bear market, read the original blog [A new bull?](#) 8 June 2023.

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