INSIGHT 360° GUIDE

The Bad Year Playbook

Deciding well when the plan stops working

This guide helps you decide, on a good day, what you will do on a bad one.

How to Use This Guide

Skim Mode. About 10 minutes. Read the Reality Check, then the four moves, then What Good Looks Like. That gives you the shape of the thing and enough to start a conversation.

Deep Mode. About 35 minutes. Read it straight through. The middle sections explain why good decisions break under pressure, which is the part most people skip and later wish they had not.

Either way, read it when things are calm. That is not a suggestion about your schedule. It is the entire point of the document.

Who This Guide Is For

This guide is for you if:

- Your plan is working right now, and you have not had a reason to question it lately.
- You have been through at least one difficult stretch before, with money, health, work, or family.
- You are approaching or already in retirement, where a bad year costs more than it used to.
- You own a business, where a bad year in the business and a bad year in the markets can arrive together.
- You have noticed that you make different decisions when you are under pressure than when you are not.

Who This Guide Is Not For

This guide is not for you if:

- You are in the middle of a bad year right now. This document is written to be built in advance. If you are in it, you do not need a framework. You need a conversation with someone who knows your situation. Have that conversation.
- You are looking for a market forecast, or a view on what happens next. There is none here, deliberately.
- You want a specific investment strategy or a portfolio recommendation. That is a different conversation with a different scope.
- You want a document that will make a bad year not hurt. Nothing does that.

Reality Check

A bad year is not a market problem. It is a decision problem.

The loss is not what damages most financial lives. Losses recover more often than people expect. What does the lasting damage is the decision made in response to the loss. The sale at the bottom. The pension taken five years early. The property sold in a hurry. The business decision made in week three of a panic. The conversation with the family that cannot be taken back.

Here is the harder part.

The person who will make that decision is not you.

It is a version of you who is tired, narrowed, and short on time. Someone who has been reading the news too much and sleeping too little. Someone whose world has shrunk to one number. That person is not stupid and not weak. That person is normal, and they are operating under conditions where almost everyone makes worse decisions than they would otherwise.

You cannot consult that person right now. They do not exist yet.

But you can leave them instructions.

That is what this document is. Not a prediction. Not a forecast. A set of instructions written by the calm version of you, for the version who will need them.

Morgan Housel puts the underlying idea plainly in The Psychology of Money.

> *"The most important part of every plan is planning on your plan not going according to plan."*
>
> Morgan Housel

Every plan you have ever made assumed a range of normal. A bad year is what happens outside that range.

The Decision at Hand

The decision this guide supports is one sentence.

Will I decide now what I do in a bad year, or will I decide in the moment?

Most people choose the second option without noticing they chose it. Not deciding is a decision. It hands the outcome to whoever you happen to be that month.

The alternative is not complicated. It is a short set of things you commit to now, while the commitment costs you nothing, because nothing is wrong.

That is the only window in which this work is possible. Once the year turns bad, the calm version of you is unavailable.

What Counts as a Bad Year

Most people picture one kind. Markets fall, portfolios drop, headlines get loud.

That is one of four.

1. A market year. Investments fall meaningfully and stay down long enough that it stops feeling temporary. The damage here is not the decline. It is selling into it, or changing a long-term structure because of a short-term number.

2. An income year. A job ends. A contract does not renew. A business has a bad stretch. Hours get cut. Income falls while every fixed cost stays exactly where it was. The damage here is usually debt taken on quietly, or savings drained in an order nobody chose.

3. A health or family year. Illness, a parent who suddenly needs care, a death, a marriage that ends, an adult child in trouble. The damage here is decisions made while grieving, and money moved to solve a problem that money does not solve.

4. A business year. A key employee leaves. A client concentration turns into a client loss. A partner disagreement becomes a partner exit. The damage here is often the personal balance sheet being used to hold up the business balance sheet, with no line drawn in advance.

Two things are worth noticing.

First, these arrive together more often than they arrive alone. A health year becomes an income year. A business year becomes a market year, because the same recession is causing both.

Second, almost everyone prepares for one of the four. Usually the market one, because it is the one that gets written about. The other three tend to be the ones that actually show up.

A playbook that only covers markets is not a playbook. It is an investment policy.

Why Good Decisions Break Under Pressure

You already know that people make bad decisions under stress. Knowing it does not help much. Understanding the mechanism helps more, because it tells you what to build.

Your options narrow before your thinking does. Under real stress, the mind stops generating alternatives. You do not weigh six options badly. You see two, and one of them feels unbearable. That is not a failure of intelligence. It is what stress is for. It works well when you need to move fast and badly when you need to think clearly.

The clock speeds up. Almost nothing in a financial life needs to be decided this week. Almost every bad decision feels like it does. Urgency is manufactured by discomfort, not by the situation. The feeling that you must act now is the single most reliable warning sign that you should not.

Doing something feels better than doing nothing. When you are frightened, action relieves the fear. It does not have to be good action. Selling relieves the fear of further loss the moment you do it, which is exactly why it is so hard to resist and so often wrong.

The number becomes the whole world. In a bad market year, people check accounts more often, not less. Every check confirms the fear. The account balance stops being one input and becomes the only one.

You will not feel like yourself, and you will not notice. This is the part that catches thoughtful people. You do not experience yourself as panicked. You experience yourself as finally seeing clearly. The certainty is the symptom.

None of this is fixed by more information. More information under stress usually makes it worse, because you go looking for information that confirms what you already want to do.

It is fixed by deciding in advance.

Benjamin Graham described the purpose of building in room for error this way: it is **“to render the forecast unnecessary.”** You are not trying to predict the bad year. You are trying to build something that works without knowing which one arrives.

And build it wide. As Carl Richards puts it, **“risk is what’s left over when you think you’ve thought of everything.”** The bad year you plan for in detail is rarely the one you get. That is an argument for simple rules, not detailed ones.

What Stays True Regardless

Before the four moves, one line.

Every person has something that does not change when the numbers change. The reason the money exists. What it is actually for. What you would still be trying to protect if the balance were a third lower.

For some people that sentence is about a person. For some it is about staying in one place. For some it is about not being a burden. For some it is about time, and having some left that belongs to them.

It is not a mission statement and it does not need to sound good. It needs to be true, and it needs to be in your own words.

Write it first. It goes at the top of everything that follows, because in a bad year it is the only thing that is still standing when the rest of the numbers are moving. Every decision below gets tested against it.

If you cannot write that sentence, that is worth knowing too. It usually means the money has been accumulating without a clearly named purpose, which is a different conversation and a useful one.

Move One: Your Track Record

Start with what has already happened, not with what might.

You have been through a bad year before. Maybe 2008. Maybe 2020. Maybe 2022. Maybe a year that had nothing to do with markets, when the job went away or someone got sick.

Three questions.

What did you actually do? Not what you believe about yourself. What you did. Did you sell anything? Stop contributing? Stop opening statements? Change advisors? Cut spending, and what did you cut first?

What did you almost do? This one matters more than the first. Most people have a decision they came very close to making and did not. Something that would have felt right at the time and looked very different two years later. Find it. That is your pattern.

What did it feel like at three in the morning? Not the polite version. The actual thought that showed up when you could not sleep. People tend to have one recurring fear, and it is usually more specific than losing money. It is a specific outcome about a specific person or a specific loss of freedom.

This is the most useful part of the whole exercise, and it is the part people want to skip because it is retrieval rather than planning.

The value is this. You are not guessing at how you behave under pressure. You have evidence. You have already run the experiment, more than once. Most people have simply never looked at the results.

Whatever you did last time is the best available prediction of what you will do next time, unless something is built to change it.

Move Two: What Is Not on the Table

Some decisions cannot be undone.

Sell the property and you do not get it back at that price. Take the pension early and the reduction is permanent. Collapse a corporate structure and rebuilding it costs more than it did to build. Break trust in a family conversation and the repair takes years, if it happens.

These are one-way doors. They deserve a completely different level of care than decisions you can reverse next month.

The move is simple. Name the small number of decisions that come off the table in a bad year, no matter how bad it gets.

Not because they are always wrong. Some of them may turn out to be right eventually. They come off the table because they should never be made in a compressed timeline by someone under pressure, and a bad year produces exactly those conditions.

For most people the list is short. Three or four items. Common ones:

- Selling the family home or the property in a hurry
- Starting a pension or a government benefit earlier than planned, purely to feel safer
- Unwinding a corporate or trust structure to simplify during a stressful period
- Making a permanent commitment of money to an adult child in response to a crisis
- Firing everyone and starting over, which sounds dramatic and happens constantly

Naming these now costs you nothing, because you do not want to do any of them today. That is precisely why now is when it has to be done.

Note the distinction. This is not a rule that these things never happen. It is a rule that they never happen fast. If one of them still looks right after the pressure comes off, it is available. The rule is about the timeline, not the option.

Move Three: What Gives First

In a bad year, something absorbs the shock. Always.

If you have not chosen what, the choice gets made by whatever is easiest to reach. Usually that is the investment account, because you can sell it on a Tuesday afternoon without telling anyone. Ease is a terrible reason for something to go first.

So set the order in advance. Not amounts. Not percentages. Not thresholds. Just sequence.

The usual candidates, in the order most people eventually choose once they think about it properly:

Discretionary spending. The large, deferrable, non-recurring items. Vehicle replacement. A renovation. A major trip. Not the small pleasures, which cost little and hold quality of life together.

Timing. Delay something rather than cancel it. Push a purchase a year. Push a retirement date by six months. Delay is cheaper than reversal and easier to undo when things improve.

Cash and short-term reserves. This is what they exist for. Reserves feel like they are for emergencies. They are actually for avoiding forced decisions. Using them is not failure. Using them is the plan working.

Work. More hours, a delayed exit, a return to part-time. Unwelcome for most people, and often the single most effective lever available.

The portfolio. Last, and by design. It is last because it is the most permanent and the least reversible in a bad market, and because it is the one that is easiest to reach.

Your order might differ from that. Someone who has been counting the days to a retirement date may put spending and portfolio ahead of working longer, and that is a legitimate choice made with open eyes. What matters is that the order exists and that you chose it, rather than the order choosing itself.

One more line to add here. Name what does not give at all. For many people there is one thing that stays funded regardless, because cutting it would defeat the purpose of the money entirely. The trip that happens every year with the grandchildren. The support that goes to a parent. Say what it is now, so it does not quietly become the first casualty.

Move Four: Who You Call, and What You Want Them to Say

Two parts. The second is unusual and it is the reason this document works.

Part one. Who gets the call.

Name the person you will speak to before making any of the decisions in Move Two. One person, or two. Not a committee.

Then make it a rule with no exceptions. Not “I will probably call.” Not “if I have time.” Before, not after.

This is the only enforcement mechanism in the entire document, and it is a human one. The value is not that they have better information. It is that they are not in your emotional state.

Be specific about who it is not, as well. In a bad year, a large amount of advice arrives unsolicited. From family, from a golf group, from a colleague who has strong opinions and a completely different situation. Deciding in advance whose input counts saves you from having that argument with yourself later.

Part two. Your standing instruction.

This is the piece almost nobody writes and everybody needs.

In your own words, write what you want said to you when you are not yourself.

Some people want to be reminded of a specific fact. What their income floor actually is. That the mortgage is gone. That they have been through this twice already.

Some people want to be reminded of a specific person. Who this is all for.

Some want a direct instruction. “Tell me to wait ninety days.” “Tell me what I said in 2022.” “Remind me that I always want to sell and I have always been wrong about it.”

Some want tone rather than content. “Do not try to make me feel better. Just tell me what is true and give me the numbers.”

Write yours the way you would say it out loud. Not polished. The unpolished version is the one that will still sound like you when you read it back in the middle of something difficult.

That sentence is what gets read back to you at the moment it matters. It carries more weight coming from the calm version of you than from anyone else, because it is not advice. It is your own instruction.

What This Assumes

Everything above assumes a foundation is already in place. In most households it is partly there and partly not, and the gaps are rarely anyone's fault.

The most common version is this. One person handles all of it. Not through secrecy, just through habit and a reasonable division of labour that worked for thirty years. It holds right up until the year that person is the one who is unwell, or gone. Then the household finds out what was being carried by one set of hands.

So read the list below as a household question rather than a personal one. The point is not what you should have done. It is what would still be standing if the person who usually handles this could not.

Reserves. Cash is not there for emergencies. It is there so you are never forced into a decision on someone else's timeline. Without it, Move Three has no order. The portfolio gives first because nothing else can.

Disability and life coverage. These decide whether an income year or a health year gets absorbed, or gets transferred straight onto the balance sheet. This is the single largest determinant of how bad a bad year is allowed to become, and it is invisible until the year it matters.

A current will and powers of attorney. Without them, a health year becomes a health year plus a legal one, running at the same time, while the people involved are least able to handle either. Our Estate Planning Basics guide covers what these documents do and do not accomplish.

A life file. In a bad year someone has to find things. Accounts, policies, advisors, passwords, instructions. If that information lives in one head, a difficult year gets considerably harder for everyone else in it. How to Build Your Life File walks through this.

A family conversation already held. Move Four assumes the call you make is a continuation of something. If the subject has never been raised, the call in a crisis is the first conversation, held at the worst possible time, with the least available version of everyone. The Family Meeting Guide covers when that conversation is worth having.

None of these are complicated. All five are straightforward to put in place during a good year and close to impossible to put in place during a bad one.

Which is the same argument as everything else in this guide.

Common Mistakes

Waiting until it is relevant. By the time it is relevant it cannot be built. The people who most need this document are, right now, the ones who feel like they do not need it.

Building it for markets only. Three of the four kinds of bad year have nothing to do with markets, and they are the more likely ones.

Making it complicated. Detailed rules assume you predicted the right scenario. Simple rules survive scenarios you did not imagine. If it takes more than a page, it will not be read under stress.

Writing it in someone else's language. A document full of professional phrasing does not sound like you at three in the morning. It has to be in your words or it will not be recognized as yours.

Confusing it with a forecast. Nothing in here says what will happen or when. It says what you do regardless.

Assuming your spouse or partner has the same version. Two people in the same household frequently have different fears, different one-way doors, and completely different ideas about what should give first. If this is only written by one of you, the bad year will surface the disagreement at the worst possible moment. Write it together, or at minimum read each other's.

Filing it. A document you cannot find is a document that does not exist.

Trade-Offs and Tensions

Nothing here is free. Be honest about the costs.

It will feel unnecessary while you write it. That feeling is not a signal to stop. It is evidence you are doing it at the right time. This work is only possible when it feels pointless.

You may commit to something you later disagree with. Yes. That is the design. The purpose of a rule set is to bind your future self. If the rule can be discarded whenever the future self objects, it is not a rule. Build in one release valve and only one: the conversation in Move Four. Nothing releases automatically.

Deciding in advance costs some flexibility. A pre-set order for what gives first will occasionally be less than optimal for the specific bad year you actually get. That is the trade. Slightly less optimal, considerably more likely to be executed. Under stress, a decent decision you will actually make beats an ideal one you will not.

Looking at your own track record is uncomfortable. Move One asks you to look honestly at what you did last time. Some people find something there they are not proud of. That discovery is the most useful part of the process, and it is the reason people avoid it.

It does not prevent the bad year. Nothing does. It changes what the bad year costs you, which is a different and more achievable goal.

What Good Looks Like

You know this is working when:

- ✓ You can say, in one sentence, what stays true regardless of the numbers.
- ✓ You know what you actually did in the last bad year, not what you believe about yourself.
- ✓ You can name the small number of decisions that come off the table, and you named them while nothing was wrong.
- ✓ You know the order in which things give, and you chose the order.
- ✓ You know who gets the call, and you know it happens before the decision, not after.
- ✓ Your standing instruction is written in your own voice, and reading it back sounds like you talking.
- ✓ Your spouse or partner has read it, and their version does not contradict yours in a way neither of you knew about.
- ✓ The whole thing fits on one page.
- ✓ You know where the page is.
- ✓ The foundation underneath it is real. Reserves, coverage, current documents, a life file, and a conversation that has already been had.

That is the standard. Not a thicker document. A page you would recognize under pressure.

What It Looks Like Written Down

One page. Plain words. Yours, not anyone else's.

At the top: the sentence about what stays true regardless.

Then, briefly:

> *What I did last time, and what I nearly did. A few honest lines about your own history.*
>
> *What is not on the table. Three or four one-way doors that never get opened quickly.*
>
> *What gives first. The order, and the one thing that does not give at all.*
>
> *Who I call, and what I want them to say. The name, and your standing instruction in your own words.*

That is the whole document.

No scores. No thresholds. No signature line. It is not a contract and it is not an exercise. It is a note from you to you, written on a day when you could think clearly, kept for a day when you cannot.

It gets revisited when something meaningful changes in your life, not on a calendar. A retirement, a sale, a death, a new health reality. Those are the moments it either holds or needs rewriting.

The Natural Next Step

Most people read something like this, agree with it, and do not write anything down. That is not a character flaw. It is what happens with any task that has no deadline and no consequence for skipping it.

The work is not hard. It is roughly a one-hour conversation and a single page. The difficulty is entirely in doing it during a stretch of time when nothing is wrong, which is the only stretch of time in which it can be done well.

Two honest observations about doing it with help rather than alone.

The first is that Move One works better with someone else in the room. It is difficult to be accurate about your own behaviour under stress, and easy to remember a more composed version of yourself than the one who was actually there. Someone who was present for the last one will remember it differently than you do.

The second is that the document only functions if someone points at it later. A page you wrote and filed does you very little good. A page someone else knows about, and raises with you at the moment things get difficult, is a different kind of object entirely.

If you already work with an advisor, bring this in and build it with them. If you do not, build it with someone whose judgment you trust and who will still be around in the bad year.

Either way, write it while the year is good.

Clarity now reduces chaos later.