Cash on the Sidelines: The 4-Question Framework

For the client sitting in cash "until things calm down."

The wrong question is "is now a good time?" The right question is a sequence — ask these four in order. If any answer is a hard yes, cash may be defensible. If all four are no, staying in cash is a market-timing bet dressed up as caution.

1 Is the cash earmarked for a spending need in the next 24 months?

IF YES:
YES → cash or short-duration Treasuries are appropriate. Match the maturity to the need.

IF NO:
NO → continue to Q2. This is investable money, not spending money.

2 Would a 20% temporary drawdown force the client to sell to fund expenses?

IF YES:
YES → emergency fund is undersized. Rebuild that first, then re-ask.

IF NO:
NO → continue to Q3. Volatility tolerance is theoretical, not structural.

3 Does the client have a specific, dated, evidence-based reason to expect a crash?

IF YES:
YES → write it down. Set a re-entry trigger (date OR level). Cash without a trigger is drift.

IF NO:
NO → continue to Q4. "Feels toppy" and "headlines are scary" don't count.

4 Has the client been in cash for more than 6 months waiting for a better entry?

IF YES:
YES → name the pattern: they've been paid to be wrong. Dollar-cost average back in over 4-8 weeks.

IF NO:
NO → the cash position is fresh. Set a 6-month check-in on the calendar today.