# The 3-Scenario Client Stress-Test

A single sheet you can walk through with a client in 10 minutes.

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Use this in your next review. Fill in the middle column with the client's current allocation. The right column is your talking script — what to say when they see the number and get nervous.

### Scenario 1 · -20% equity drawdown

*S&P 500 -20% over 6 months. Bonds +2%. Cash flat.*

Portfolio hit today: $__________ (equity % × -0.20 × portfolio value)

***What to say:*** *"You'd be down about this much. Historically this has happened roughly every 3-5 years. Your plan is built assuming this will happen — that's why we have [X]% in bonds and cash. Here's what we would NOT do: sell equities into the drop."*

### Scenario 2 · +100 bps rate shock

*10Y yield rises 100 bps in 3 months. Duration = years-of-price-loss.*

Bond hit today: $__________ (bond % × -0.01 × duration × portfolio value)

***What to say:*** *"Bond prices fall when rates rise. Your bonds have a duration of [X] years, meaning a 1% rate move costs you about [X]% of that sleeve. But you're also earning higher coupons on new bonds — this is short-term pain for long-term income."*

### Scenario 3 · 6-month flat market

*S&P and bonds both go sideways. Inflation runs at 3%.*

Real return: __________% (nominal return – 3% inflation)

***What to say:*** *"Boring is the hardest scenario — no drama, no headlines, just slow erosion from inflation. This is the case for staying invested rather than moving to cash. Cash under-earns inflation in every 5-year window on record."*