

Before you ask what it will earn, ask how you could lose it

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Maxim: *Invert, always invert.* — Charlie Munger, after the mathematician Carl Jacobi

Munger's favourite mental trick costs nothing and takes five minutes. This month, two bank freezes and a ₹1,417 crore scheme showed what skipping it costs.

Most money decisions start with the wrong question. We ask how much something will earn, when the question that protects us is how it could lose.

At the close of business on 8 October 2026, the Reserve Bank of India froze two co-operative banks: the Tiruvalla Urban Co-operative Bank in Kerala and the Sri Mahatma Basaveshwar Co-operative Bank in Afzalpur, Karnataka. For six months, depositors cannot withdraw money from their savings, current or other accounts, and the banks cannot lend or take fresh deposits. RBI said it had engaged with the Tiruvalla bank for years, without “concrete efforts” to address its concerns, according to its [press release](#). Depositors can claim insurance from the DICGC of up to ₹5 lakh each.

Picture a retired teacher with ₹9 lakh in a fixed deposit at the branch near her home. On 7 October, her only question about that deposit was the interest rate. On 9 October, the questions that matter are different: can I get my money, when, and how much of it is insured? The first ₹5 lakh is covered. The rest waits on a bank that the regulator says did not fix its problems.

A week earlier, on 2 October, the Enforcement Directorate announced two arrests in the Unique Exports case from Erode, Tamil Nadu. The firm and its connected entities raised about ₹1,417.86 crore from roughly 35,759 investors, promising high returns from agricultural exports. The ED said the firms had virtually no substantial export business; ₹390.90 crore was recorded as salary for a staff of four, and one agent who put in ₹42.10 lakh allegedly took out ₹12.72 crore, [PTI reported](#).

One question would have changed both stories. Not “what will I earn?” but “how could I lose this?”

A mathematician's trick, a schoolboy audience

On 13 June 1986, Charlie Munger gave a commencement talk at the Harvard School in Los Angeles. Instead of telling the graduates how to be happy, he followed the comedian Johnny Carson and offered prescriptions for sure misery: envy, resentment, mood-altering chemicals, and four more of his own. The method, he said, was the one used by the great algebraist Carl Jacobi: “Invert, always invert.” His point was that “many hard problems are best solved only when they are addressed backward,” as the [transcript](#) records. He told it through the story of a rustic who said: “I wish I knew where I was going to die, and then I'd never go there.”

Inversion does not replace analysis. It changes the order of it. Forward thinking asks what has to go right and tends to stop once it finds a pleasing answer. Inverted thinking lists the ways the money could disappear, and asks which of them you can rule out. For the co-operative bank depositor, the forward question produced a rate. The inverted one would have produced two names: the bank's health and the ₹5 lakh insurance ceiling.

For the Unique Exports investor, the inverted question is even simpler: who is paying me this return, and from what? If the honest answer is “export profits I cannot see” or “the next investor”, the scheme has already told you how you will lose.

The pre-mortem, and the fund that could not pay out

The psychologist Gary Klein turned inversion into a meeting format he called the premortem, described in the *Harvard Business Review* in 2007. Before a decision is final, the team imagines that it has already failed, then writes down why. Daniel Kahneman called the idea “a low-cost, high-payoff kind of thing” in a 2010 [McKinsey Quarterly conversation](#) with Klein, who described it as a sneaky way to get people to argue against their own plan. The value is permission: once failure is assumed, raising doubts becomes the clever thing to do rather than the disloyal one.

Indian debt-fund investors learnt a version of this in April 2020. Franklin Templeton shut six debt schemes holding about ₹25,215 crore to redemptions. The money did come back: by August 2023, unitholders had received about ₹27,508 crore, more than the schemes were worth at closure, [Business Standard reported](#). But the last of it took more than three years. The failure was not a default. It was the loss of the ability to leave.

A forward question about a debt fund asks about yield. The inverted one asks what happens if its bonds cannot be sold in a hurry.

Five inverted questions before you hand over money

1. **Who is holding my money, and who regulates them?** A bank should be on RBI’s list; a broker, adviser or portfolio manager on Sebi’s register of recognised intermediaries. If nobody regulates it, nobody will step in when it fails.
2. **If it fails, what is protected, and up to how much?** DICGC insures bank deposits, including co-operative banks, up to ₹5 lakh per depositor per bank, principal and interest together. Above that, you are a creditor. Mutual funds, bonds and private schemes carry no such cover.
3. **How fast can I get out?** Lock-ins, exit loads and thin markets turn a good asset into a trap when you need cash. Ask how you would exit in a bad week, not a normal one.
4. **Who pays my return, and from what?** A return should trace back to interest, profits or rent you can see. If the answer is vague, or depends on new money coming in, you already know how this ends.
5. **What would have to happen for me to lose half?** Write down the answer. If it is easy to imagine, the risk is not small, whatever the brochure says.

The decision rule is short. Ask these questions before you look at the return. If you cannot answer one of them, find out before investing; if an answer is bad, no rate of interest is high enough to make up for it. And if a scheme looks unauthorised, RBI’s Sachet portal lets you report it.

Know where you would die

The depositors in Tiruvalla and Afzalpur were not reckless; they put money in a bank. What the interest rate could not show them was the exit. The investors in Erode were sold a story about onions, and the question that would have exposed it was not about onions at all.

In a 1990 letter to Wesco shareholders, Munger wrote that people like him had gained a remarkable long-term advantage by trying to be consistently not stupid rather than very intelligent, as [Quote Investigator](#) traces. His rustic put it better. You do not need to know where the best returns are. You need to know where you would lose your money, and then never go there.

Sources

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