

Munger spent the Daily Journal's cash in early 2009. Wells Fargo rose 570%

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Maxim: *No good company in sight? Keep your money in the bank.* — Peter Lynch

Being fully invested is not a virtue in itself. When nothing worth owning is on offer, cash is not idle money; it is a position waiting for its moment.

The pressure to be fully invested at all times is one of the most expensive habits in investing, because it forces you to buy something even when nothing is worth buying.

Peter Lynch, who ran one of the most successful mutual funds of his era, had a blunt cure. Among his golden rules, collected by [The Motley Fool Australia](#): "If you can't find any companies that you think are attractive, put your money in the bank until you discover some." The rule has two halves, and both matter. Wait when there is nothing to buy. And keep looking, because one day there will be.

Charlie Munger showed what the second half looks like. Besides being Warren Buffett's partner at Berkshire Hathaway, he chaired the Daily Journal, a small Los Angeles publisher of legal notices and newspapers. The company had cash on its balance sheet, and Munger, famously patient, was in no hurry to spend it on whatever the market happened to offer.

Then came the financial crisis. At the start of 2009, with markets near their lows and banks widely feared, Munger invested about \$20 million of the company's cash, mainly in Wells Fargo, Bank of America and U.S. Bancorp, along with the Korean steelmaker Posco, according to [The Motley Fool](#). Not everything worked: Posco fell 31% and the position was trimmed. But by 2015 the Wells Fargo stake stood 570% above its cost, Bank of America 431% and U.S. Bancorp 374%. The recovery more than quadrupled the size of the Daily Journal's balance sheet.

The lesson is not that cash is good and stocks are bad. Munger's cash was valuable precisely because he was willing to spend it, decisively, when prices finally made sense. Money in the bank was not an exit from investing. It was a waiting room.

The pull to do something

Ordinary investors feel the opposite pressure. Money sitting in a savings account feels like a failure, especially when friends are boasting about their returns. Fund distributors and apps make buying effortless, and markets rarely look cheap during long rises. The result is a habit of buying whatever is available, rather than what is worth owning.

Warren Buffett once acted on the same principle on a far larger scale. In the late 1960s, unable to find enough bargains in a market he felt had lost its discipline, he wound up his investment partnership altogether. "I understood what the game was about but I didn't want to play in it," he later said, [CNBC recounted](#). Few investors need to go that far. But the instinct behind it, to refuse to play a game you do not like, is the core of Lynch's rule.

What “the bank” means for an Indian investor

Lynch’s “bank” was shorthand for somewhere safe, liquid and boring. For Indian savers that can mean a bank deposit, a liquid fund or a short-term government security. It should be genuinely safe. Deposits in insured Indian banks are covered by the Deposit Insurance and Credit Guarantee Corporation up to ₹5 lakh per depositor per bank, a limit in force since February 2020, according to the [DICGC](#). Non-banking finance companies are not covered.

There are two honest caveats. First, Lynch was not recommending market timing. His rule is about individual companies: if you cannot find a business you understand at a sensible price, do not invent one. Someone who simply wants equity exposure can keep investing steadily through a diversified fund. Second, waiting has a cost. Money parked for years earns less than inflation after tax, as many fixed-deposit holders know. The bank is a waiting room, not a home.

The discipline that makes the rule work is a list. Keep a short list of businesses you would like to own and the prices or conditions at which they would make sense. Then the waiting has a purpose, and when the moment comes, as it did for Munger in 2009, you will know exactly what to do with the cash.

If you do one thing: Write a short list of five or six businesses or funds you would genuinely like to own, with a note on what would make each worth buying. Keep money you have not yet committed in an insured bank deposit or a liquid fund, and only move it when something on the list meets your conditions, not when boredom or envy does.

Lynch’s rule is easy to misread as caution. It is really about standards. An investor who buys only what is worth buying will, at times, hold more cash than feels comfortable. That discomfort is the price of not owning mistakes. Munger’s patience was rewarded in a few months of 2009. Most of us will never see an opportunity that clear. But the habit is the same at any scale: if nothing on your list is attractive, the bank is a perfectly respectable place to wait.

Sources

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