

In October 1987 Lynch's fund lost a third. It ended the year up 1%

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Maxim: *Market declines are normal — be ready before they come.* — Peter Lynch

A fall in the market is not a verdict on your plan. It is the test of whether you had one, and the test is set before the fall arrives.

The right time to prepare for a crash is on a quiet day, when nobody thinks one is coming.

In October 1987 Peter Lynch was on a family holiday in Ireland. He cut it short. In the four days to Monday, 19 October, the Dow Jones Industrial Average lost more than 750 points, and Fidelity Magellan, the fund Lynch ran and one of the largest in America, lost more than a third of its value in under a week. Before the fall it managed about \$12 billion. More than \$4 billion of that vanished, [The Christian Science Monitor reported](#) that December.

What Lynch said back in his Boston office is the interesting part. "We've never tried to anticipate declines or anticipate advances," he told the paper. "We're fully invested, at the bottom and the top." Almost none of the loss came from investors pulling money out; by his estimate, all but about 2% of it was simply lower prices. Most of Magellan's investors, in other words, did nothing.

Doing nothing turned out to be the winning move. Magellan ended 1987 up about 1% and gained nearly 23% in 1988, according to the fund's [published year-by-year record](#). Over Lynch's 13 years in charge it returned about 29% a year. Investors who sold in the week of 19 October turned a paper fall of a third into a real one. Those who stayed finished the calendar year slightly ahead of where they had begun it.

The market's quick rebound did a lot of that work, and not every fall heals within months. But the lesson Lynch drew did not depend on the rebound. In *Beating the Street* (1993) he turned it into one of his golden rules, as [The Motley Fool recorded](#): a decline is as routine as a January blizzard in Colorado, and "if you're prepared, it can't hurt you."

As routine as the weather

Lynch meant routine literally. In interviews collected by [Novel Investor](#), he counted 50 declines of 10% or more in the US market over the century, about one every two years, and 15 of them were deeper than 25%.

Indian markets are no calmer. FundsIndia's research head Arun Kumar [looked at the Nifty from 1991 to 2019](#) and found that the average fall from a high within a single year was about 22%. Yet 21 of those 29 calendar years still ended in positive territory. In 2006 the index dropped 30% within the year and finished it up 40%. [PGIM India Mutual Fund's 2025 note](#) on the Sensex makes the same point with 2020, when the index fell about 38% at its worst during the Covid panic and still closed the year higher.

So a fall of 10% or 20% inside a year is not a rare event that needs explaining. It is what the market does in most years. The surprise, if there is one, is how often investors treat it as news.

Why this year is the test

2026 has been one of those years. By late May the Nifty was down about 8.5% for the year and foreign investors had taken out more than \$23 billion, and a Reuters poll of analysts pointed to the index's first calendar-year loss since 2015, [Invezz reported](#).

Indian savers have mostly kept going. SIP contributions hit a record ₹32,490 crore in September 2026, according to AMFI data [reported by IANS](#). But the same data showed 49.68 lakh SIPs discontinued or completed in that month alone, set against 63.26 lakh new registrations. Some of those simply ran their course. Some were investors who had not prepared for a year like this one, and are finding out now.

What being ready actually means

Preparation has almost nothing to do with predicting the fall. Lynch never claimed to know when the next one would come. It is about arranging your money so that a fall cannot force your hand.

That means an emergency fund in a bank or liquid fund, so a job loss or a hospital bill is not paid for by selling equity at its worst price. It means keeping money you will need in the next three years, a down payment or a child's fees, out of shares altogether. It means no borrowed money in the portfolio, because a margin call does not wait for a recovery. And it means deciding, in writing and in advance, what you will do if your equity holdings fall by a quarter: hold, rebalance from debt into equity, or keep the SIP running.

None of this needs a forecast. It needs an evening with your statements, before the next bad week rather than during it.

If you do one thing: Write down today what you will do if your equity holdings fall by a quarter, and check that no money you need in the next three years is sitting in them. If the honest answer to the first question is "sell", your allocation to equity is too high for you, and the time to fix that is now, not at the bottom.

The Magellan investors of 1987 did not need to know that Black Monday was coming. They needed to be in a position where it did not matter, and most of them were. Some falls take years rather than months to repair, and preparation cannot change that. What it changes is whether you are still invested when the repair comes. The blizzard will arrive, as it does most winters. The only choice you get is whether you stock up before it, or go out in it.

Sources

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