

# How to Create a Ulysses Agreement

Discussing precommitments with your advisor can help you avoid bad investment decisions

By Annie Duke, Decision strategist and former poker pro

In the Odyssey, Ulysses was warned of the danger of the Island of the Sirens, whose song is entrancing but deadly. To return home safely, Ulysses instructed his crew to fill their ears with softened beeswax and lash him to the mast so he could hear the Sirens' song without giving in to temptation.

Likewise, we can be tempted to make poor investment decisions if we don't prepare in advance and make precommitments to stay on course.

### How Time Traveling Can Help You Stay on Track

One of our biggest problems as investors is reacting to market conditions in the moment. With your advisor, do the mental time traveling activities below to help anticipate market events that could tempt you to make bad decisions. Time traveling consists of two exercises: backcasting and premortem.



## 1 Backcasting Exercise

Backcasting is a mental time travel exercise that helps you identify the decisions and actions that helped you reach your financial goals. To do it, imagine a future in which you've achieved your financial goals, then write down what helped you achieve them. How did the stock market perform? What decisions did you make? What actions did you take or not take? It's best to do this exercise with your financial advisor.

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_

## 2 Premortem Exercise

A premortem is an investigation into something awful before it happens. Premortem exercises help you visualize bad decisions you might make before you make them. To do a premortem, imagine a future where you haven't achieved your financial goals. Then, look back from that imaginary future and identify the top reasons you didn't reach your goals.

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_

### 3 Precommitments to Help You When You're Tempted to Change Your Investment Strategy

After you've done backcasting and premortem exercises, you'll be more aware of what the future may look like, what kinds of decisions you want to avoid, and which decisions could help you reach your goals. Now use your responses from those exercises to have a discussion with your advisor about actions to take when you're tempted to change your investment strategy.

- a. When the market plunges, instead of changing my strategy I will: (e.g. call your advisor, sleep on it, , review long-term investment trends, consider your past decisions, etc.)

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- b. When the market is soaring or some hot investment trend tempts me to change my strategy, I will:

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- c. When the news or tweets about current or potential crises tempt me to change strategy, I will:

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- d. I won't check my portfolio value more than \_\_\_\_ times a \_\_\_\_\_(week, month, year)

- e. I'll check in with my advisor \_\_\_\_\_ times a year

Using the concept of time travel and developing a Ulysses Agreement with your advisor will help you stick to your plan when the market's ups and downs make you feel tempted to change it. Your advisor can serve as your accountability partner to help you keep your pre-commitments.

You'll still have natural reactions react to momentary turns of fortune. But you'll be much less likely to make a bad decision in the shadow of that momentary change.

Making careful, well-thought out decisions today can pay big dividends tomorrow.