

3. Use investment professionals Barbell Strategy - be extremely safe and extremely risky at the same time

If you want to develop your antifragility you must introduce a healthy dose of uncertainty and unpredictability into your life.

To do this you must take many small risks, continually experimenting with *new paths*: regarding your work, your financial situation, your social relationships, and so on.

These small risks will often turn into small failures, yet irrelevant to your overall well-being; some of them, on the contrary, will turn out to be the best choices of your life.

On the other hand, you will have to avoid at all costs those risks that, if they come true, will have a *definitive* impact on your career, your relationships, your life.

Examples:

- Putting all your savings on that investment your brother called "*A guaranteed success!*";
- Indulging in bad habits that could seriously endanger our health - Yes, smoker, you know what I'm talking about!
- Lie and betray other people's trust in the hope that we will never be found out.

The equation is "**Risk little but a lot of times, instead of risking a lot but a few times**".

But what does it mean to "risk little a lot of times"?

Whenever we have to make a decision under complex and uncertain conditions, we cannot accurately predict the final outcome, especially if that outcome can be verified after some time has passed.

It might turn out that between the decision and the verification of the outcome there might be a combination of relevant factors (a war, a new technological breakthrough, a new discovery, a new competitor, a business closure, and so on and so forth), unknown at the time of that decision, and unpredictable. **It could give rise to effects much better or much worse than those initially considered as objectives of the decision-making process.**

Many believe that every major decision is associated with significant risk, and that the only reasonable approach to decision making is to try to **minimize that risk by acquiring as much information as possible.**

The antifragile approach is totally different. Rather than trying to predict and anticipate what may happen, it aims to focus on the **outcomes of possible extreme scenarios**. These are those generated by particularly favorable and unfavorable conditions.

It exploits a feature found in almost all contexts characterized by complexity and uncertainty: **asymmetry**.

Any decision with – in our perspective – potentially positive outcomes can fall into one of the following cases:

1. Under favorable conditions, the benefits are high, while under unfavorable conditions they are small (++/+).
2. Under favorable conditions, major benefits are generated, while under unfavorable conditions major harms are generated, comparable in size to the benefits that occur when things go well (++/- -).
3. When favorable conditions occur, benefits are limited, while in the case of unfavorable conditions, harms are devastating (+/- -).
4. Under favorable conditions the benefits are enormous, while under unfavorable conditions the harms are limited (++/-).

If a decision falls into the first category, it is certainly to be considered positive. The only reason why it might not be adopted is if there is a resource conflict, i.e., having to spend resources allocated to the implementation of another decision, from which greater benefits are expected. For example: do I invest in developing more centered skills that earn me more money or do I invest in creating my own business?

Decisions belonging to the second category are not expected to generate significant improvements in the medium to long term, given the normal alternation of favorable and unfavorable conditions. The benefits produced under favorable conditions by these decisions would, in fact, be offset by the damage produced by decisions with similar characteristics under unfavorable conditions.

In practice, there are a very limited number of decisions that give rise to such symmetrical scenarios. For instance: I buy the hydrogen-powered car. Now, if hydrogen becomes the new standard fuel for cars (favorable conditions) I will have useful returns from the investment decision, such as low fuel cost, widespread availability of filling stations, etc. If the standard fuel becomes another (e.g., electric power) (unfavorable conditions), I will have many harms such as high fuel cost, low availability of fueling stations, etc.

The third category represents those decisions that, while hinting at the possibility of generating benefits if favorable conditions arise, may result in serious and irreversible outcomes if possible, though unlikely, negative conditions occur. Such decisions are to be avoided.

I already have a house but, going into debt, I buy another house in the country with the goal of improving my personal condition and my ability to develop a better mindset for my and my family's progress. If conditions become unfavorable (e.g., I lose my job and cannot find another one) I risk losing the house that I own as well. It is better not to make this decision.

In general, when a decision may result in devastating and irreversible outcomes if certain negative conditions are met, the option should be discarded a priori, regardless of the positive dimension of the most likely outcomes.

To the fourth category belong decisions in which one has more to gain than to lose from volatility/instability. Since it is not possible to predict the outcome of a given decision with extreme accuracy, it is advisable to create the conditions for which, in the worst conceivable case, the damage is limited, while should favorable situations occur, the benefits are enormous. In this way, it is not necessary to rely on hope or luck: one can afford a certain number of failures, provided that when favorable conditions arise, the benefits more than compensate for the sum of the damage incurred.

Can we suggest you an example of applying this principle in your life right away?

Invest in your education: *learn uncommon skills*; learn the fundamentals of a *new language*; specialize in *promising but as yet unexplored areas* (by reading PESTEL outcomes in your field). If things go wrong, you will have lost a few hundred euros in courses as a maximum, but if things go right the possibilities for your growth will be unlimited.

If you want to be more antifragile, whenever you have to make an important decision in your life, choose the path that will guarantee you enormous benefits (+++) if things go well and will instead cause limited damage (-) if things go wrong.