

# ASYMMETRIC BET EVALUATION WORKSHEET

*From "The Wealthy Janitor" by Rich Abbott*

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## WHAT IS AN ASYMMETRIC BET?

An asymmetric bet is an investment where:

**Downside is small and defined** (you know exactly how much you can lose)

**Upside is large and unlimited** (potential for 10x, 100x, or more)

**Examples:**

**Bitcoin in 2011** - Risk \$500, potential upside: millions

**Early Amazon stock** - Risk small amount, potential upside: 1000x+

**Startup equity** - Risk small investment, potential upside: massive

**Not asymmetric bets:**

**Lottery tickets** - High risk, low probability, designed to make you lose

**Penny stocks** - High risk, usually go to zero, no fundamental value

**Get-rich-quick schemes** - High risk, based on hype not fundamentals

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## THE PROBLEM:

**Most people do one of two things:**

1. **Never take asymmetric bets** (too scared, miss every opportunity)
2. **Take stupid bets** (desperation, no research, lose everything)

**Sam took calculated asymmetric bets.**

**I took desperate, uninformed bets.**

**That's the difference between \$8 million and \$0.**

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## THE 5-QUESTION FRAMEWORK:

**Before you invest a single dollar in ANY high-risk opportunity, answer these 5 questions:**

If you can't answer "YES" to all 5, **don't invest.**

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# QUESTION 1: DO I UNDERSTAND THE FUNDAMENTAL VALUE PROPOSITION?

## What this means:

Can you explain in simple terms WHY this thing should increase in value?

## Good answers:

- "Bitcoin solves the problem of digital scarcity and enables trustless transactions"
- "This company has a unique product that solves a real problem"
- "This asset is undervalued relative to its fundamentals"

## Bad answers:

- "Everyone says it's going to the moon"
- "It's been going up a lot lately"
- "My friend's cousin made \$50,000"

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**Your opportunity:** \_\_\_\_\_

**The fundamental value proposition (explain in your own words):**

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**Can you explain this to someone who knows nothing about it?**

- Yes (PASS - move to Question 2)
- No (FAIL - do not invest until you can)

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# QUESTION 2: IS IT EARLY ENOUGH THAT MOST PEOPLE HAVEN'T NOTICED?

## What this means:

Asymmetric bets only work if you're early. If everyone already knows about it, the upside is gone.

## Early signals:

- Your parents/coworkers have never heard of it
- Mainstream media is either ignoring it or calling it a scam
- Only tech-savvy or niche communities are talking about it
- Price is still low relative to potential

### Too late signals:

- Your Uber driver is telling you to buy it
  - Mainstream media is hyping it as "the next big thing"
  - Price has already gone 100x+ and everyone is celebrating
  - You feel FOMO (Fear Of Missing Out)
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**Your opportunity:** \_\_\_\_\_

### Where is it in the adoption curve?

- Almost nobody has heard of it (EARLY - good)
- Tech people / early adopters know about it (EARLY - good)
- Mainstream is starting to notice (GETTING LATE - caution)
- Everyone is talking about it (TOO LATE - avoid)

### Are you buying because of research or FOMO?

- Research (PASS)
- FOMO (FAIL - wait until emotions calm down)

### Is it early enough?

- Yes (PASS - move to Question 3)
  - No (FAIL - you're late, skip this opportunity)
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## QUESTION 3: CAN I AFFORD TO LOSE THE INVESTMENT COMPLETELY?

### What this means:

Would losing this money ruin you financially or emotionally?

**The rule:** Only invest 2-5% of your net worth in asymmetric bets.

### Sam's Bitcoin investment:

- Net worth in 2011: \$93,000
- Bitcoin investment: \$500
- Percentage: 0.54% of net worth
- Could afford to lose it completely? YES

### My horse investment:

- Net worth in 2011: ~\$50,000
- Horse investment: \$14,000+ over time
- Percentage: 28%+ of net worth
- Could afford to lose it completely? NO (and I didn't)

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**Your net worth today:** \$ \_\_\_\_\_

**Amount you're considering investing:** \$ \_\_\_\_\_

**Percentage of net worth:** \_\_\_\_\_% (divide investment by net worth  $\times$  100)

**If this went to ZERO tomorrow, would you be okay?**

- Yes, I'd be fine (PASS - move to Question 4)
- No, it would hurt badly (FAIL - invest less or skip)

**Maximum you should invest (2-5% of net worth):**

- 2%: \$ \_\_\_\_\_
- 3%: \$ \_\_\_\_\_
- 5%: \$ \_\_\_\_\_

**Adjusted investment amount (if needed):** \$ \_\_\_\_\_

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## **QUESTION 4: IS THE POTENTIAL UPSIDE 10X OR MORE?**

**What this means:**

For the risk to be worth it, you need potential for at least 10x return.

**Why 10x minimum?**

Because most asymmetric bets fail. You need the winners to pay for all the losers.

**Example:**

- 10 bets of \$500 each = \$5,000 total invested
- 9 go to zero = \$4,500 lost
- 1 goes 20x = \$10,000 gained
- Net result: \$5,000 profit (100% return overall)

**That's why you need massive upside potential.**

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**Your opportunity:** \_\_\_\_\_

**Current price/value:** \$ \_\_\_\_\_

**Realistic upside in 5-10 years:** \$ \_\_\_\_\_

**Potential return:** \_\_\_\_\_x (divide upside by current price)

**Conservative estimate (assume half of best case):** \_\_\_\_\_x

**Is the potential upside at least 10x?**

- Yes (PASS - move to Question 5)
  - No (FAIL - not enough upside for the risk)
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## **QUESTION 5: AM I PREPARED TO HOLD FOR 5-10 YEARS?**

### **What this means:**

Asymmetric bets take TIME. You must be able to hold through:

- Crashes (50-80% drops)
- Volatility (wild price swings)
- FUD (fear, uncertainty, doubt from media)
- Friends and family calling you crazy

### **Sam's Bitcoin timeline:**

- May 2011: Bought at \$1.50
- June 2011: Rose to \$30 (20x gain!)
- July 2011: Crashed to \$2 (93% drop)
- 2012-2013: Volatility, doubt, fear
- Dec 2013: Finally sold half at \$1,000

**He held for 2.5 years through a 93% crash.**

**Could you do that?**

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**Your opportunity:** \_\_\_\_\_

**Expected holding period:** \_\_\_\_\_ years

**Could this drop 50-80% and I would still hold?**

- Yes, I'd hold or buy more (PASS)
- No, I'd panic sell (FAIL - don't invest)

**Do I have the emotional stability to ignore:**

- Mainstream media calling it a scam
- Friends and family saying I'm stupid
- Price dropping 50%+ multiple times
- Watching it go up 10x, then crash 80%

**Can I hold for 5-10 years without selling?**

- Yes (PASS - this might be a good bet)
- No (FAIL - you're not ready for asymmetric bets)

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## **FINAL DECISION MATRIX:**

**Score your answers:**

- Question 1: Do I understand it? (Yes/No)
  - Question 2: Is it early enough? (Yes/No)
  - Question 3: Can I afford to lose it? (Yes/No)
  - Question 4: Is upside 10x+? (Yes/No)
  - Question 5: Can I hold 5-10 years? (Yes/No)
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**IF YOU ANSWERED "YES" TO ALL 5:**

**This might be a good asymmetric bet.**

**Next steps:**

1. Invest only 2-5% of net worth (MAX)
  2. Set it and forget it for 5-10 years
  3. Don't check the price daily
  4. Have a plan: "I'll sell X% at X price"
  5. Be prepared to lose it all
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**IF YOU ANSWERED "NO" TO ANY QUESTION:**

**Do not invest. Skip this opportunity.**

**It's okay to miss opportunities.**

**Better to miss a winner than lose on a loser.**

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## **SAM'S ACTUAL BITCOIN EVALUATION (MAY 2011):**

**Question 1: Do I understand it?**

YES - "It's digital scarcity. Limited supply. Solves double-spend problem. Enables trustless transactions."

**Question 2: Is it early?**

YES - "Almost nobody has heard of it. Media calls it a scam. Only tech nerds know about it."

**Question 3: Can I afford to lose it?**

YES - "\$500 is 0.54% of my \$93,000 net worth. If it goes to zero, I'm fine."

**Question 4: Is upside 10x+?**

YES - "If it works, it could be worth \$100+ per coin. That's 66x from \$1.50. Potential for much more."

**Question 5: Can I hold 5-10 years?**

YES - "I have emergency fund, low expenses, no debt. I can hold through anything."

**Decision: INVEST \$500**

**Result: \$500 became \$8,000,000+**

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**MY ACTUAL HORSE EVALUATION (MAY 2011):****Question 1: Do I understand it?**

NO - "Horses are valuable. People pay a lot for good horses. I think I can breed and sell them."

*(I didn't understand the market, the breeding timeline, or the actual demand)*

**Question 2: Is it early?**

NO - "Gypsy Vanners are already popular and expensive. Not early."

**Question 3: Can I afford to lose it?**

NO - "\$14,000 is 28% of my net worth. Plus ongoing costs. If this fails, I'm broke."

**Question 4: Is upside 10x+?**

NO - "Best case: Sell foals for \$5,000 each in 3 years. That's not even 2x. And it's not guaranteed."

**Question 5: Can I hold 5-10 years?**

NO - "I need income from this within 2-3 years to cover costs. Can't afford to hold long-term."

**Decision: INVESTED ANYWAY (desperate, emotional, scared)**

**Result: Lost \$23,500**

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**EXAMPLES OF ASYMMETRIC BETS TO EVALUATE:**

Use this worksheet for any of these:

- Cryptocurrency (Bitcoin, Ethereum, etc.)
- Early-stage startup equity
- Undervalued stocks (small companies with big potential)
- Real estate in emerging markets

- Collectibles (art, rare items with fundamentals)
  - Skills/education (high upside, low cost to learn)
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## **EXAMPLES OF THINGS THAT ARE NOT ASYMMETRIC BETS:**

- Lottery tickets (designed to make you lose)
  - Penny stocks (usually scams or dying companies)
  - MLM schemes (only the top 1% make money)
  - "Hot tips" from friends (no research, just hype)
  - Meme stocks (based on hype, not fundamentals)
  - High-interest debt to invest (leverage kills you)
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## **HOW TO USE THIS WORKSHEET:**

**Step 1:** Whenever you hear about a "hot opportunity," print this worksheet

**Step 2:** Answer all 5 questions honestly (no shortcuts)

**Step 3:** If any answer is "NO," do not invest

**Step 4:** If all answers are "YES," invest 2-5% of net worth maximum

**Step 5:** Set it and forget it for 5-10 years

**Step 6:** Repeat for next opportunity

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## **THE GOLDEN RULES:**

**Rule 1:** Never invest more than 5% of net worth in any single asymmetric bet

**Rule 2:** Never invest money you need within 5 years

**Rule 3:** Never invest based on FOMO or hype

**Rule 4:** Never invest without answering all 5 questions

**Rule 5:** Never sell just because price dropped (volatility  $\neq$  risk)

**Rule 6:** Take profits on the way up (sell 25-50% at milestones)

**Rule 7:** Keep asymmetric bets under 20% of total net worth

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## FINAL THOUGHTS:

**Most people never take asymmetric bets.** They're too scared. They miss everything.

**Some people take stupid bets.** They're desperate. They lose everything.

**Smart people take calculated asymmetric bets.** They do the research. They size properly. They hold patiently.

**That's how Sam turned \$500 into \$8 million.**

**That's how you can catch the next Bitcoin.**

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## NEXT STEPS:

- Save this worksheet and use it for EVERY high-risk opportunity
  - Download the complete Wealthy Janitor Toolkit at [RichAbbott.com/wealthy-janitor-toolkit](https://RichAbbott.com/wealthy-janitor-toolkit)
  - Read the book: "**The Wealthy Janitor: The Billion-Dollar Mistake That Taught Me How Regular People Actually Get Rich**" by Rich Abbott
  - Subscribe to The Stewardship Newsletter at [RichAbbott.com/newsletter](https://RichAbbott.com/newsletter)
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### Remember:

**The wealthy janitor didn't get rich because he was lucky.**

**He got rich because he evaluated opportunities systematically.**

**You can do the same.**

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