

How to prepare for a crash

<https://www.taxresearch.org.uk/Blog/2025/12/11/how-to-prepare-for-a-crash/>

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What can ordinary people do if the financial crash many economists fear is coming?

In this video, I explain some practical, calm, and sensible steps to improve your financial resilience without panic and without doom-mongering.

From securing savings and pensions to food security and holding a little cash, these tips help you think ahead when the government won't.

<https://www.youtube.com/watch?v=4Hp4mZ8DDNA?si=3PrzXwjgYKiuHzAI>

This is the audio version:

https://www.podbean.com/player-v2/?i=ve4ee-19e9108-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

People keep asking me, "How can we protect ourselves if there is a crash of the sort that you say is coming, Richard?" And I can understand people doing that. After all, Westminster is unlikely to help; they're sleepwalking again right now.

So, what sensible precautions can a person take before we have a financial meltdown,

which I still, I am afraid, think is likely, if not this side of Christmas, well, sometime in the new year?

What I stress is that I am not offering financial advice here. I definitely will not be telling you what to do with regard to your savings and investments. But I can suggest questions that you might ask and issues you might think about, and that's what this video is about.

First of all, a crash is not inevitable, but the risk is real, so taking some precautions does make sense. Financial markets are fragile, and policy is complacent; and when governments are abdicating responsibility for what is happening in those markets, prudence falls to us. So the goal here is twofold: one is resilience, and the second is to avoid fear.

Let's start with something pretty basic, and for many people, this won't apply. And let's be clear, quite a lot of what I'm going to say in this video won't apply to many people because I'm offering some of these suggestions on the basis that you've got a reasonable level of savings, and of course, not everybody has. But if you do have more than £120,000 in a bank account, first of all, well done. Secondly, good for you. Thirdly, you are not guaranteed to get your money back in the event that your bank fails, and that point is key.

If you split your savings in that case between two banks, and you check that they are genuinely independent of each other and not just separate brand names of one bank - so let me give you a warning: Lloyds and Halifax are, for example, the same for these purposes, so you really have to check what you're doing - but if you split your savings when you've got more than £120,000 between two banks, then you should get all your savings guaranteed, so long as you don't have more than £120,000 in any bank.

So, let me take an example. If you have £600,000 in cash, you do need to be using five separate banks now to make sure that you will be repaid if all of your banks fail. And that is the most simple and straightforward thing you can do to protect your well-being if you are that wealthy, and I would strongly suggest you look at it if this is something that you have an issue with.

I also think that if you have savings and you do have a financial adviser - and this doesn't require you to have £120,000 - you could have a small private pension pot - then this is the moment to ask your financial adviser some questions. Now, again, I'm not telling you what is right and wrong. All I'm saying is that if you believe there's a crash coming and you do want to protect your money, you might want to tell your financial adviser that you've now got a very 'low appetite for risk'. That's a technical phrase to use, and they will understand it because what that will mean is that they should direct you towards things which are very safe and are unlikely to go down in value.

So you might want to ask quite directly, "Should I have my savings in cash right now?" And you can do that inside a pension fund, by the way.

Or should you have your savings in government bonds rather than in shares? Again, you can do that within a pension fund.

And do you want to have any money in shares at all at this moment? Remember, it's your money and your decision, and feel free to challenge the advice that is given to you, and if they are absolutely adamant that you should keep your money in shares, and you don't think that's a safe thing to do, and that's your choice and nobody else's, then you can always go to another adviser. Do remember that's the case.

Let's talk about something else that is deeply practical. This might not be the best moment for you to change jobs. We saw that in March 2020, some people who had just changed jobs lost out on furlough. Now, I don't think we're heading for anything like furlough right now, but if we do have the economy go into recession, and that's a possibility, there will be redundancies. That's one of the characteristics of this process. At the very least, if you are in a job where you've been for a couple of years or so, you will have many more employment protections than you will if you were the last person in. Many employers do work on the basis of last in, first out. So if you are really worried that the economy is going to fall over quite soon, do wonder whether this is the moment to change jobs. But let me be clear, life decisions still depend on personal need. You just have to decide what is the weight of the risks in this case. I can't tell you; all I can say is you need to think about this one.

If you are retired instead of still at work, then there's another question to ask. Is your pension fund, on which you're going to be dependent for the rest of your life, in all probability, safely invested? Or is this the moment when you should be discussing an annuity with your adviser? Because annuities, which are a guaranteed income, paid for life by your insurance company, have to be backed up by absolutely solid investments which have to be set aside from the interest of the insurance company itself, and therefore should be secure in the event of any market meltdown: not absolutely guaranteed because nobody can offer an absolute guarantee, but should be. And should you be thinking about ensuring this annuity against inflation? Again, a question you need to ask.

My point is, if you still haven't put your money into an annuity and are planning on drawing your savings down, you may be leaving yourself heavily exposed to markets when markets might crash. Your pension could therefore be at risk. The point I'm making is you need advice. I'm not telling you what to do. I am saying a conversation could be worth having right now. I am taking my own advice in this case, by the way. I think it's entirely appropriate to have those conversations with a pension adviser at this moment because things might change soon.

Let's become even more pragmatic. Let's go down right to the basics. Let's go down to

food security. One of the things that we know happens when we have a crash is panic buying. We've seen it. It happened in 2008, and most dramatically in 2020, when panic buying of toilet rolls became quite ridiculous. But I'm not talking about toilet rolls here because most people have probably got enough of those around the house, and the likelihood they're going to run out is pretty low.

Food is a different issue. The fact is that data shows that most UK families only have three days of food in their home from which they could make meals, and that's quite astonishing. If there's panic buying, if the world is shut down because banks are in trouble, or if people are simply trying to strip the shelves, then you might find that getting food is going to be hard work for a few days. It will pass; I guarantee you it will. The world is not going to stop because we have a financial crisis and a meltdown, but that doesn't stop people from panicking.

People panicking is irrational behaviour in response to a crisis, which is not necessary, but people will still do it. So, if you have the room to store a bit more food, this might be the moment to think about doing so. Add some basics that fit your diet, in other words, but don't forget the cooking oils, butter, oils, whatever it might be that you use to actually cook with, because it's great to have all the raw materials, but you can't cook them without the oils in most cases, so they're pretty important. And never forget the tea and coffee, they are essential for morale, and although I hate the stuff and probably would never drink it because I don't drink milk anyway, you could have some UHT milk, if you really insist, although I don't know.

What about cash? What happens if the banks have to shut the cashpoint machines? This was a real risk in 2008. There was a likelihood at that time that the banks would have shut down their cashpoint machines. In fact, that was why the Royal Bank of Scotland had to be bailed out over a weekend in October 2008, because quite literally, there would have been no money in the morning. Now, I do not know that that will happen again this time, and by and large, our banks are more robust than they were. And by and large, the Bank of England understands the system better than it did, so it's unlikely that we're going to have a run on cash this time, but just suppose something went wrong.

If you could, think about having a bit of cash at home. I'm not talking about lots because the risk of banking failure isn't that high. But if you could put a couple of hundred pounds aside - enough to go and cover a shop if it was necessary - well, think about it. I very rarely use cash these days, hardly at all. I sometimes carry around a ten quid note because I feel as though I, well, should, because that's sort of the historical legacy of you always went out and checked, got your keys, got your wallet, got enough money, and I don't really need to do that, but I don't feel safe without a tenner. The point is, you might just need some cash. So, think about it. Put it somewhere safe. Don't put it somewhere obvious and don't flag up the fact to anybody, just in case somebody's feeling a little bit footloose.

What am I saying? What this is really all about is that we don't need to panic. We aren't going to necessarily see a total meltdown as we did in 2008, and boy, did we see one then, but there are prudent steps that anybody could take at this moment. Building everyday resilience right now seems to make a lot of sense when the government is very clearly ignoring the risks that we face, as it did in 2008, and as it did, as we now know from the COVID inquiry, in March 2020.

Our governments are useless at appraising risk. All I'm trying to do is say, you take some risk appraisal measures instead to protect yourself in case the worst happens. So the only people who really need to act are those with large bank deposits; you definitely need to think about what you're doing.

Those who've got significant savings also need to speak to their financial advisers, and there's no problem you asking to talk to them because that's what they're there for. And you should make it clear that you have a low tolerance for losing your well-being as a consequence of a forthcoming crash, so you might want to have your savings organised in that way.

For everyone else, take some sensible measures, keep calm, but ensure that you can keep calm by having some food in the cupboard, and having some cash somewhere safe. In that case, you should get through this without any problem. Well, I can't say without any problem because the effects are going to be horrible if it happens, but as well as you can, and you'll get through the first stage, and after that, who knows what will happen. But if the government isn't helping, you need to, and that's my point. We need to take the actions that are necessary to cover for political failure.

Be calm, be organised, be informed. Ask better questions, demand responsibility from the government and understand that personal resilience is important, not just for you but also collectively. If we all did some sensible measures, we would get through this pretty well.

A little prudence can go a very long way right now.

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