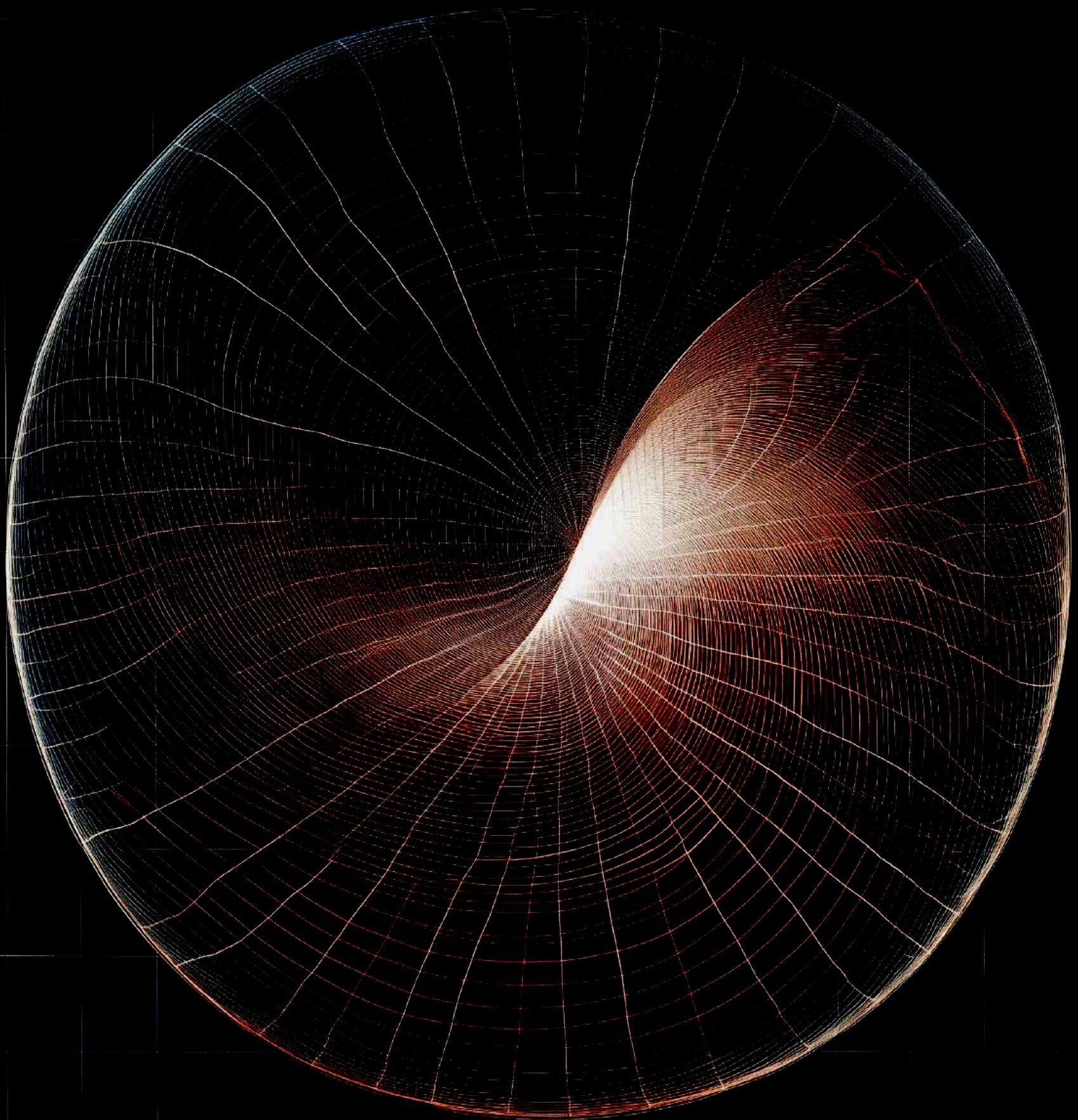# Annual review

"Every leader does year-end review and comes to conclusions of one sort or another. My observation is that two leaders looking at the same information will not see the same thing. The one who's a more skilled analyst, who digs deeper and wider, will benefit more."

— *Bill Walsh, Super Bowl Winning Coach*

Welcome

Behind every successful year lies a moment of honest reflection. This workbook helps you find that moment— when clarity emerges and patterns become visible.

We've combined Farnam Street's decision-making frameworks with reMarkable's expertise in focused thinking to create a path forward. The result is a set of tools to help you identify what to eliminate and what to amplify in your life. Use them on your reMarkable paper tablet, another traditional tablet, or print it out—what matters is engaging deeply with each step of the reflection process.

The tools inside

This workbook provides two core elements: a structured approach to annual reviews and three practical mental models from Farnam Street creator Shane Parrish's work on better thinking. Each mental model offers a distinct way to analyze your choices and patterns. We've also included a chapter from Shane's NYT bestseller *Clear Thinking: Turning Ordinary Moments into Extraordinary Results* that strengthens your reflection process. These tools work together but stand independently—use what serves you best.

Why this works

Traditional annual reviews fail because they add complexity—more goals, more tasks, more pressure. This framework does the opposite. Based on Shane's research,

it helps you identify what matters and what to eliminate. The result is focused progress rather than scattered effort.

The framework

Thirteen carefully structured levels guide you through reflection and planning. Each builds on the one that came before it, helping you see patterns and make deliberate choices about your path forward.

How to use this workbook

Write honestly. Take time with each prompt. Return to earlier answers as new insights emerge. Clear thinking requires focused attention—this framework gives you the structure, you choose the space where you think best.

Before you begin

Consider unplugging your wifi and turning off your phone for just an hour. The deepest insights often emerge when we remove the possibility of digital interruption. You have everything you need for this review right here on these pages. Give your mind the genuine quiet it needs to wander freely and settle into deeper patterns of thought.

About the collaborators

Shane Parrish and Farnam Street

In 2001, Shane Parrish joined an intelligence agency just as the world was about to change. He learned one thing fast: your ability to think clearly can mean the difference between success and catastrophe.

That insight led him to create Farnam Street (link), a place to sharpen your judgment and make better decisions. Drawing on timeless wisdom and tested frameworks, Farnam Street helps you master the best of what other people have already figured out. Read by millions, the goal is simple: think better in less time, without the fluff.

If you're serious about cutting through the noise and improving your game, Farnam Street gives you the edge you need.

fs.blog

reMarkable

The best ideas often emerge when pen meets paper. This simple truth led Magnus Wanberg to create reMarkable in 2013, after experiencing firsthand how paper helped him think better during his studies at Harvard University. While laptops invited distraction, paper created space for thought—but it remained limited by its physical nature.

reMarkable bridges this gap. Our paper tablets combine the distraction-free experience of paper with the power of digital tools. By eliminating notifications, apps, and digital noise, we create a haven for thought in an increasingly complex world.

What started as a quest for better thinking has transformed how millions of professionals work and think. From scientists to CEOs to the data analyst sitting around the corner from you in the office, they've rediscovered what we all know: removing digital distractions while maintaining the tactile experience of paper leads to deeper focus and clearer thinking.

remarkable.com

The power of this collaboration

Clear thinking emerges from the right combination of methods and tools. That's why we've brought together Shane's frameworks, forged in high-stakes intelligence work, and reMarkable's neuroscience-backed technology for focused work. Together, they create a practical workbook for clarity in a world of complexity.

When deep thinking meets the right tools, extraordinary things happen.

Turn the page to find out for yourself.

Annual review

Cut noise. See patterns. Act decisively.
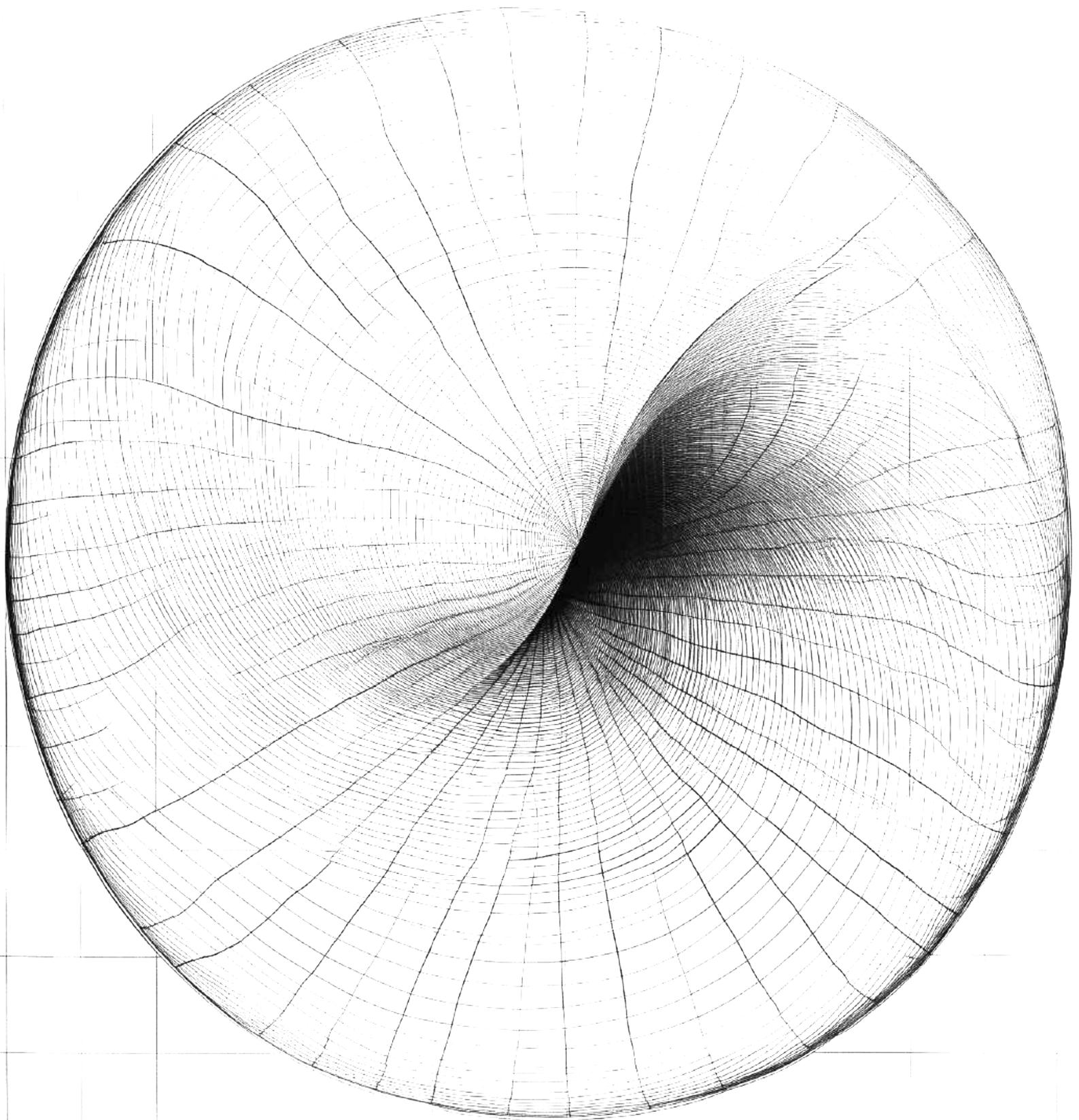
Set your focus

Neuroscience reveals a valuable insight: mental focus follows visual attention.

By focusing your eyes for 60 seconds on a single point on the surface where you will be doing your deep work, you prepare and calibrate your brain's focus system. This simple technique helps align your neural networks, priming your cognitive resources for deeper focus.

When you have a task that requires your undivided attention and clarity of thought, like an annual review, make it a habit to warm up with this simple exercise.

Fix your gaze on the center point below for 60 seconds.

Inspired by Andrew Huberman: bit.ly/huberfocus
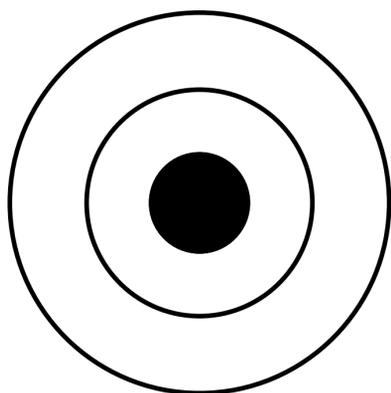
The key to success

Every breakthrough starts with absolute clarity. Not just about the path forward, but about the destination itself. While we often focus on acquiring more skills, gathering more resources, or building better networks, these tools only become transformative when directed toward a clear purpose.

The most successful leaders understand this fundamental truth: knowing exactly what you want transforms how you see opportunities, make decisions, and allocate your energy. It's the difference between motion and progress.

Take a moment to write down what you truly want - the outcome that would define real success for you.

What I really want is ...

An honest audit

Success is deceptively simple: do more of what works, eliminate what doesn't. Yet in today's complex world, seeing your own patterns clearly becomes increasingly challenging.

Imagine a world-class CEO just took over your life. You're not in charge anymore - they are. With fresh eyes and zero attachment to past decisions, they're analyzing everything. What metrics would they examine to evaluate your progress? What patterns would emerge? What would they have you change?

Take a clear-eyed look at your current position.

Key metrics	*e.g., time spent with family, savings, focused work hours*
1.	
2.	
3.	

"Success is simple but not easy: Do more of what works and less of what doesn't."

What's not working that needs elimination?

1.

2.

3.

What patterns show promise and need scaling?

1.

2.

3.

Map your horizon

Even exceptional leaders face the challenge of too many opportunities competing for limited focus. Start by mapping your full view - from strategic initiatives to personal growth, capture what could define your success in 2025.

List your top 10 goals for 2025:

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

Do less, better

Most people scatter their energy across too many goals - not because they lack skill, but because they resist making bold choices and fear missing opportunities. Your success in 2025 depends more on what you say NO to than what you say yes to.

Step 1: Return to the previous page and circle your top three goals.

- The remaining seven become your avoid-at-all-costs list
- Your new rule: focus on only three goals at a time
- Once you complete a goal, you can promote a new one

Step 2: Rewrite and refine your three selected goals below.

- Make each goal short, specific, and measurable
- Define what success looks like in concrete terms
- Identify critical next steps and resources needed

Goal:

Success metric(s)
*How will you measure
progress and success?*

Next 30 days
*What are 1-3 action
steps you will take?*

Key support
*Who or what do you
need to succeed?*

> "The difference between successful people and really successful people is that really successful people say no to almost everything."
>
> — *Warren Buffet*

Goal:

Success metric(s)
How will you measure progress and success?

Next 30 days
What are 1-3 action steps you will take?

Key support
Who or what do you need to succeed?

Goal:

Success metric(s)
How will you measure progress and success?

Next 30 days
What are 1-3 action steps you will take?

Key support
Who or what do you need to succeed?

Small steps for momentum

Often when we find ourselves procrastinating, it's because the gap between where we are and where we want to be feels too wide. Instead of focusing on the distant goal, concentrate on the next small step forward. A marathoner who hits the wall at mile 4 doesn't think about the finish line - they focus on reaching the next corner, staying in motion.

Motion creates momentum, and momentum reveals opportunities that standing still never could.

Identify three things you're avoiding or putting off - either from your chosen goals or other important areas - and write down the smallest possible first step for each:

I'm putting off   Smallest first step

"Now is no time to think of what you do not have. Think of what you can do with what there is."

— *Ernest Hemingway*

I'm putting off   Smallest first step

I'm putting off   Smallest first step

Play to your strengths

The best performers seem to have mastered the art of amplifying strengths rather than fixing weaknesses.

Tiger Woods perfected his drives to avoid sand traps entirely. Tobi Lutke partnered with Harley Finkelstein to complement his introvert nature. Mark Zuckerberg hired Sheryl Sandberg rather than trying to become an experienced operator himself.

List three areas where others would say you're weak. For each one, write down a practical way to work around it - who could help, what could change, or how you might approach things differently:

Weakness

Workaround

> "Do what you do best
> and outsource the rest."
>
> — *Peter Drucker*

Weakness	Workaround

Weakness	Workaround

Find your easy mode

Success often hides in plain sight - not in working harder, but in spotting the simpler path. While most tackle challenges head-on, masters find ways to adjust the game's difficulty settings.

Consider a student preparing for exams: cramming the night before plays on hard mode, while daily reviews with good sleep plays on easy. Same outcome, dramatically different effort.

Simple switches can transform your daily experience from constant struggle to natural flow. The key is spotting where you're making things unnecessarily hard.

Identify three areas where you're choosing the difficult path by default. For each one, find and describe your easy mode.

Hard mode   Easy mode

"Invent and simplify. Leaders expect and require innovation and invention from their teams, and always find ways to simplify."

— *Jeff Bezos*

Hard mode   Easy mode

Hard mode   Easy mode

The inner circle

You become who you spend time with. This isn't just wisdom - it's science. Your network shapes your thinking patterns, your ambitions, and ultimately your outcomes.

Great minds know a simple truth: the people in our orbit - from close relationships to daily interactions - shape both our thinking and our potential.

Think about your regular interactions - in person, online, and through media. List the five people who have the most presence in your daily life:

1.

2.

3.

4.

5.

Shape your circle

Every relationship carries its own energy - some spark our growth while others quietly shape our limits. This isn't about judging connections, but understanding how your environment influences your path.

Consider each person from your list on the previous page and score their impact (+1 for positive, 0 for neutral, -1 for negative). Use the insights to strengthen relationships that elevate you and thoughtfully adjust those that don't.

Score each person (+1, 0, -1):

	1	2	3	4	5
Information quality: *Do they expand your thinking with valuable insights?*					
Growth catalyst: *Do they challenge you to reach higher standards?*					
Energy impact: *Do interactions leave you energized or drained?*					
Future alignment: *Are they heading where you want to go?*					
Values and ethics: *Do their principles align with your aspirations?*					
Score					

Set the rules

Rules can transform desired behaviors into default behaviors. Some rules propel you toward goals, like committing to daily exercise. Others protect your time and energy, like limiting yourself to your top 3 priorities or declining meetings where you add little value. And some rules, though once useful, no longer serve you and should be retired.

Interestingly, when you frame a choice as a personal rule, others tend to respect it more readily. 'I have a rule not to eat dessert on weekdays' often meets less resistance than a simple 'no thank you' at a lunch meeting."

Create your strategic rulebook:

Rules that propel - *Automate progress toward your goals*
1
2
3

"The secret to effective results is turning acquired knowledge into default behavior."

— *Shane Parrish*

Rules that protect - *Guard your priorities and energy*

1

2

3

Rules that limit - *Identify rules ready for retirement*

1

2

3

Commit to your path

Clear thinking leads to better decisions. Better decisions compound into extraordinary results. You've mapped your destination, identified patterns, shaped your environment, and created supporting systems. Time to commit to your path.

What three insights from this review will most transform your next year?

1

2

3

What one change will you implement immediately?

When will you revisit these exercises to check your progress?

I commit to pursuing my chosen priorities with focused attention, so that one year from now, this moment marks the beginning of extraordinary progress.

_____

Place, date, and signature

"That's been one of my mantras - focus and simplicity. Simple can be harder than complex: You have to work hard to get your thinking clean to make it simple. But it's worth it in the end because once you get there, you can move mountains."

— *Steve Jobs*

Mental models

The thinking tools of history's greatest problem-solvers.

The Great Mental Models are available at fs.blog/tgmm
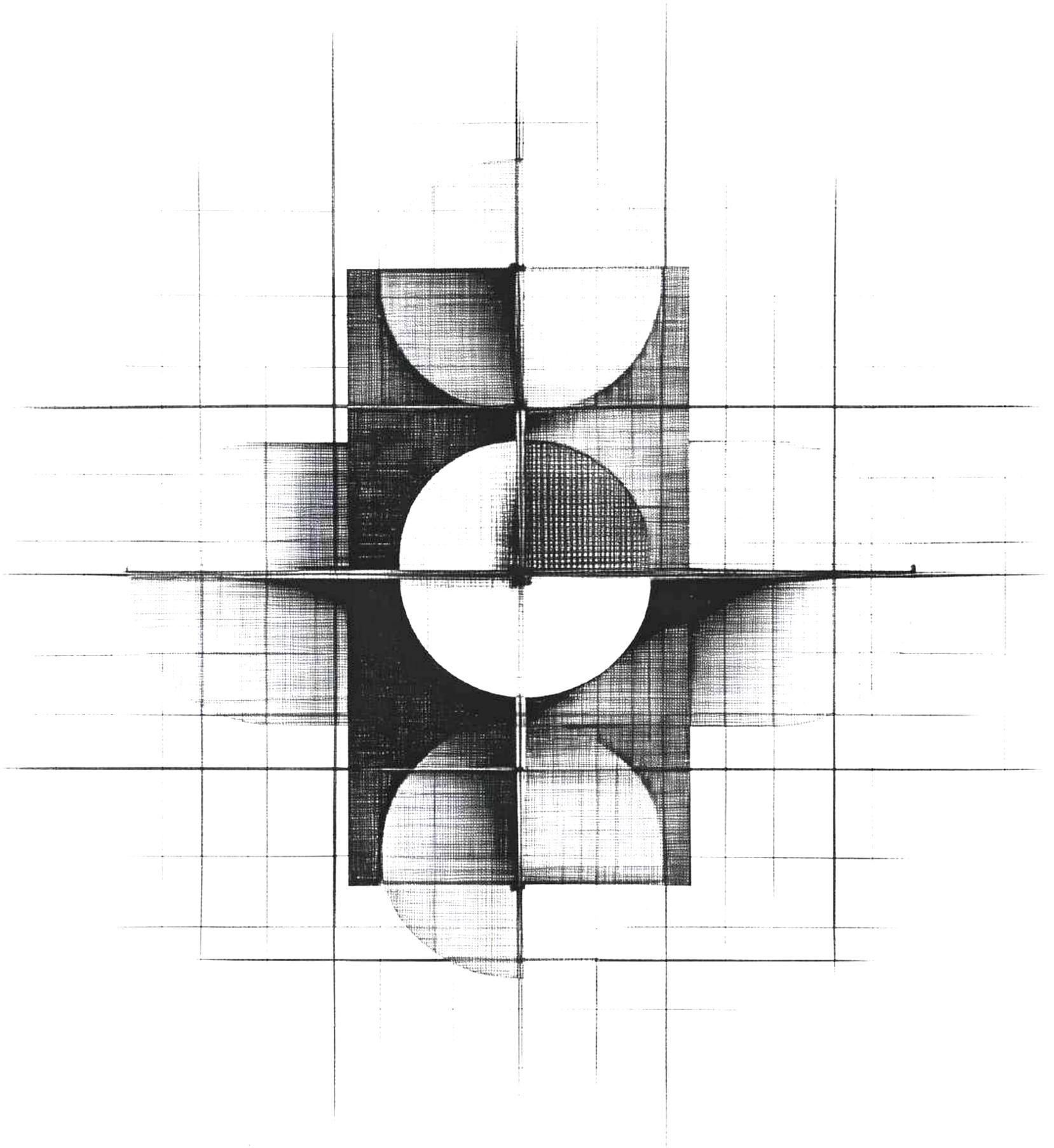
Timeless tools for modern decisions

When you learn to see the world as it is, and not as you want it to be, everything changes. The solution to any problem becomes more apparent when you can view it through more than one lens. You'll be able to spot opportunities you couldn't see before, avoid costly mistakes, and make meaningful progress.

That's the power of mental models.

The best thinkers throughout history didn't rely on a single way of looking at problems. They built vast mental toolkits, allowing them to pierce through complexity and see what others missed. From Albert Einstein's thought experiments to Charlie Munger's latticework of theory, the ability to apply multiple models has been the hallmark of clear thinking.

After years of studying how history's greatest thinkers solved complex problems, Shane Parrish distilled their methods into The Great Mental Models. These four groundbreaking books capture the core thinking tools from physics, biology, mathematics, economics, and other disciplines.

For annual planning, these thinking tools are invaluable. They help you cut through narrative fallacies about your past year, identify true patterns of success and failure, and design more robust strategies for the future.

We've selected three mental models particularly powerful for reflection and planning:

First principles thinking helps you strip away assumptions and see what's essential. When evaluating your past year or planning your next, this tool ensures you're building on solid ground, not inherited thinking.

Optimization teaches you when to refine and when to reimagine. Some areas of your life need fine-tuning; others require fundamental rethinking.

Bottlenecks shows you where your real constraints lie. Often, what appears to be the problem is merely a symptom of a deeper limitation.

Each model acts as a unique lens, revealing different aspects of your challenges and opportunities. Together, they form a powerful toolkit for cutting through complexity and charting a clearer path forward.

Let's dive in.

First principles thinking

Go back to basics.
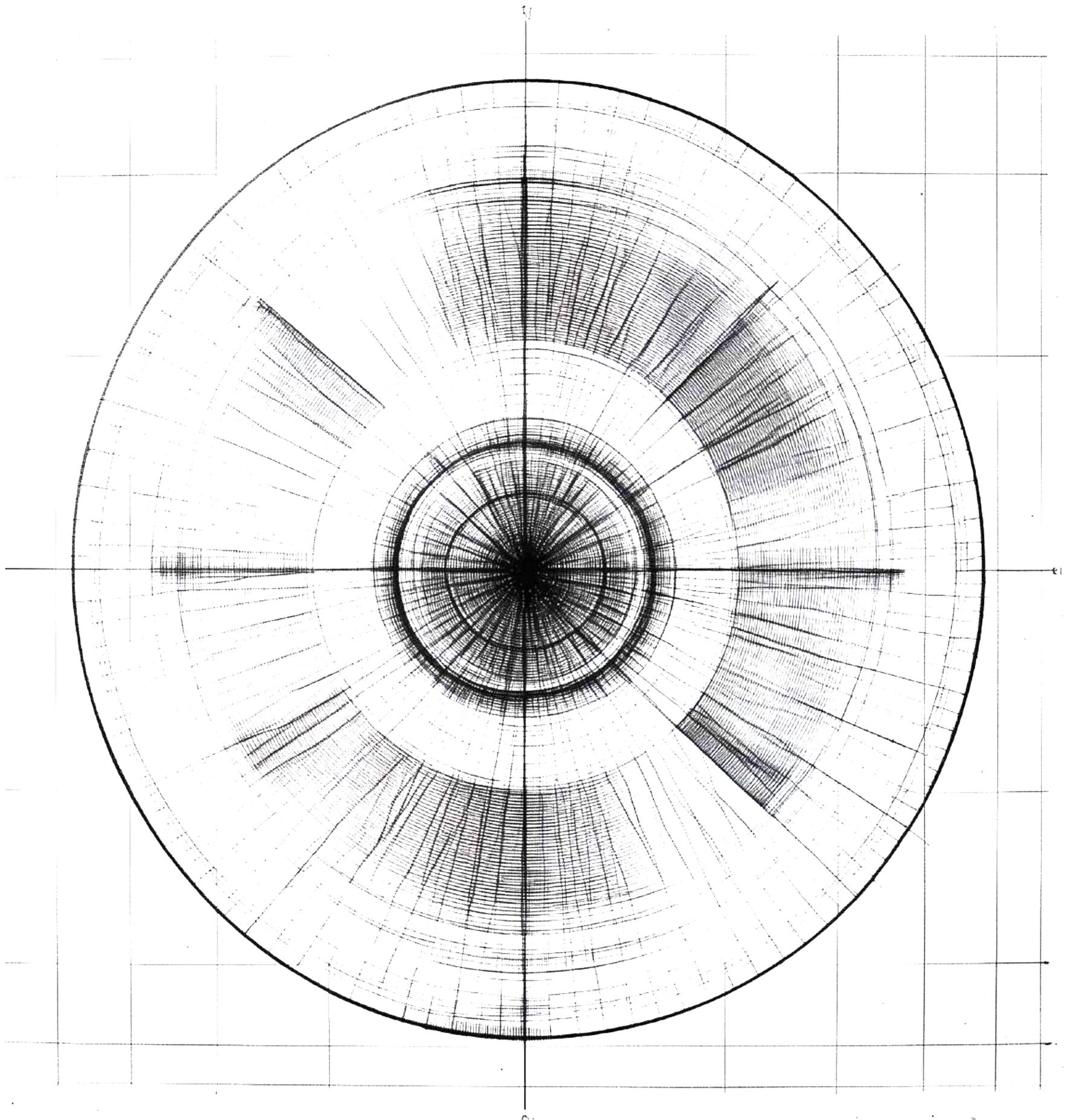
First principles thinking is one of the best ways to reverse-engineer complicated situations and unleash creative possibility. Sometimes called reasoning from first principles, it's a tool to help clarify complicated problems by separating the underlying ideas or facts from any assumptions based on them. What remain are the essentials. If you know the first principles of something, you can build the rest of your knowledge around them to produce something new.

The idea of building knowledge from first principles has a long tradition in philosophy. In the Western canon it goes back to Plato and Socrates, with significant contributions from Aristotle and Descartes. Essentially, they were looking for the foundational knowledge that would not change and that we could build everything else on, from our ethical systems to our social structures.

First principles thinking doesn't have to be quite so grand. When we do it, we aren't necessarily looking for absolute truths. Millennia of epistemological inquiry have shown us that these are hard to come by, and the scientific method has demonstrated that knowledge can only be built when we are actively trying to falsify it. Rather, first principles thinking identifies the elements that are, in the context of any given situation, non-reducible.

First principles do not provide a checklist of things that will always be true; our knowledge of first principles changes as we understand more. They are the foundation on which we must build, and thus will be different in every situation, but the more we know, the more we can challenge. For example, if we are considering how to improve the energy efficiency of a refrigerator, then the laws of thermodynamics can be taken as first principles. However, a theoretical chemist or physicist might want to explore entropy, and thus further break the second law into its underlying principles and the assumptions that were made because of them. First principles are the boundaries that we have to work within in any given situation—so when it comes to thermodynamics an appliance maker might have different first principles than a physicist.

Techniques for establishing first principles
If we never learn to take something apart, test our assumptions about it, and reconstruct it, we end up bound by what other people tell us—trapped in the way things have always been done. When the environment changes, we just continue as if things were the same, making costly mistakes along the way.

Some of us are naturally skeptical of what we're told. Maybe it doesn't match up to our experiences. Maybe it's something that used to be true but isn't true anymore. And

maybe we just think very differently about something. When it comes down to it, everything that is not a law of nature is just a shared belief. Money is a shared belief. So is a border. So are bitcoin. So is love. The list goes on.

If we want to identify the principles in a situation to cut through the dogma and the shared belief, there are two techniques we can use: *Socratic questioning* and *Five Whys*.

Socratic questioning can be used to establish first principles through stringent analysis. This is a disciplined questioning process, used to establish truths, reveal underlying assumptions, and separate knowledge from ignorance. The key distinction between Socratic questioning and ordinary discussions is that the former seeks to draw out first principles in a systematic manner. Socratic questioning generally follows this process:

1. **Clarifying your thinking and explaining the origins of your ideas.** *Why do I think this? What exactly do I think?*
2. **Challenging assumptions.** *How do I know this is true? What if I thought the opposite?*
3. **Looking for evidence.** *How can I back this up? What are the sources?*
4. **Considering alternative perspectives.** *What might others think? How do I know I am correct?*

5. **Examining consequences and implications.** *What if I am wrong? What are the consequences if I am?*
6. **Questioning the original questions.** *Why did I think that? Was I correct? What conclusions can I draw from the reasoning process?*

Socratic questioning stops you from relying on your gut and limits strong emotional responses. This process helps you build something that lasts.

The Five Whys is a method rooted in the behavior of children. Children instinctively think in first principles. Just like us, they want to understand what's happening in the world. To do so, they intuitively break through the fog with a game some parents have come to dread, but which is exceptionally useful for identifying first principles: repeatedly asking "why?"

The goal of the Five Whys is to land on a "what" or "how". It is not about introspection, such as "Why do I feel like this?" Rather, it is about systematically delving further into a statement or concept so that you can separate reliable knowledge from assumption. If your "whys" result in a statement of falsifiable fact, you have hit a first principle. If they end up with a "because I said so" or "it just is", you know you have landed on an assumption that may be based on popular opinion, cultural myth, or

dogma. These are not first principles.

There is no doubt that both of these methods slow us down in the short term. We have to pause, think, and research. They seem to get in the way of what we want to accomplish. And after we do them a couple of times we realize that after one or two questions, we are often lost. We actually don't know how to answer most of the questions. But when we are confronted with our own ignorance, we can't just give up or resort to selfdefense. If we do, we will never identify the first principles we have to work with, and will instead make mistakes that will slow us down in the long term.

> "Science is much more than a body of knowledge. It is a way of thinking."
>
> *— Carl Sagan*

Incremental innovation and paradigm shifts
To improve something, we need to understand why it is successful or not. Otherwise, we are just copying thoughts or behaviors without understanding why they worked. First principles thinking helps us avoid the problem of relying on someone else's tactics without understanding the rationale

behind them. Even incremental improvement is harder to achieve if we can't identify the first principles. Temple Grandin is famous for a couple of reasons. One, she is autistic, and was one of the first people to publicly disclose this fact and give insight into the inner workings of one type of autistic mind. Second, she is a scientist who has developed many techniques to improve the welfare of animals in the livestock industry.

One of the approaches she pioneered was the curved cattle chute. Previous to her experiments, cattle were put in a straight chute. Curved chutes, on the other hand, "are more efficient for handling cattle because they take advantage of the natural behavior of cattle. Cattle move through curved races more easily because they have a natural tendency to go back to where they came from." Of course, science doesn't stop with one innovation, and animal scientists continue to study the best way to treat livestock animals.

Stockmanship Journal presented research that questioned the efficiency of Grandin's curved chute. It demonstrated that sometimes the much more simple straight chute would achieve the same effect in terms of cattle movement. The journal sought out Grandin's response, and it is invaluable for teaching us the necessity of first principles thinking.

Grandin explains that curved chutes are not a first principle. She designed them as a tactic to address the first principle of animal handling that she identified in her research—essentially that reducing stress to the animals is the single most important aspect and affects everything from conception rates to weight to immune systems. When designing a livestock environment, a straight chute could work as long as it is part of a system that reduces stress to the animals. You can change the tactics if you know the principles.

> "As to methods, there may be a million and then some, but principles are few. The man who grasps principles can successfully select his own methods. The man who tries methods, ignoring principles, is sure to have trouble."
>
> — *Harrington Emerson*

Sometimes we don't want to fine-tune what is already there. We are skeptical, or curious, and are not interested

in accepting what already exists as our starting point. So when we start with the idea that the way things are might not be the way they have to be, we put ourselves in the right frame of mind to identify first principles. The real power of first principles thinking is moving away from random change and into choices that have a real possibility of success.

Conclusion

Reasoning from first principles allows us to step outside of history and conventional wisdom and see what is possible. When you really understand the principles at work, you can decide if the existing methods make sense. Often they don't.

Many people mistakenly believe that creativity is something that only some of us are born with, and either we have it or we don't. Fortunately, there seems to be ample evidence that this isn't true. We're all born rather creative, but during our formative years, it can be beaten out of us by busy parents and teachers. As adults, we rely on convention and what we're told because that's easier than breaking things down into first principles and thinking for yourself. Thinking through first principles is a way of taking off the blinders. Most things suddenly seem more possible.

The Great Mental Models are available at <u>fs.blog/tgmm</u>

Optimization

Perfecting the possible.
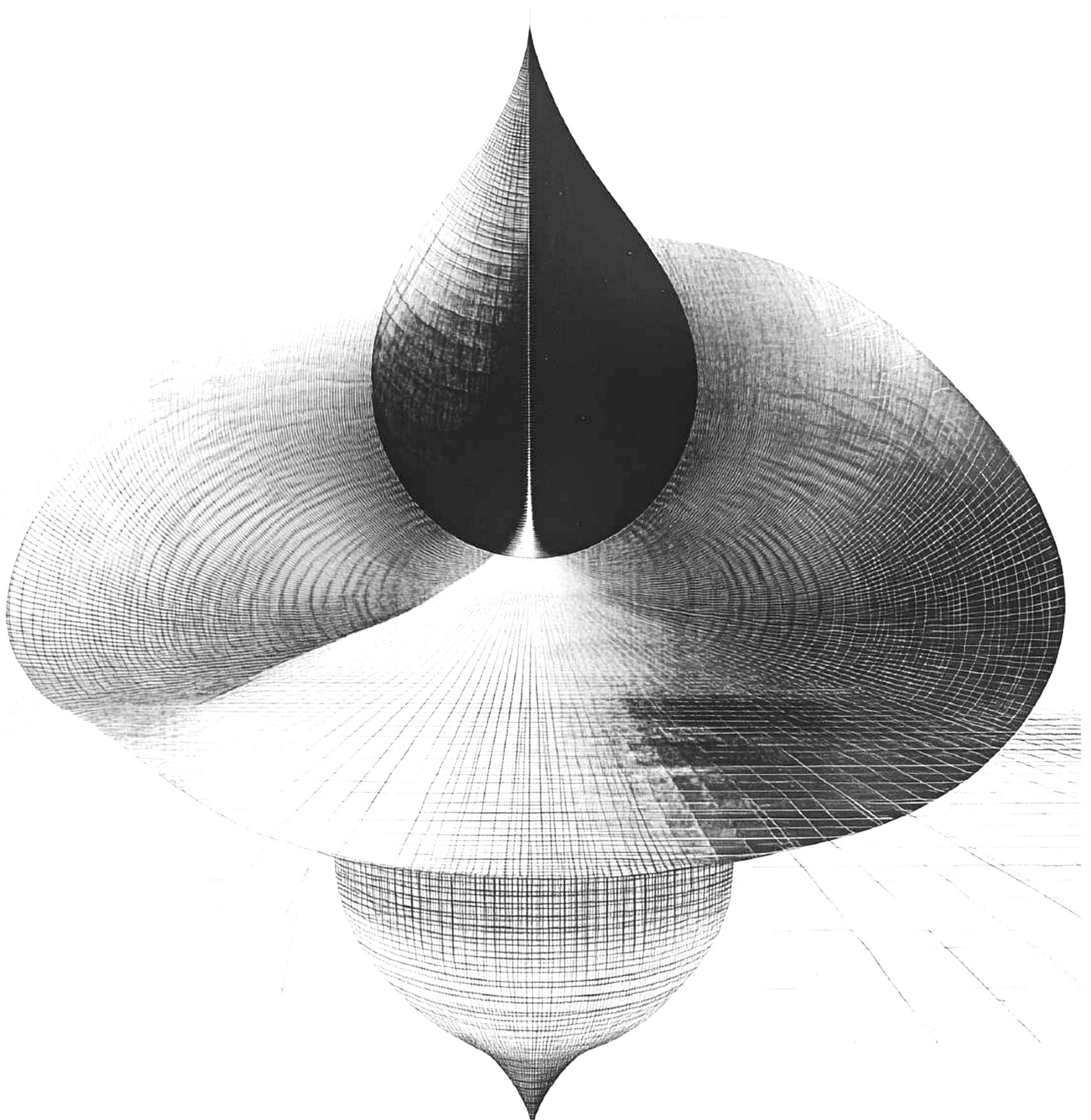
If optimization is "the action of making the best or most effective use of a situation or resource," then an obvious question is, How do you know what you're doing is most effective? You need some way to measure.

Measurement comes in many forms. It can be something as informal as reflecting on two different experiences and evaluating which one felt better. Most often, measurement means statistics: investing with firm A brought 5 percent returns, while with firm B the returns were 7 percent. Maybe shopping at grocery store X is about fifty dollars cheaper per week than grocery store Y , or commuting on route 1 is ten minutes faster than route 2. If we only have four free hours in a day, we may want to spend a maximum of only one of them at the gym. The truth is, we tend to optimize only what we can measure. It stands to reason, then, that what we optimize for is influenced by the tools of measurement we have.

When humans first started spreading around the planet, there was no clock time. We experienced the arrow of time through occurrences such as the setting and rising of the sun and the growth of children. But there was no concept of looking up at the sky and saying that it was 3:00 p.m. and that the sun would be setting in four hours and forty-five minutes. It's hard to know what optimization looked like for early humans, but making the most effective use of
.

resources possibly was measured in ways such as, "Does everyone in the group have enough food?" or "Is this location close enough to water sources that I can be back in my shelter before dark?" Making the most out of one's day was measured by the likelihood of survival.

The invention of clock time led to, among other things, a new vector for optimization. We could now know how many hours were available to us every day, we could measure how many of those hours we spent farming or praying, and we could watch their passage no matter what we were doing. The passage of time ceased to be something that happened in the background. It was codified into clock time and had great impact on how we organized our day.

In Verona, in the year 507 CE, the Gothic leader Theodoric erected a large tower just outside the city walls that housed a water clock. Set to the sun, this was an acoustic clock that auditorily announced the passage of time to the citizens of the city. In About Time, David Rooney writes, "Theodoric himself explained the purpose of the clock: to let the people of Verona 'distinguish the various hours of the day and thus decide how best to occupy every moment.' The clock helped the people of Verona optimize their time by reminding them of the pace at which it was passing. Now, humans could know how much time they were spending on any particular activity. Instead of, say,

the question of farming wheat versus cows being evaluated solely on survival measures, with the advent of clock time it was possible to measure precisely how long each activity took and to compare the time investment involved with the outputs produced.

Clock time allowed us to measure our productivity in more precise units. Thus, it also became a feedback mechanism, notifying us when our productivity had increased or decreased.

Once time could be measured, that measurement was here to stay. Clocks got smaller, cheaper, and more ubiquitous, until people could have personal timekeepers of their own. Awareness of clock time became part of life, so much so that most of us probably don't think about it anymore. However, fundamental inventions that change how society is organized tend to have unplanned effects. In this case, "with clocks always in view, we started buying into the idea that time could be wasted."

This shouldn't surprise us. After all, "deciding how best to occupy every moment" of time means that some occupations are deemed better than others. And being able to measure how long it takes us to do anything means that some occupations are more efficient than others. So if it's possible to be productive with our

time, that suggests it's also possible to be unproductive with our time.

Notions of productivity tend to be culturally and socially driven. The phrase "time is money" became famous after it was used by Benjamin Franklin in 1748. One way to determine productivity was to measure how much money you were making in a given unit of time; an activity that made you one dollar in an hour was more productive that one that made you nothing. Other thinkers spoke more about how much one saved per unit of time. For example, Rooney notes, some thought that "by carefully measuring and using the time that had been given to us—by being disciplined, by restraining our excesses—we would be living virtuously." In both cases, how time was considered best spent reflected what was most valued.

Clock time didn't standardize time's value; it only helped us measure it. This continues to be a conundrum that is resolved differently depending on the interpretation of how best to use clock time, an interpretation that's usually culturally inflected. For some people, a walk in a forest is a waste of time that could be spent producing something useful; for others, walking in nature is a valuable use of time that makes life more meaningful.

As clock time became more and more precise—able to be

measured in minutes, then seconds, then nanoseconds—more options for optimization opened up. Global positioning systems (GPS) are essentially satellite clock systems that allow us to optimize our driving routes. Fitness watches provide all sorts of data measured over time (steps, sleep, heartbeats) that gives us the information to fine-tune our days to optimize whichever health vector we choose.

Right from the first sundials through hourglasses, pocket watches, and atomic clocks, embedded within the notion of clock time is precision. As clocks have developed, our ability to mark time has become more precise. One way we've used that precision is to measure more and more of what we've done, to optimize what we're going to do.

Clock time is now so ubiquitous that most of us never go for very long without knowing what time it is. Clock time is what tells us when to start work, to pick up our kids from school, to meet friends. In many cases, it's also what tells us when to eat and sleep. Clock time structures our days, and there is no longer any way of getting away from it. Planes fly, stock trades get processed, billions of deliveries get made, all because of clock time. Even many of our laws are based on clock time. The synchronization needed for our world to work depends on standardized clock time

Because it's so available, clock time is a go-to measurement when we want to optimize: we know we're

better at something because we can do it faster or because we see rising outputs in a certain time frame. Even spending time with people we love becomes optimizable by the very notion that we can track the time we spend. There is no value judgment here about clock time being a tool for optimization. Most of us make allocation decisions every day; better tools help us make better decisions. But sometimes, it's just as important to remember that just because you can measure something doesn't mean you need to optimize it. Some of the most valuable things in life are intangible.

Conclusion

Optimization is about making the most of what you have. It's like solving a puzzle in a clever way, finding a trick to skip steps and get to the answer faster.

In a world of scarcity, optimization is powerful. It allows us to make the most of our limited resources, whether that's time, money, or energy. But like any tool, it's only as good as the hand that wields it. Used wisely, optimization unlocks hidden potential and drives extraordinary results. Used poorly, it leads to wasted effort and missed opportunities.

Optimization often works for you until it doesn't. It's like the student who writes the answer but doesn't show their work. Knowing when to use it, when to let it go, and when to avoid it entirely can give you a key advantage.

The Great Mental Models are available at fs.blog/tgmm

Bottlenecks

The limiting factor.
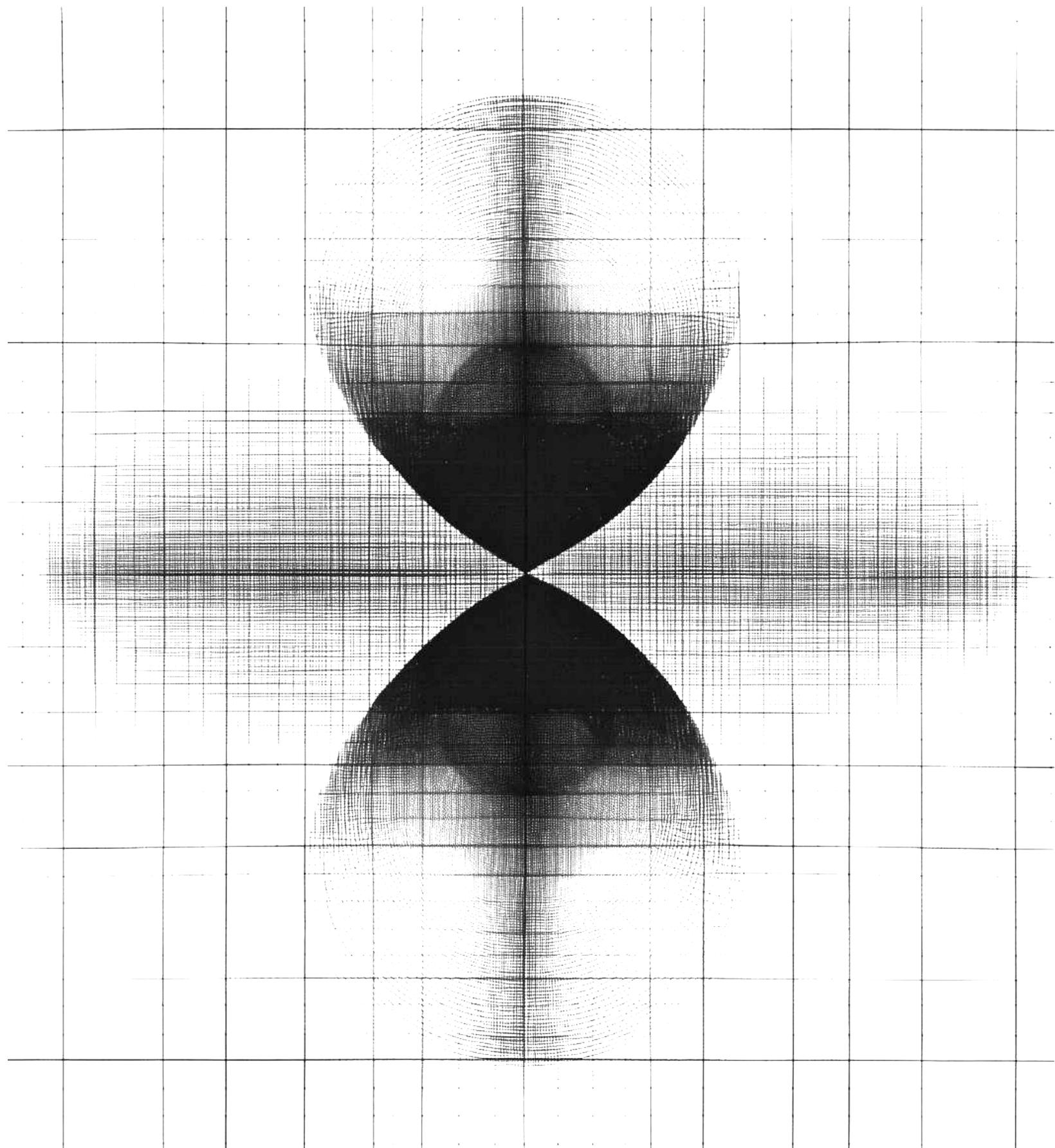
All systems have parts that are slower than others. The slowest part of a system is called the "bottleneck" because, as the neck of a bottle limits the amount of liquid that can flow through, bottlenecks in systems limit the amount of outputs they can produce. Viewing systems through the lens of their bottlenecks offers us a powerful perspective: these constraints can either stifle our progress or serve as a strategic choke point that, when managed wisely, can compel efficiency and innovation.

No one wants to be a bottleneck, which is easily conceptualized as that person who makes everyone else wait. We see this behavior in people who can't delegate. If you insist on making every decision yourself, there's likely a long line of people twiddling their thumbs as they wait for you to move their projects forward while you are overwhelmed.

Bottlenecks tend to create waste as resources pile up behind them. In manufacturing, they limit how much you can produce and sell. If you work in an industry that depends on timely information, then you risk inputs becoming irrelevant before they make it through the bottleneck.

A bottleneck is also the point that is most under strain. It can be the part that is most likely to break down or has the most impact if it does. In trying to improve the flow of your

system, focusing on anything besides the bottleneck is a waste of time. You will just create more pressure on the bottleneck, further increasing how much it holds you back by generating more buildup.

Every system has a bottleneck. You cannot completely eliminate them because once you remove one, another part of the system becomes the new limiting factor. You can, however, anticipate bottlenecks and plan accordingly. Or you can leverage the need to overcome them as an impetus for finding new ways of making a system work. Sometimes you can overcome bottlenecks by adding more of the same, such as dedicating more resources to ease the pressure on a bottleneck. But sometimes the sole solution is to rethink that part of the system.

What you want to avoid is opening one bottleneck only to create additional, worse ones for yourself later. If bottlenecks are unavoidable, we at least want them to be in a less disruptive place.

Although the terms are sometimes used interchangeably, a bottleneck is different from a constraint. A bottleneck is something we can alleviate; a constraint is a fundamental limitation of the system. So a machine that keeps breaking down is a bottleneck, but the fact that there are twenty-four hours in the day is a constraint.

Be vigilant for masqueraders in the system—those false dependencies that pose as bottlenecks. Like the illusionists of the machine, they divert attention and resources as if they hold sway over the throughput, when in reality they're just specters of constraint, not its substance. We often hear explanations in the form of: "I won't do X before Y." Most statements of this type are only in place to make you feel good about procrastinating when you are the bottleneck. For example, you might say you will start writing every day once you move and have a dedicated desk for it. If the bottleneck is a lack of a suitable workspace, then moving will alleviate it. But if the bottleneck is something else, like time or ideas, you're setting up a false dependency. The bottleneck will still be there once you move. Even if the problem is your workspace, you could still find ways to make progress, such as by going to the library or reading source material. Anything you do now will make it easier to get into the habit of daily writing.

If you think you've identified a bottleneck, it's a good idea to do what you can to validate that this is indeed the limiting factor. Otherwise, you might end up solving the wrong problem.

Instead of addressing bottlenecks as they appear, your time might be better spent on a root-cause fix that makes a

foundational improvement that leads many bottlenecks to disappear indefinitely. One way to achieve foundational improvement is to simulate conditions you are likely to face to try to find bottlenecks ahead of time. Instead of merely fixing the problem, we can solve a bottleneck by asking how the system could be designed to not have that problem in the first place. Addressing bottlenecks is a never-ending job and must always be factored into your planning.

Conclusion

Bottlenecks are the choke points, the narrow parts of the hourglass where everything slows down. They're the constraints that limit the flow, the weakest links in the chain that determine the strength of the whole. In any system, the bottleneck is the part that's holding everything else back.

The tricky thing about bottlenecks is that they're not .always obvious. It's easy to focus on the parts of the system that are moving quickly and assume everything is fine. But the real leverage is in finding and fixing the bottlenecks. Speed up the slowest part, and you speed up the whole system.

This is the theory of constraints in a nutshell. Figure out what your bottleneck is and focus all your efforts on

alleviating it. Don't waste time optimizing the parts that are already fast. They're not the limiting factor.

However, bottlenecks aren't always the villains we make them out to be. Sometimes, they're a necessary part of the system. Think of a security checkpoint at an airport. It slows everything down, but it's there for a reason. Remove it, and you might speed things up, but at the cost of safety.

The key is to be intentional about your bottlenecks. Choose them wisely, and make sure they're serving a purpose. A deliberate bottleneck can be a powerful tool for focusing effort and maintaining quality. An accidental bottleneck is just a drag on the system.

Bottlenecks are the leverage points, the places where a little effort can go a long way.

The Great Mental Models are available at fs.blog/tgmm

Clear thinking

Turning ordinary moments into extraordinary results.
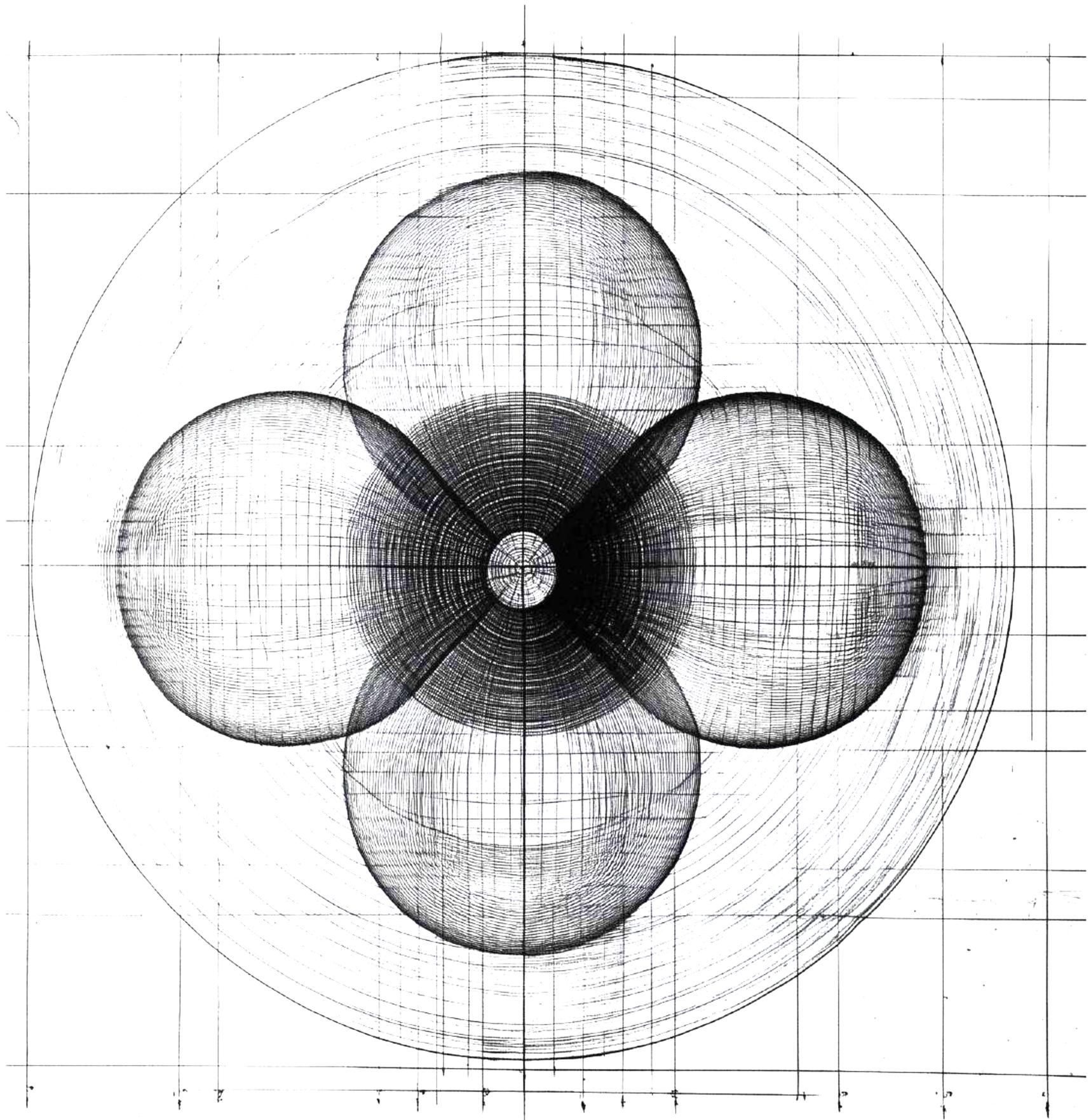
Excerpt from the New York Times bestseller *Clear Thinking*

What happens in ordinary moments determines your future. We're taught to focus on the big decisions, rather than the moments where we don't even realize we're making a choice. Yet these ordinary moments often matter more to our success than the big decisions. This can be difficult to appreciate.

We think that if only we get the big things right, everything will magically fall into place. If we choose to marry the right person, it'll all be okay. If we choose the right career, we'll be happy. If we pick the right investment, we'll be rich. This wisdom is, at best, partially true. You can marry the most amazing person in the world, but if you take them for granted, it will end. You can pick the best career, but if you don't work your butt off, you won't get opportunities. You can find the perfect investment, only to look at your savings account and have nothing to invest. Even when we get the big decisions directionally right, we're not guaranteed to get the results we want.

We don't think of ordinary moments as decisions. No one taps us on the shoulder as we react to a comment by a coworker to tell us that we're about to pour either gasoline or water onto this flame. Of course, if we knew we were about to make the situation worse, we wouldn't. No one tries to win the moment at the expense of the decade, and yet that is often how it goes. The enemies of clear thinking

—the more primal parts of our nature—make it hard to see what's happening and instead just make our lives more challenging. When we react with emotion to a colleague in a meeting, we must make amends. When we make a decision to prove we're right rather than get the best outcome possible, we only end up with a mess to clean up later. If we start bickering with our partner on Friday, the entire weekend can be lost. No wonder we have less energy, more stress, and feel busy all the time.

In most ordinary moments the situation thinks for us. We don't realize it at the time because these moments seem so insignificant. However, as days turn into weeks and weeks into months, the accumulation of these moments makes accomplishing our goals easier or harder.

Each moment puts you in a better or worse position to handle the future. It's that positioning that eventually makes life easier or harder. When our ego takes over and we show someone we're the boss, we make the future harder. When we are passive-aggressive with a colleague at work, our relationship becomes worse. And while these moments don't seem to matter much at the time, they compound into our current position. And our position determines our future.

A good position allows you to think clearly rather than be forced by circumstances into a decision. One reason the best

in the world make consistently good decisions is they rarely find themselves forced into a decision by circumstances.

You don't need to be smarter than others to outperform them if you can out-position them. Anyone looks like a genius when they're in a good position, and even the smartest person looks like an idiot when they're in a bad one.

The greatest aid to judgment is starting from a good position. The company with cash on the balance sheet and low debt has nothing but good options to choose from. When bad times come, and they always do, their options go from good to great. On the other hand, a company with no cash and high debt has nothing but bad options to choose from. Things quickly go from bad to worse. And this example easily extends beyond the boardroom as well.

Time is the friend of someone who is properly positioned and the enemy of someone poorly positioned. When you are well positioned, there are many paths to victory. If you are poorly positioned, there may be only one. You can think of this a bit like playing Tetris. When you play well, you have many options for where to put the next piece. When you play poorly, you need just the right piece.

What a lot of people miss is that ordinary moments determine your position, and your position determines your

options. Clear thinking is the key to proper positioning, which is what allows you to master your circumstances rather than be mastered by them.

It doesn't matter what position you find yourself in right now. What matters is whether you improve your position today. Every ordinary moment is an opportunity to make the future easier or harder. It all depends on whether you're thinking clearly.

Clear Thinking is available at <u>fs.blog/clear</u>

"What lies behind us and what lies before us are tiny matters compared to what lies within us."

— *Ralph Waldo Emerson*

Thank you

Taking time to think deeply is increasingly rare—and valuable. By working through this framework, you've created space for clarity and purposeful direction.

Your insights and decisions here will compound over time. Each pattern you've recognized, each priority you've sharpened, contributes to a clearer path forward.

Return to these pages whenever you need to refocus and realign your direction. The best thinking tools improve with use.

Share your feedback
We'd love to hear your thoughts and insights about the Annual review workbook. Scan the QR code or enter the URL below for a quick 2-minute survey.

bit.ly/AnnualReviewFeedback

More tools for better thinking

Shane Parrish and Farnam Street

- <u>fs.blog</u>: learn timeless principles for clearer decisions.
- <u>fs.blog/newsletter</u>: join Brain Food, where more than 750,000 curious minds get weekly insights on decision-making and mental models.
- <u>fs.blog/knowledge-project-podcast</u>: your gateway to understanding how the world's most successful people think, decide, and solve problems.
- <u>fs.blog/clear</u>: buy and learn more about *Clear Thinking*
- <u>fs.blog/tgmm</u>: buy and learn more about the four volumes in the series *The Great Mental Models*.
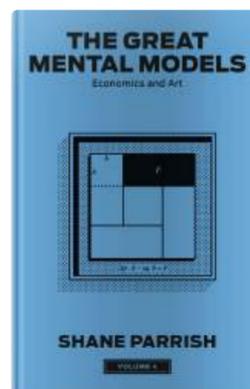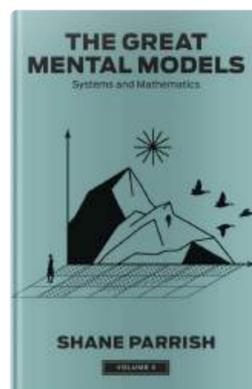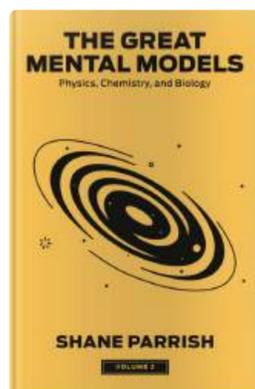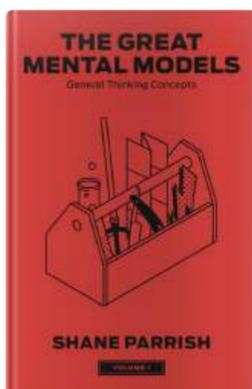
reMarkable

- <u>remarkable.com</u>: replace your notebooks and printouts with a digital device that feels just like writing on paper.
- <u>remarkable.com/rethink</u>: a monthly newsletter to give back to your brain—great ideas and free tools to help you look back, reflect, and then start a new chapter.

Sharing guidelines

Clear thinking leads to better decisions. The Annual review framework helps cut through complexity to identify what matters, eliminate what doesn't, and chart a deliberate path forward.

Know someone who would benefit from this structured approach to annual reflection and planning?

- Share this PDF with them, or
- Direct them to bit.ly/AnnualReview24

Legal notice

The content is provided "as is" without warranty of any kind, express or implied. reMarkable and Farnam Street make no representations about the completeness, reliability, or accuracy of this content. Your use of this workbook indicates acceptance of these terms.

While sharing of this PDF is encouraged, you may not:

- Modify or create derivative works
- Use for commercial purposes
- Sell or distribute printed copies
- Remove or alter any copyright notices

"To laugh often and much, to win the respect of intelligent people and the affection of children, to leave the world a bit better, to know even one life has breathed easier because you lived. This is to have succeeded."

— *Ralph Waldo Emerson*