

# Trading Plan Tips

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As a trader and educator, I have come across thousands of traders during the past 15 years. I can honestly say that I have never met or seen one trader be able to sit down in front of a screen each morning without a trading plan, look at a few charts, start trading, and make money consistently year after year. I am not saying it's not possible, I have just never seen it. The people you see do well have a trading plan. Of that group that does well, it is typically the people with the short, simple trading plans that do the best. The key is making sure your trading plan is yours and works for you. Make sure it ensures that almost everything that can be a rule, is a rule. These don't have to be the best rules, the fact that they are rules is what is key as rules take human emotion and thinking out of trading.

In trading courses, here are a few questions I encourage students to think about and answer. Once they answer these objectively, I help make them robust through a back and forth email dialogue. I thought I would share them here for the benefit of our readers:

**1) Why Do You Want To Trade?** The obvious answer is to "make money" but the successful trader takes this much deeper. Are you trying to get to a profit threshold that will allow you to leave your day job and trade from home? Are you retired and want to stop digging into savings to live so you want to trade to make up for that? Are you trying to create wealth with long term positions while enjoying your career outside of the markets? When students answer this question properly, it is easy for me to guide them into the right markets, time frames, and strategies.

**2) What Is Your Strategy?** This one is key. I tell students to be as detailed as they can. In other words: When exactly do you buy and sell? How exactly do you handle stops and targets and so on? From my experience, the more you can make market speculating 100% rule based, the better you will do. Even though I tell students to be very detailed here, I always end up adding rules they didn't consider.

**3) What Markets Will You Be Trading?** This one is again very important as everybody is different. There are 4 major asset classes and many markets within them. They all have pro's and con's but the beauty is that a set of markets like the Futures may be perfect for one person and the Stock markets may be appropriate for someone else. By knowing someone's goals, life style, account size, personality, and so on, it is easy to steer them in the direction of a set of markets that helps them achieve their goals in the safest and most efficient way possible. Also, within each asset class, the markets are very different. Maybe you trade the stock market and are more conservative and looking for a slower moving market, you would be well served trading the QQQQ but if you traded GOOG and BIDU, this would not work for you at all. In futures, the person that trades the DAX futures is going to be bored trading the Five Year Note futures. The point is, there is a set of markets out there for each and every person but every set of markets is certainly not for each and every person. I help customize that for people.

**4) How Much Capital Do You Have?** I meet students all the time that are trading markets that are much larger than they should be trading with their account sizes. Furthermore, some people take on too much risk and leverage. This is a recipe for disaster. Having position

sizing parameters and account sizes set in stone in a trading plan helps give you the best chance with the lowest risk.

**5) How Much Time Do You Have?** This again is an important question. This will determine whether you should be a day trader, swing trader, and so on... Neither is right or wrong, better or worse. The key is to make sure you put yourself in the best position to succeed and depending on when you can watch the markets or do your analysis, there is a quality low risk market moving 24 hours a day, 6 days a week. This question goes deeper as well... For example, if you have plenty of time and want to be an active trader, I would still never recommend that someone sit in front of the screen all day. The best active day traders make their money in the early morning and there is a very specific market reason for this that we go over in class. Make sure when you answer the time issue question, you are not only thinking about today but also 5 and 10 years from now. I thought like this and it has guided me to quite a great life but all from planning.

While I go over these questions with the groups in the courses, we don't spend much time answering them in class. I have them do this work at home because EVERYBODY is very different. Each person's goals, life styles, account sizes, personalities, and so on are very very different. Once you get your trading plan completed however and you have a successful track record of six months of solid trading results, lock that plan up and never share it with anyone. Use it to build an incredible life for you and your family. Hold on to the edge you have worked so hard to attain. Be happy to share your knowledge but that does not have to mean giving away your strategy.

The goal of this piece was to get people to start asking the right questions. These simple ideas can sometimes be clouded by all the misleading marketing that exists in the world. I encourage you to ask yourself these questions and contact us at Online Trading Academy to further your trading education.