

TRADING FOUNDATIONS

PREPARING A
7-FIGURE MENTALITY

WRITTEN BY
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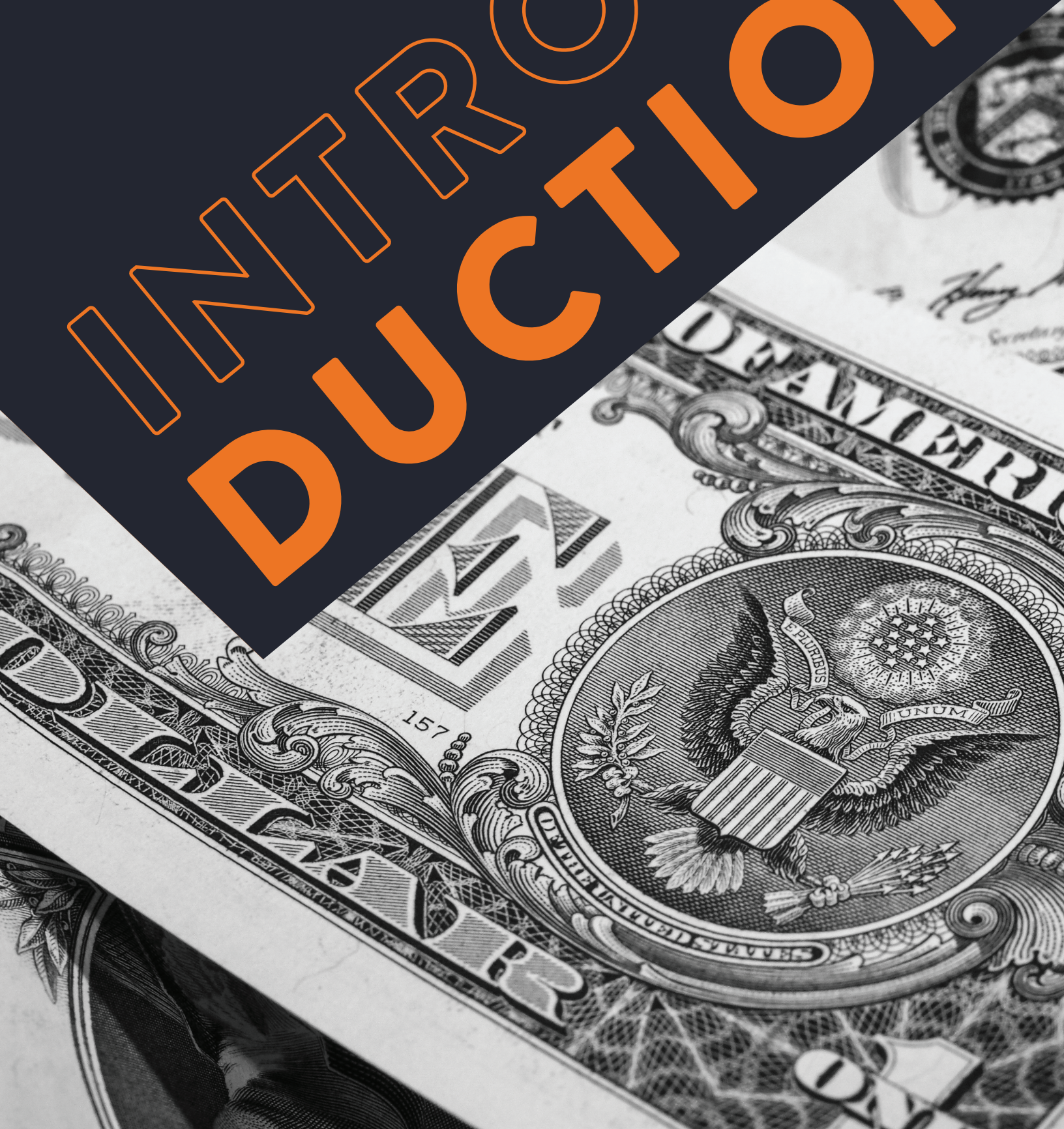
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DISCLAIMER

The trading profit figures stated are my personal profit figures. Please understand my results are not typical, I'm not implying you'll duplicate them (or do anything for that matter). I have the benefit of trading stocks for 20 years, and have an established following as a result. The average person who trades stocks get little to no results - 90% of traders lose money. I'm using these references for example purposes only. Your results will vary and depend on many factors...including but not limited to your background, experience, and work ethic. The stock market entails risk as well as massive and consistent effort and action. If you're not willing to accept that, please DO NOT READ THIS BOOK.

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INTRO: DUCTION



INTRODUCTION

Why do you want to become a day trader?

If you are looking for a way to get rich fast, then this is not the business for you. Becoming a thriving and profitable day trader is possible, but it requires discipline and a lot of hard work. Basically, if you're going to be successful, you must find a formula that works, because it's impossible to guess your way to the top.

The good news is that if you're willing to put in the work, the rewards can be incredible. Day trading offers an incredible opportunity to gain profits while also maintaining a flexible schedule. For some, trading can provide a secondary stream of income; for others, it can even offer a complete career shift. For me, day trading affords me the ability to live my dream life, wherein I am able to travel, buy the things I want, give back to the community...and work from anywhere in the world. When you set specific goals and work toward them by dedicating yourself to your trading career, incredible things can happen.

Trading also doesn't require a lot to get started: really, all you need is a laptop, an internet connection, and a broker, and you can rock and roll. Well, that and your hard-earned knowledge.

While day trading is not extremely difficult, it does require an understanding of the market and a proven trading plan. Unfortunately, relatively few traders are truly willing to put in the time and effort required to build the strong foundation of knowledge and skill that is necessary. This is a big reason why so many traders will eventually fail; they try to jump into the market without understanding how it works, then quickly lose both money and motivation to keep going.

This book is designed to help you become one of the traders who succeeds.

The first step is really about shifting the way you think. Moreover, before you can attain success in the stock market, it's important to first adopt the right mindset. You need to stop making excuses and objections. You need to stop blaming external factors in your life for holding you back from pursuing a career in day trading. It's only once you move past the mental blocks that you'll be able to dedicate yourself to studying, improving your knowledge, and gaining a true and deep understanding of how the market works.

INTRODUCTION

This book focuses on some of the most common objections that potential day trading students have, including:

1. I don't have time to trade
2. I want to try on my own first
3. I'm waiting for the right time to get started
4. I'd rather put money into the market rather than into my education
5. I'm too new to trading

These obstacles are not insurmountable; in fact, they're usually quite easy to work around. The purpose of this book is to help new traders overcome these obstacles while simultaneously cultivating key traits of profitable traders. To help bring each point home, every chapter is punctuated with a relevant case study of a student who overcame each respective obstacle with successful results.

Ultimately, the students who are truly bound for success don't make excuses; they simply make it happen. As you read this book, it's my hope that you'll gain the confidence to move forward in your own trading journey.

CHAPTER ONE

TICK TOCK YOU
DON'T STOP



CHAPTER 1: TICK TOCK YOU DON'T STOP

“I don’t have enough time.” This might be the most common excuse I hear from potential day traders. Unfortunately, it’s also usually a warning sign that said individual doesn’t have what it takes to make it as a day trader.

I understand that this may seem harsh. On the one hand, it seems like the idea of time constraints bears some weight. People have families, they have full time jobs, they have responsibilities. They have lives. However, the fact is, you can always make time for things that matter. If you want to become a trader, you need to make time. Nobody is going to schedule it for you; you’ll have to take the initiative to carve it out and the discipline to follow through with your studies and work as a trader. Until you’re ready to do that, you’ll never be able to get serious about trading.

Time is not the issue

Have you ever wondered how some people seem to accomplish so much, and others so little? Simply put, it’s a matter of how you choose to use your time.

The fact is, it’s never a question of time, it’s always a question of priority. Everyone has the same 24 hours in their day. You have the same amount of time in your day as I do, and I’m a millionaire. You and I both have the same amount of hours in the day as Richard Branson and Mark Zuckerberg, and they’re billionaires.

So rather than look at it as a question of time, let’s talk about the real problems. Here are what I consider some of the most common problems that masquerade as “no time”:

1. Lack of direction. Do you know why you want to become a day trader? If your goals are nebulous like “get rich” they will supply similarly vague motivation. It’s difficult to make time for an endeavor that isn’t lighting a fire in your belly.

On the other hand, if you set a specific goal, like “buy a luxury condo for \$1.25 million in Miami,” you have something to work with. While it may seem far off at the beginning of your career, it gives you something specific to set your sights on, and you can set up mini-goals or milestones that will begin to get you there. This will help give you motivation to make trading a priority.

This is actually a principle called Goal Setting Theory, which is the culmination of research that began in the 1960s by Dr. Edwin Locke and Dr. Gary Latham. In researching the connection between clear

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goals and performance, they found that there was a relationship between the difficulty and specificity of a goal and people's performance of tasks. Ultimately, they discovered that specific and difficult goals led to better task performance than vague or easy goals.

2. No routine. Do you follow a series of productive daily routines? If not, you may not be managing your time effectively enough to make room for trading.

Most successful people have specific daily routines. They can vary, of course. For instance, Apple CEO Tim Cook wakes up at 3:45 am so that he can do things like sift through the 700-plus emails he gets per day and work out before he needs to hit the office.

So how can routines benefit you as a trader? While a 3:45 am wake up time might not be for you, consider how you can rework your schedule to make time for positive routines. For instance, you might consider waking up earlier so that you can carve out an uninterrupted hour for watching my DVDs or doing stock research. Or, consider maximizing your workout by listening to a trading podcast while you're on the treadmill at the gym.

You really have to set up a work routine and honor it to be successful. When it's time to do specific tasks, you'll be able to dedicate yourself to it. This is a great way to maximize and make your use of time more efficient.

3. No accountability. I won't lie: day trading can be a lonely profession. Even if you're in an exotic location like Bali or Positano, you're still logging plenty of time sitting alone in front of a computer screen, sifting through data. If you don't have people around you who are helping you grow and stay motivated, it can become frustrating at times.

For many traders, this lack of accountability makes it hard to stay on task and makes them more likely to shrug "I have no time for trading". What they really mean, of course, is that there's no sense of accountability.

You need to make yourself accountable. One great way is to establish a network of like-minded individuals including a mentor and fellow traders who are your peers.

A career mentor can be an invaluable resource by providing guidance and advice; they can also give you a little tough love that can act as a catalyst to make you want to accomplish more.

CHAPTER 1: TICK TOCK YOU DON'T STOP

Networking with peers, either in person or via social media, will also provide the inspiration to continue educating yourself and improving as a trader. As you watch their progress and see their successes, you will want to spend more time refining your own methods.

But mostly, this sense of accountability must come from within. You must enter a mindset of wanting to be successful every day. This is what will keep you coming back to your studies and help you keep developing as a trader.

4. Laziness. Nobody likes to hear this one, but often enough, the problem is less about time and more about laziness. Consider these questions:

- Do you sleep in most mornings?
- Do you binge watch Netflix?
- Are you always texting your friends?
- Do you play video games?
- Are you constantly on Facebook?
- Do you frequently go out drinking?

Listen, I'm not judging how you choose to spend your time, and I'm not telling you any of these things are wrong. But if you answered yes to one or more of these questions, then you've just identified a bunch of ways in which you could edit your schedule to make time for trading. If you choose to spend your time doing these things instead, you're just being lazy.

It's your life. If you prefer to maintain a lifestyle where you're wasting time on empty pursuits that won't get you ahead, that's your decision. But don't expect to become a successful day trader if you're wasting time. You will probably need to make some sacrifices to make time for a career in day trading. Are you willing to do that?

How to make time for trading

These tips can be put into action almost immediately, and will help you make time for a trading career.

CHAPTER 1: TICK TOCK YOU DON'T STOP

1. Resolve to make time. Action follows intention. That is to say: your first step toward making space in your schedule for studying and trading is deciding that you are going to make time. It's a small step, but an important one.

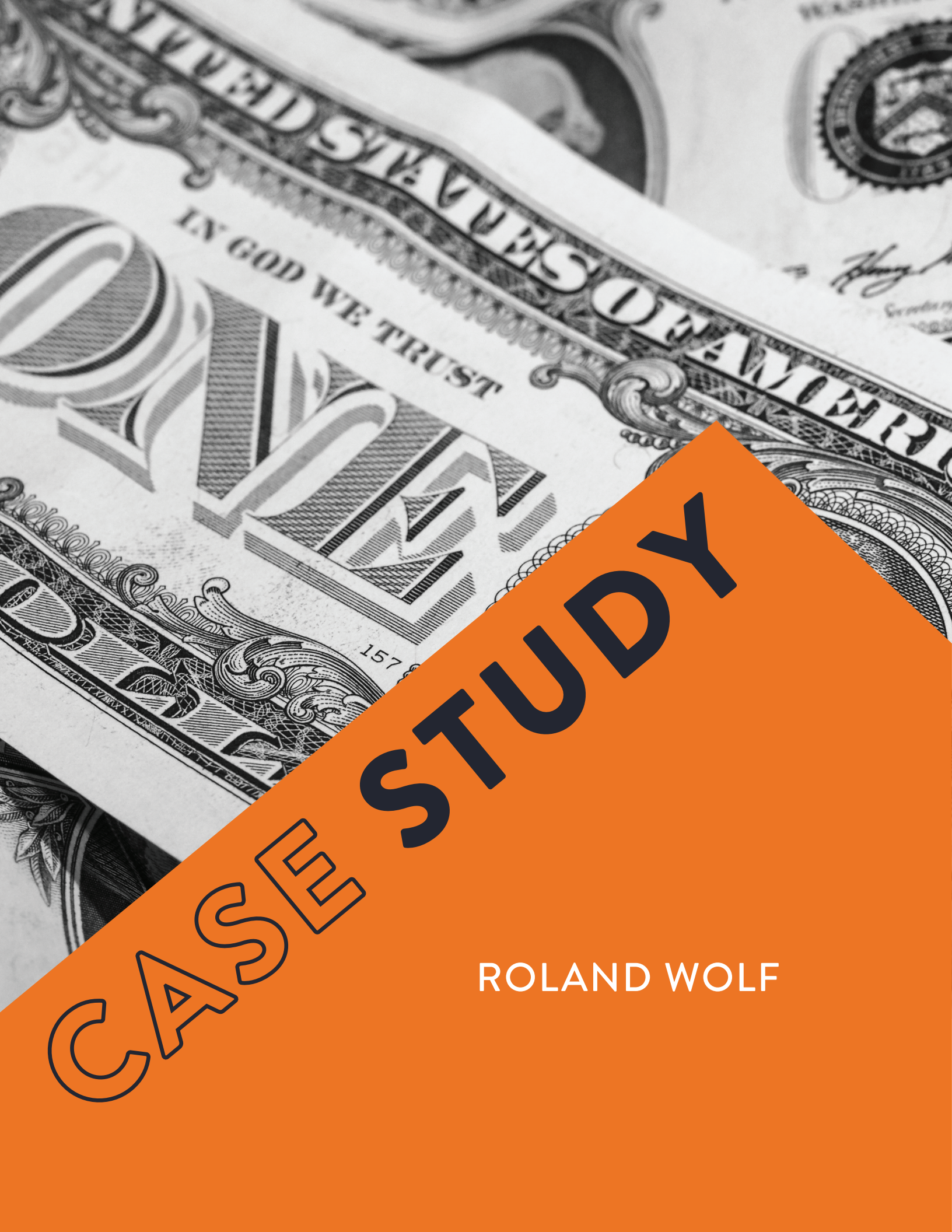
2. Set specific goals. Take the time to consider what you hope to gain from trading. Set very specific goals for what you hope to achieve. You may even choose to print out visual inspiration or write down your goals and keep it posted by your work area to stay motivated.

3. Make a trading routine. Really look at where and when you can carve out time for studying and trading. If you have a 9-5 job, this will likely be early in the day. Establish a schedule of specific times at which you will devote yourself to studying and trading, and stick to them. Make family and friends aware of your trading routine so that you can avoid distractions.

4. Drop bad habits. Take stock of your time-sponge habits, like letting hours disappear at a time while you scroll through Facebook. Then, work hard to eradicate them. It will free up time in your schedule. It will help you stay on task with your trading work.

5. Keep yourself accountable. Accountability is key in helping you stick to your trading routines and schedule. Don't be afraid to ask for help. Maybe you work with a trading buddy or a family member who performs "audits" and checks on you to make sure you're staying on task. In addition to the accountability the Millionaire Challenge provides, this will help you prioritize your time.

6. Keep it up. Success rewards consistency. If you are able to make time for studying and trading for a week, that's great. But it's not enough. To truly reap the most rewards, you need to prioritize making time for trading. You need to make it part of your lifestyle.



CASE STUDY

ROLAND WOLF

CASE STUDY: ROLAND WOLF

Do you think it's hard to make time for trading? If so, consider the case of Roland Wolf. He's one of the fastest-advancing traders in the market today, having turned \$4,000 into over \$500,000 in just his first year.

Before day trading, Roland was a professional soccer player who traveled all around the world. After a career-ending ankle injury, he found himself 24 years old and completely directionless. In looking for investment opportunities, he found my free E-Guide to Pennystocking and decided to give it a go.

At first, Roland decided to go it alone. After all, he was busy working a full time job and had a wife and kids. But then, following several rude awakenings (including a would-be \$5,000 day that fizzled into a \$200 payout), Roland realized that if he wanted to get serious about trading, he needed to invest time in his education.

Studying didn't come quickly or naturally to Roland. In part, this was because with his family and job, time was at a premium. However, he made concessions to make it work. He would wake up at 4:30 am to fit in studying and research time. He realized that even if you have to get creative with your timing and have to be tired for a while, it's worth taking the time to study.

By making this time to study and learn, Roland began to gain a deeper understanding of trading and realized that his wins had nothing to do with luck and everything to do with calculation. By educating himself, he enabled himself to begin making real money by choosing his trades in an intentional, well-researched way.

Ultimately, passion is what keeps Roland motivated to keep making time for trading. No, it's not always fun to sit at your computer for 12 hours a day and obsess over charts. But the potential payoff inspires him. As he said in an interview on the Steady Trade Podcast, "If you don't really enjoy it and you're not passionate about it, what's the point?"

CHAPTER TWO

YOU DON'T NEED
TO GO IN ALONE



CHAPTER 2: YOU DON'T NEED TO GO IN ALONE

From the outside looking in, day trading can seem easy. Why pursue an education when you could just do it all yourself? Plenty of new traders operate under the delusion that all they need to do is open a brokerage account, get trading, and before you can even play an inspirational montage song, they'll be swimming in money.

Unfortunately, this is probably why only about 10% of all traders are successful. Many have tried; many have failed. The fact is, you're not going to reinvent the wheel. You're not going to just jump in and make huge profits, particularly if you haven't taken the time to learn the mechanics of the market. Unless you follow the rules (or at least learn them before you break them) you will likely become one of the 90% who fail.

Common reasons why traders fail

While the high failure rate among traders can be sobering, it doesn't need to discourage you. The reason why so many traders fail isn't because trading is inherently difficult; it's because they haven't had the proper guidance, and often make the same mistakes. Here are some of the most common reasons why traders fail:

1. Following hot stock tips. Are you getting stock tips from advertisements or email blasts? If so, hate to break it to you, but you're not getting hot stock tips--you're getting played. After all, if someone really had a stock tip that hot, why would they advertise it? Usually, there's something more deviant at hand: what's called a pump and dump scheme.

These promotions are often placed by self-serving promoters who are trying to get you to jump on the bandwagon. They've already bought low on the stock, and are trying to drive up the price by luring suckers into buying so that they can sell high and make a profit, while you lose. A better approach is to recognize how stocks go through predictable patterns and learn how to read them.

2. Forcing trades. Trading is as much, if not more, an emotional and mental challenge than it is a mathematical one. Here's a common trajectory: a new trader has a successful trade or two, but then they start losing. While this is very normal and part of the process, the inexperienced trader often becomes panicked. This is when they start making bad decisions.

They start jumping into trades and opportunities that they haven't fully researched in hopes of recouping their profits, or they try to stay in trades instead of cutting their losses in hopes that it will

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turn around. Basically, it's wishful thinking: you want it so bad that you start to believe it will happen. Unfortunately, all the fairy dust in the world can't make certain trades work. Sometimes, the best trade is no trade. It's a hard lesson indeed, but it's one that separates amateurs from professionals.

3. Believing the dream (to a fault). We all want to believe in the underdog. The idea that you could buy in to a penny stock and see the company become a superstar is alluring. Listen, sometimes penny stocks do make it. After all, True Religion jeans was once a penny stock. But most will fail. Many of them are bottom of the barrel companies which don't even come close to meeting the regulatory requirements to be traded on top exchanges like the NYSE or the DOW.

However, new traders don't know this. They fall prey to the idea that they're getting in on the ground floor and they're going to see this penny stock soar sky-high. But then they're squeezed and their account is depleted.

Instead of believing the promoter hype that this will be "the next Microsoft," or "the next Apple," and falling prey to the pump and dump, be a little bit more jaded. By doing your own research and really evaluating a stock's chart, so much more information can be gleaned than simply believing in a stock. Make your plays based on what the market is telling you, rather than what you hope will happen.

4. Not minimizing risk. When I tell people that I trade penny stocks for a living, they often reply that they couldn't do that because they're "too risky". Penny stocks have a reputation for being risky because they are volatile and less stringently regulated than stocks on the bigger national exchanges. However, I'd like to point out that just about any profession can be risky if you don't have proper training and don't know what you're doing. To keep yourself safe, you must minimize your risk level in any and every way possible. This means you have to do research, analyze stock charts, and learn all that you can about the market. This is how you make calculated risks versus just plain taking risks.

How to be an exceptional trader

Identifying the common reasons why traders fail is the first step to avoiding them. But to really take your trading to the next level, you need to seek out guidance and create a strong foundation. Here are some tips for how to approach trading in a sustainable way:

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1. Don't do it alone. Going back to the beginning of this chapter: one of the big reasons why traders make these rookie mistakes is because they are trying to do everything alone, without assistance. Don't be an island! Assembling a strong network is one of the keys to trading success. For example:

- **Find a mentor.** A mentor is absolutely critical in guiding you, especially in the early stages of your career. You can learn from their hard earned knowledge so that you can avoid common trading mistakes.
- **Get an education.** If you don't understand the mechanics of the market, then you're not trading, you're gambling. You want to make trades from a place of knowledge and education, rather than hoping to get lucky.
- **Join a trading community.** By networking with other traders who are your peers, you'll simultaneously create a source of inspiration and of accountability.

2. Pursue an education. Every trader wants to jump in and just get trading. However, in just about any endeavor, it's important to create a strong foundation. When you learn from the bottom up, you'll be more likely to remain strong and unshakable when faced with the challenges that day trading can (and will) throw your way.

3. Study obsessively. Don't just learn. Keep learning every day. Study charts, study companies, study different methods of trading. Study everything stock related you can. Knowledge is power in the stock market. With penny stocks, to gain an edge in the market, you need to be able to study the market, identify patterns, and make educated trading decisions to be successful in the long term.

4. Respect the risk. To be successful, you must be aware and respectful of the inherent risk in trading. This will help motivate you to do everything you can to mitigate risk so that you can minimize losses. Some examples of proactive steps you might take to reduce risk include thoroughly researching the company in question, analyzing the stock's performance over time, and making a trading plan wherein you set risk to reward ratios, determine your entry and exit point, and position size. As much as you can, try to take your emotions out of it and approach the trade mathematically.

5. Figure out what is working, and repeat it. As you begin to trade, use a trading log to keep track of the specific setups you are using and monitor the results. Over time, you will begin to see trends develop in terms of what is making you profits...and what is not. Begin to really zero in on the setups that are making you profits, and refine your methods, repeating it over and over. This is how you

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mount profits slowly but steadily over time. This is one of the secrets to Tim Grittani's success (see case study following).



CASE STUDY

TIM GRITTANI

CASE STUDY: TIM GRITTANI

Tim Grittani is something of a legend in the trading world. He started his trading career in his early 20s with \$500. By the time he was 24 he'd made his first million; today, he's netted over \$6 million and is a bona fide success story. But it wasn't all smooth sailing for Tim; until he sought out a proper education, he was more of a gambler than a trader.

When he was in college, Tim got the gambling bug and played poker and made wagers on sporting events. He won big...but then when he lost big, he decided that he needed to quit gambling and decided to try his hand at investing. He began investing with \$500, and quickly lost about half of it. But actually, this was probably one of the best losses of his life, because it convinced him that if he wanted to make it as a trader, he was going to have to seek out some help and a proper education.

Grittani came upon my teachings and decided to join my Millionaire Challenge. In a way, his losses ended up serving him very well as a student, because he was extremely motivated to gain knowledge about trading. He didn't want to drain his account like he had the first time! He devoted himself wholeheartedly to his studies, sought out mentorship, and began to form a strong foundation for a trading career.

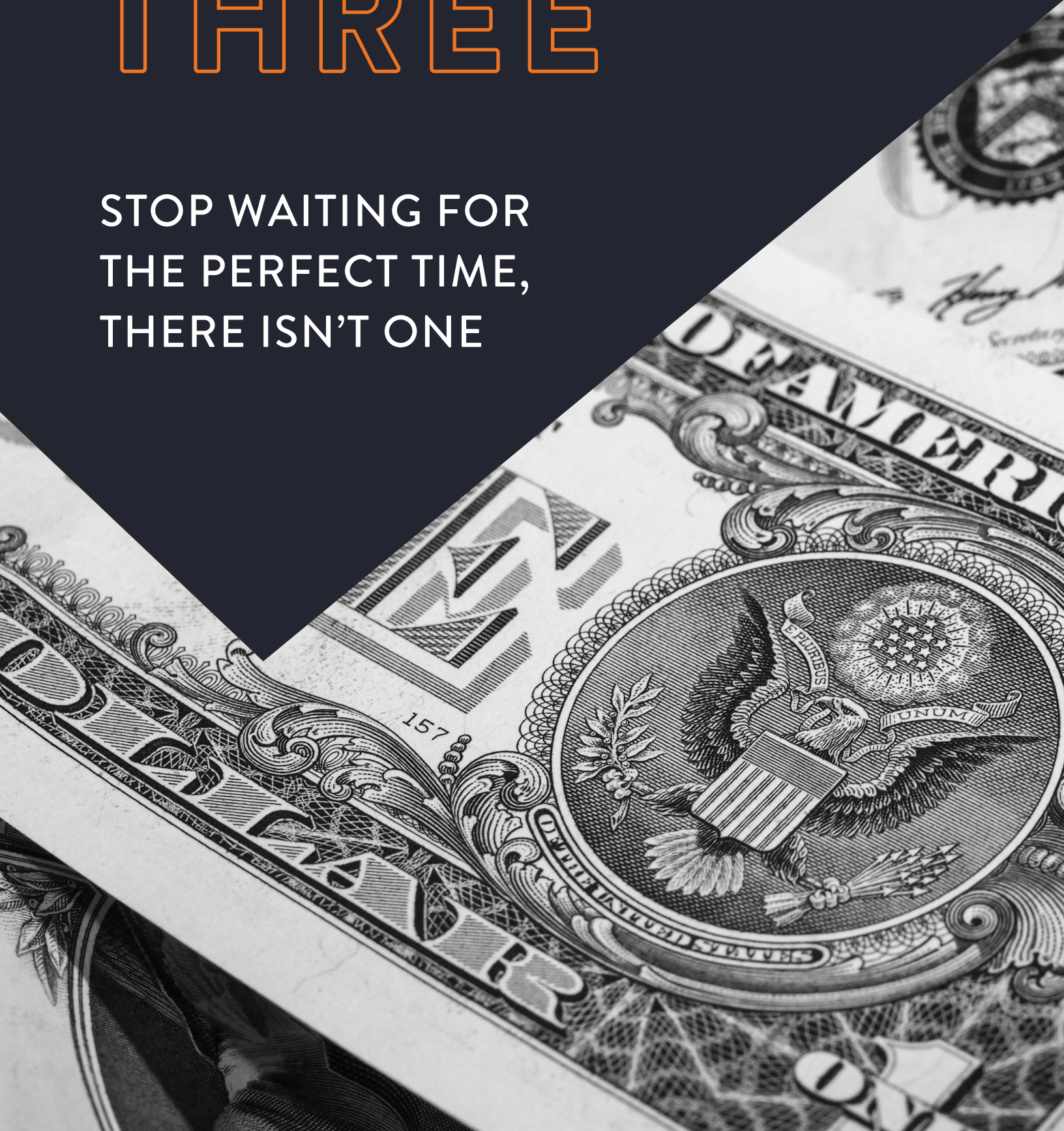
When he was ready to trade again, he was armed with a lot more knowledge the second time around. While he experienced some ups and downs during the first several months, he was better educated and learned from his mistakes. He also continued his education and mentorship all the while, which helped keep him motivated and allowed him to improve as his career developed. He began really focusing on setups that were working and repeating them, and his trading career began to change for the better.

Once he began to identify which setups and patterns were working for him, he really zeroed in on refining his system. Over time, he was able to reach a 69% win rate and an average gain of 6% per trade.

Tim's track record and wins are impressive, but they are no accident: he knew when to reach out for help, and in pursuing an education in trading, he was able to gain focus and direction in his career which led him to great success.

CHAPTER THREE

STOP WAITING FOR
THE PERFECT TIME,
THERE ISN'T ONE



CHAPTER 3: STOP WAITING FOR THE PERFECT TIME, THERE ISN'T ONE

Plenty of would-be traders suffer from a sort of “someday” syndrome. They’d love to start trading...someday. But it’s got to be the perfect time, right? Unfortunately, in waiting for the stars to magically align in the perfect way, trading often becomes a dream that is never realized.

The unfortunate fact is that if you’re waiting for the so-called perfect time to start investing, then chances are you’ll never become a successful trader. The timing won’t change things; you must prioritize and change things in your life to make room for trading. If you’re really ready to embark on a trading career, you need to stop making excuses and take some initiative.

Timing isn’t the real problem

Deep down, the right timing isn’t the real problem. Procrastination is the problem. However, contrary to popular belief, procrastination is not simply the result of poor time management or even laziness. Here are some of the most common underlying issues behind people procrastinating on embarking on a trading career:

- **Fear of failure.** About 90 percent of all traders will fail. With statistics like these, the prospect of failure as a trader can feel like an ominous cloud on the horizon. Would-be traders put off starting on a career in trading because they are frightened that even with their best efforts, they will still lose money. By putting off even starting, they put off this potential feeling of failure. However, they are also thwarting their potential for success.
- **Not knowing where to start.** For many potential traders, a big roadblock is that they simply don’t know where to start. Even if they are interested in day trading, it can be easy to become intimidated while browsing trading classes and the plethora of information online. In becoming overwhelmed, they may be tempted to put the whole endeavor off until a more opportune time because it seems too confusing.
- **Lack of structure.** Compared to a regular 9 to 5 job, trading doesn’t offer nearly as much structure. There’s no boss leaning over your shoulder to hold you accountable and keep you on task. You as the trader must be extremely self-motivated to stay on task, do research, and watch potential stocks. To those who are unaccustomed to creating structure for their days, this can seem like a time consuming task they’d like to save for a later date.
- **Low self-confidence.** Trading can be challenging at times. For people with weak self-confidence, this can lead to serious self-doubt which can potentially be disastrous when trading. They may have trouble executing trades and may struggle with making emotional

CHAPTER 3: STOP WAITING FOR THE PERFECT TIME, THERE ISN'T ONE

rather than fact-based decisions. These individuals might procrastinate or claim that it's "not the right time" because they lack the self-confidence and determination necessary for trading.

How to stop procrastinating and get trading

Ready to get real and make right now the right time for trading? Follow these tips.

1. Identify that you're procrastinating. Many of us tend to be in a state of denial about our bad habits, but as the saying goes, "once you see the mess, you can clean up the mess". Get real with yourself about the fact that you're procrastinating. It's the first step to realizing that there is nothing holding you back from pursuing trading, and that now is as good a time as any.

2. Face your fears. Fear is one of the biggest reasons why potential traders procrastinate on kick-starting their career. So be real with yourself: what are you scared of? Are you frightened that you will lose money? Are you fearful that you're not smart enough to be a day trader? Really be honest with yourself about your fears. By identifying your fears, you can face them and move past them so that you can get to the real business at hand.

3. Make time. There's never a right time to start trading. But this isn't a bad thing. The freedom in this fact is that there's also never a wrong time. You have the ability to decide right now that you want to take the initiative and make day trading a reality in your life.

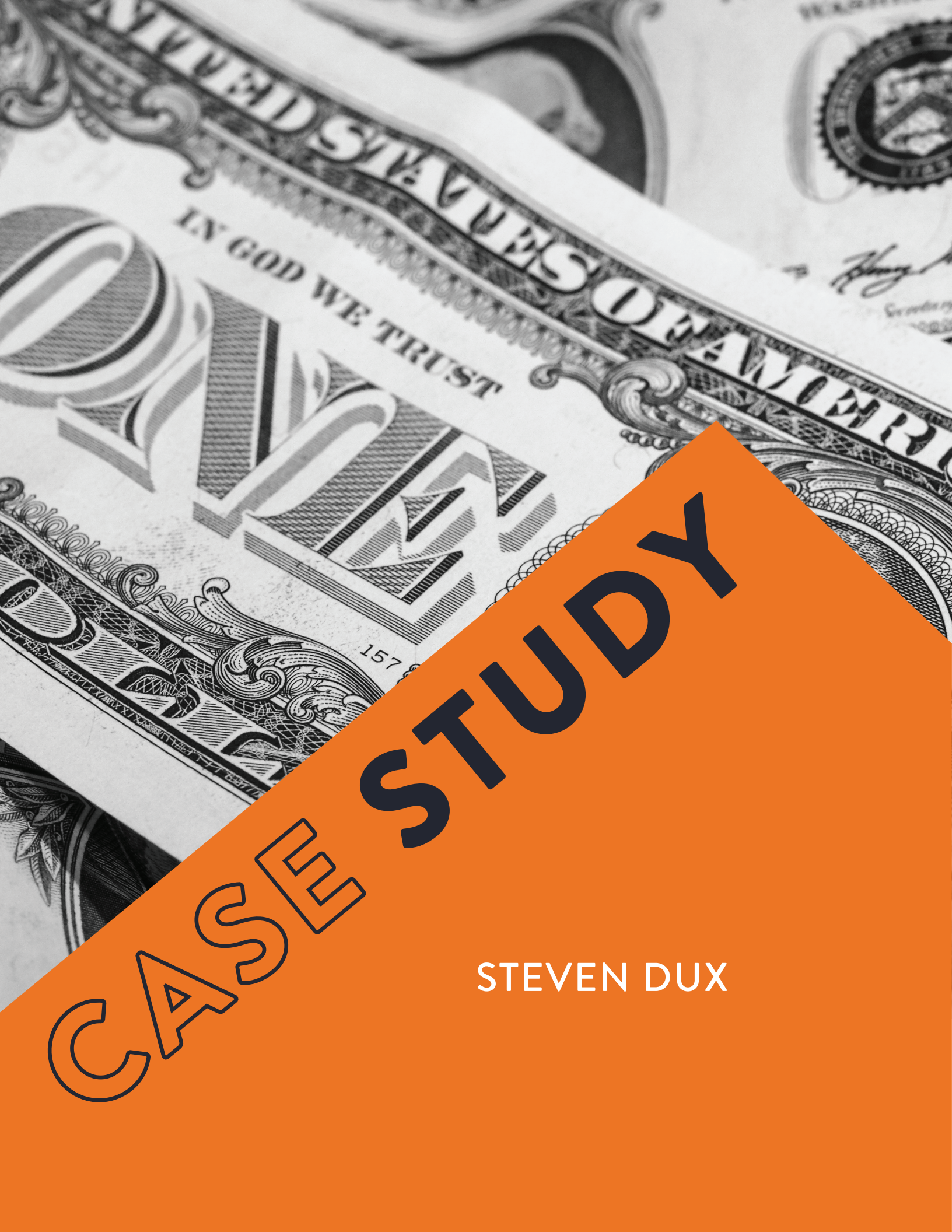
3. Seek guidance. A more established trader can truly be pivotal in motivating you to take the next step toward trading, regardless of your life circumstances. Chances are, they experienced some of the same doubts or fears you're experiencing upon starting out as a trader. Their experience and advice can help assuage your fears and help you seek out the resources necessary to gain a trading education. A great mentor can help you realize that the right time to start trading is right now.

4. Get educated. When it comes to trading, knowledge is your biggest asset. Even if you still think that right now isn't the right time to start investing money, do start investing in your education. By pursuing trading classes, you will gain knowledge of the basics of trading and begin to demystify the entire process. Once you begin to understand how the market works, you will likely find that you have less reason to procrastinate and more motivation to start trading.

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5. Forge a network. Enlist your own personal network of people to help keep you accountable on your burgeoning career as a trader. Your network might consist of other new traders, or it might be family members or friends. They can help you with check-ins on your goals and progress, and can help keep you motivated to keep going when things get tough.

6. Just do it. There comes a point where you're just going to have to pull the trigger. By seeking out plenty of resources, enlisting help, and learning all that you can, you'll be setting yourself up for success. Trading will require stepping out of your comfort zone; sometimes, the easiest way is to just jump in right now, no matter what your life situation happens to be. You can either make excuses or you can make it happen. Which will you choose?



CASE STUDY

STEVEN DUX

CASE STUDY: STEVEN DUX

For those of you who say that you're waiting for the right time to trade, consider the case of Stephen Dux. He didn't let bad timing stop him: his trading career began while he was working on a double major in engineering and accounting.

He initially gained an interest in trading when a friend was trading ETFs. In spite of mountains of homework, he knew an opportunity when he saw one and pounced. Online research led him to my Millionaire Challenge. He was initially dubious, but curious enough to buy a DVD. Once he checked it out, he was convinced that I was the perfect mentor and that trading penny stocks was worth a try. He didn't wait for summer break or graduation: he dove right in.

Dux paid close attention to his studies, and took the time to learn the mechanics of the market. He sought out guidance and truly benefited from mentorship; very soon, he began to develop his own style as a trader.

Dux's unique trading style features a combination of the following:

- **Knowledge:** Dux applies his hard-earned knowledge, gained from day trading classes and diligent studies, to his trading.
- **Strategy:** Loving strategy games, Dux approached penny stocks from a gamer's point of view. The psychology of the stock market is similar to strategy games, so things really clicked into place for him quickly. In a way, it's almost like he reprioritized his free time as a student: instead of playing video games, he traded penny stocks.
- **Data analysis:** While his engineering and accounting studies don't directly inform trades, Dux has found opportunities to apply principles from his studies to his trading. He believes that this gives him a unique point of view on data analysis which helps him from trading plans. He maintains an impressive and storied system wherein he monitors stocks on thousands of spreadsheets to determine the best trades.

This system clearly works well, because as a trader, he began to make profits pretty quickly. His first big win was an impressive \$12,000!

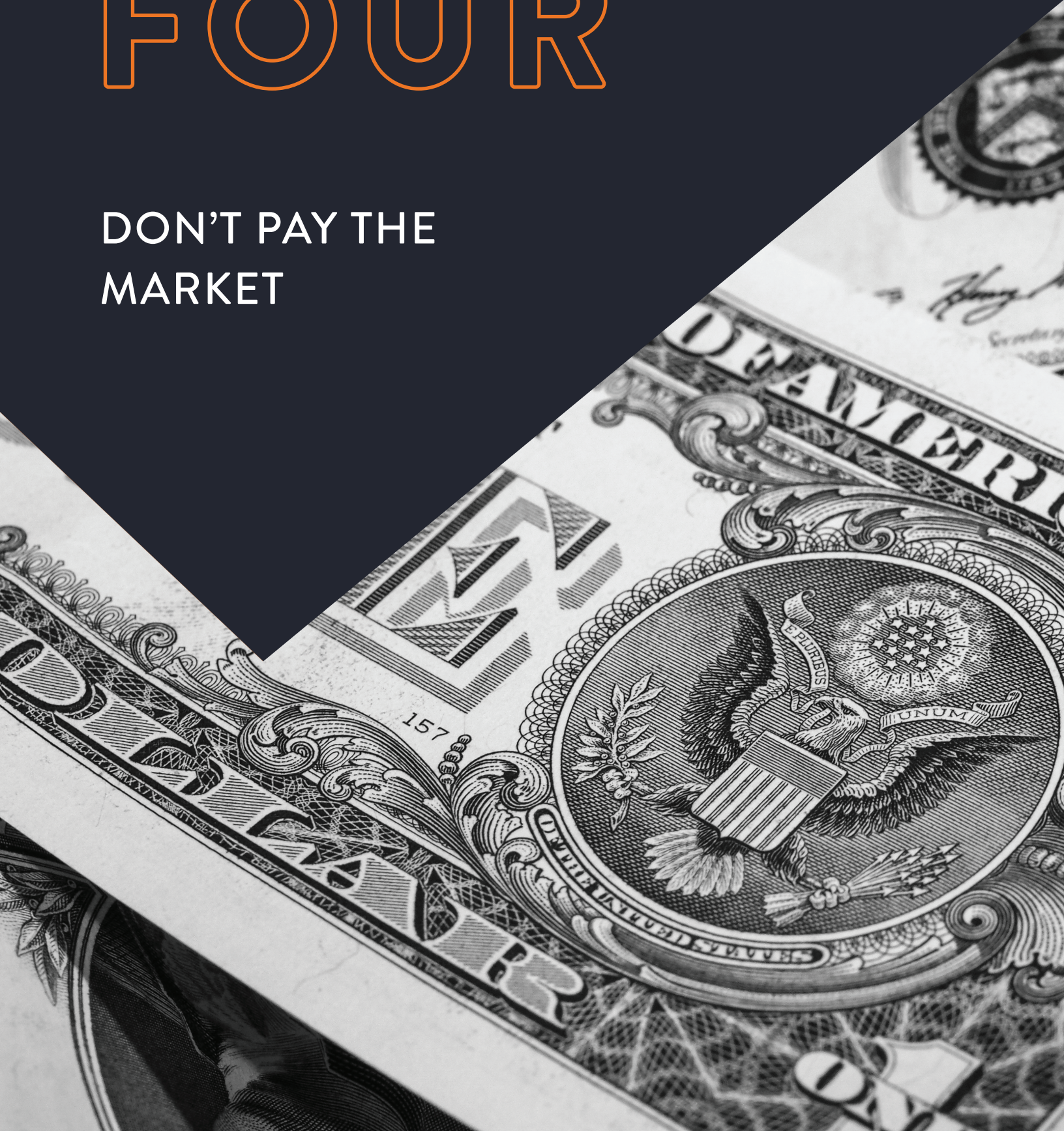
Only about 2 years into his trading career, Stephen Dux has already earned over \$1 million trading penny stocks...all while still in his early 20s and pursuing a double major as a full time student. He's undoubtedly an inspiration as a trader, but he's also a great example of someone who shifted his

CASE STUDY: STEVEN DUX

priorities to make room for trading in his life. There's never going to be a time when everything in your schedule clears to accommodate trading, so why not go for it now?

CHAPTER FOUR

DON'T PAY THE
MARKET



CHAPTER 4: DON'T PAY THE MARKET

On the one hand, investing in day trading classes might seem like a waste of money. After all, why invest in education when you could put your money right into the market?

Unfortunately, this is a short-sighted mentality. If you put money in the market without knowing what you're doing, you're basically gambling. It's like putting your money in a slot machine, and I've got news: the house always wins. Sure, you might have a few wins at first, but eventually your losses will mount. While trading is not exceptionally hard, it takes specific knowledge and skill. To gain that edge, you need to be educated. And the best way to gain knowledge about trading is to learn from someone who is more experienced than you.

Do you really need an education?

Plenty of new traders don't think they need an education, and usually it's for one of the reasons detailed below. However, these common excuses often work against the trader in question.

1. "I don't need classes". To some newbies, day trading can seem like a cinch. Pick some stocks, make some trades, rake in the cash, right? But then, as they actually get started, they begin to see how tricky it can actually be. Never forget the statistic that 90 percent of all traders lose...you've got to do everything you can to avoid being part of that massive group!

While day trading doesn't require an advanced degree, it does require a strong knowledge base. Can you gain that knowledge through jumping into the market? Perhaps, in time. But you'll probably lose a lot of money and make a lot of mistakes learning that way. Would you rather learn things the hard way? Or would you rather learn some of these lessons before investing your hard earned cash in the market?

2. "Classes are too expensive". For many new traders, the idea of investing in an education might seem backwards. After all, they want to make money, not spend money! However, it's important to look at the big picture. The lack of education can actually end up costing them more in the long run.

Many of my students started out believing they didn't need day trading classes or were unwilling to make the investment. Guess what? They got in the market and lost a ton of money. Then, they realized it would be worth their while to actually learn how trading works. So in a delayed way, they realized the investment was worthwhile. Wouldn't you rather spend a little money now and prevent losses as you start trading? For most people, learning through trial and error results in too many

CHAPTER 4: DON'T PAY THE MARKET

losses to continue trading in the long run. They can't afford to keep losing as they learn things the hard way, and eventually end up giving up on trading.

3. "I don't have enough time". Make no mistake about it, you are going to have to make sacrifices if you want to become a successful trader. For example, you might be forced to give up an hour of TV every day to study instead. Or you might have to cut down on nights out to afford educational resources like trading books and DVDs. But if you're willing to make these sacrifices now, you be paid for it over and over again forever.

Everyone can make more time and space in their lives for the things that matter. If you're serious about becoming a successful trader, you must decide to make time and space in your life. Take an inventory of how you are spending your time and money now, and see where you could make changes to accommodate your trading education. Consider it a way of investing in your long term success.

The benefits of investing in a trading education

The benefits of investing in a trading education are many. Here are just a few of the key advantages you'll gain by taking the time to educate yourself before you get started as a trader:

1. A strong foundation. It's important to have a strong foundation of trading knowledge. This is truly one of the building blocks for success as a trader. Taking day trading classes can help you build this strong foundation a lot faster than if you tried to amass the knowledge yourself. You'll be able to learn the mechanics of the market and gain an inherent knowledge of how trading works. When you have a strong foundation like this, you'll be more likely to remain strong and unshakable when faced with the many challenges that day trading will bring your way.

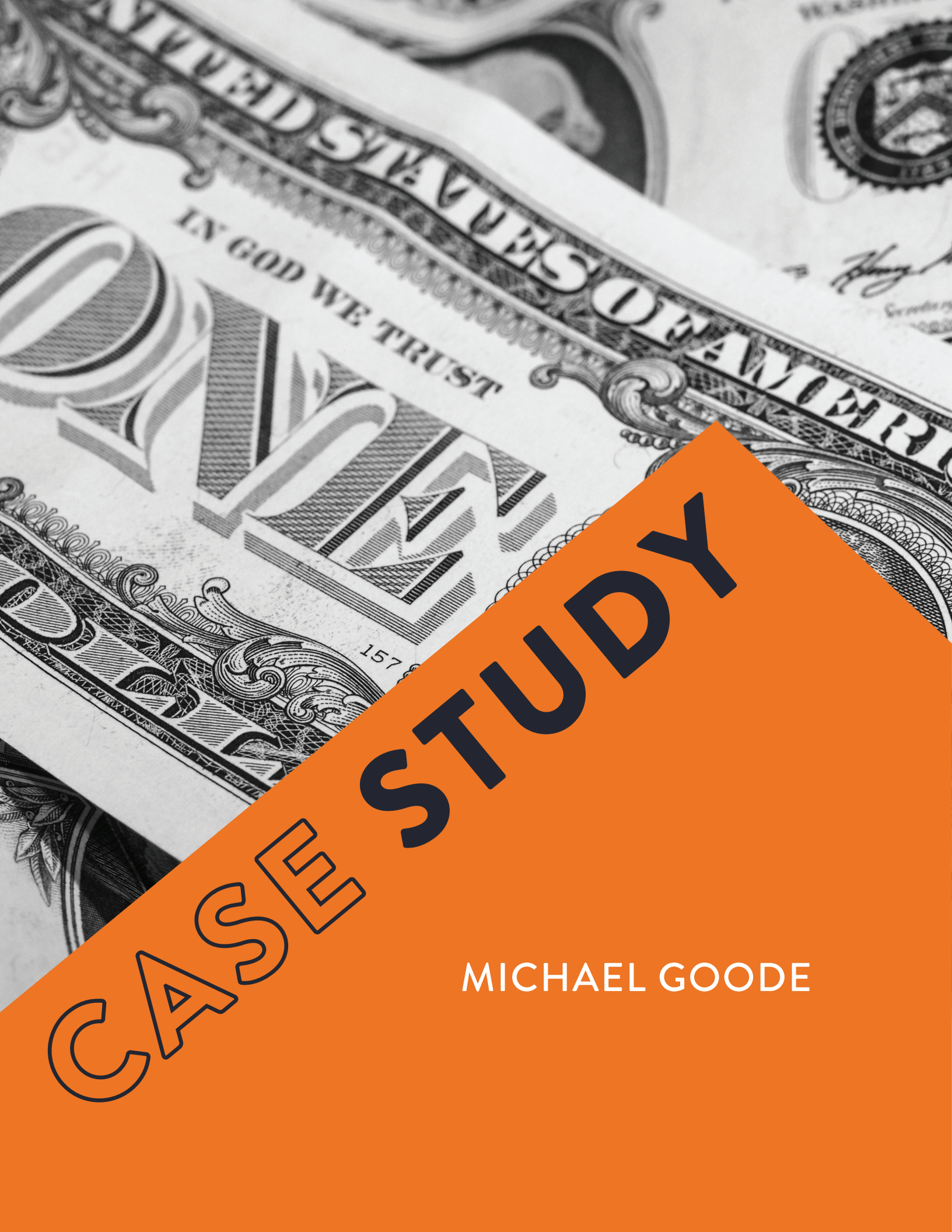
2. Exposure to different trading methods. If you decide to start trading alone, you may figure out certain methods of trading that work for you. However, when the market shifts, you may find that your setup or preferred style isn't working as well anymore, and you're back to square one. When you pursue a trading education, you'll be exposed to a variety of different trading methods. This will give you more confidence and overall prowess as a trader. When you gain mastery of different methods of trading, you'll be better able to identify opportunities and will be more likely to keep making profitable trades even as the market experiences shifts.

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3. Master pattern identification. History doesn't repeat itself exactly in trading, but it's usually close enough that it's worth taking note. Learning to identify patterns with stocks is one of the keys to making educated trades and mitigating as much risk as possible. However, trying to identify and recognize patterns by yourself is difficult. Taking the time to learn from a professional how to do this can help you hasten the learning curve so that you can learn how to identify patterns more effectively and faster.

4. Mentorship. Having a mentor/teacher is like having a fast forward button on your trading career. There is so much that you can learn from someone who is further along in their career than you! They can teach you what they did right...and warn you about what they did wrong. Armed with this information, you can potentially sail past some common pitfalls for new traders. No, it's still not going to be completely easy, but why make it harder than it needs to be?

5. Accountability. If you want to make your trading dreams a reality, you need to stay accountable. Accountability is hugely important in terms of realizing your goals. But sometimes, we all need a little help to stay on task. After all, without motivation, what is to keep you from quitting, especially when things get tough? The accountability that comes from pursuing an education can be a powerful motivator. Not only do you have your mentor and trading peers to answer to and "show up" for, but chances are if you invest in your education you'll also feel a greater sense of accountability to yourself and have an increased desire to make your trading career work.



CASE STUDY

MICHAEL GOODE

CASE STUDY: MICHAEL GOODE

Michael Goode is a fantastic example of a trader who benefitted from expanding his knowledge base. While he began trading alone and enjoyed modest success for years, it wasn't until he sought out a proper trading education that his career really took off--and he broke the million dollar mark.

Goode began trading in 2004, when he found himself on the receiving end of inheritance money. A grad school student at the time, Michael reasoned that he was well-suited to reading and studying, so why not learn about investing and make use of that windfall money?

So began Michael's journey as an investor. Self-taught, he became fascinated with the so-called "pump and dump" phenomenon in the world of penny stocks. He began swing trading pump and dumps, building on his position with each trade. He did pretty well for himself, but his career wasn't without its share of trials and errors.

Then, there was a pivotal moment in his career, when he wrote a blog post declaring that "Timothy Sykes is Full of Bullship". This led to a heated back and forth that actually resulted in Goode signing on as a student of mine!

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Timothy Sykes is full of bullship

March 26, 2008 | By Michael Goode | [All Categories](#), [Fraud](#), [Microcap](#), [Stocks](#)

[Edit 8/18/2009 – Since writing this article I have changed from Tim Sykes' biggest critic to his biggest fan. Please see [this article](#) on my new trading blog about how my opinion of Tim Sykes changed.]


Timothy Sykes, the boy wonder who turned \$12,000 into \$1.65 million while still a teenager, has abandoned his hedge fund Cilantro to re-create his day-trading achievement in full view of the internet on [his new blog](#). Sykes is best described as young, brash, egotistical, and annoying. Of course, an impartial observer would describe me in much the same way. Timmy and I also share the preference for shorting stocks over buying them. But rather than being two peas in a pod, we are polar opposites: Tim is the quintessential short-term trader and I am the archetypal buy-and-hold value investor.



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CASE STUDY: MICHAEL GOODE

Once he committed to a real trading education, Michael Goode began to refine his techniques and really gained an edge as a trader. Within a year, he'd changed his tune about day trading classes; within four years, he was a millionaire. He continues to be a profitable trader and has expanded into teaching as well.

The way he's traded has changed over the years to adapt to meet the ever-changing market. However, he's never lost his deep interest in trading. If anything, pursuing a trading education only deepened his passion for the process and helped him grow into his own as a professional trader.

CHAPTER FIVE

YOU DON'T KNOW
WHAT YOU DON'T
KNOW



CHAPTER 5: YOU DON'T KNOW WHAT YOU DON'T KNOW

How many things in life have you tried and excelled at on the first try? Chances are, not many. So why do so many new traders get discouraged when they aren't instant financial experts? Trading, like anything else, takes time to master.

Truthfully, a lack of experience isn't such a bad thing in trading. Rather, it provides an opportunity to build a strong base of knowledge from the ground up. The majority of my students have no financial or investment background or experience before they decide to learn about trading. This can actually work to their advantage. When you don't know about something, it means that you are open to learning everything. You're not full of preconceived notions; you don't have any bad habits to break. Don't let inexperience hold you back: if you study hard and apply yourself, then knowledge, wisdom, and experience will all come in time.

Common fears in trading

Many of the most common fears about trading boil down to a lack of knowledge and experience. However, the solution is simple: get educated! Don't let these fears hold you back:

1. Trading is too risky. Day trading has a reputation for being risky. It's warranted: the market can be volatile, and losing money is a very real concern. Many new investors begin jumping into trades without understanding the risk involved or what makes the market so volatile, and quickly begin losing money.

However, the fact is that every profession comes with a certain level of risk, particularly if you're not properly trained. For instance, if you've never used a power tool in your life, jumping into carpentry could be quite dangerous. However, once you learn how to use the tools, your risk factor goes down significantly. Day trading is similar. If you don't understand the market, then every trade will be risky. However, once you gain an understanding of risk versus reward, you can choose trades that are well suited to your personal level of risk tolerance.

2. I don't know how the stock market works. The stock market provides dense subject matter for study. With its alphabet soup of acronyms (IPO, ETF, GTC, HOD, etc), the many investment types, and the plethora of information and opinions out there, it's hard to know where to start. Unfortunately, many would-be traders quickly become overwhelmed and abandon the entire endeavor completely.

CHAPTER 5: YOU DON'T KNOW WHAT YOU DON'T KNOW

Rather than being overwhelmed, take it slow, and start from the beginning. Take the time to invest in your education and learn the market mechanics. There are plenty of free resources online, including on my website and YouTube channel, wherein you can learn the basics about penny stock trading and how to execute a trade. Admit what you don't know, and seek guidance to find out what you want to know.

3. I don't want to fail. News flash: nobody wants to lose money in the stock market. However, failure is part of the process. Traders are likely to fail--not once, not twice, but over and over again. Full disclosure: I've lost as much as \$200,000 dollars on a single setup—and you better believe that hurts. Making trading mistakes stings, but it can be an invaluable part of the learning process.

Hoping that you'll never fail is unrealistic. Rather, make a resolution to fail the right way. When you figure out what you did wrong, you're less likely to make the same mistake in the future. That's a hard thing for most people to do, because it requires you to sit down and really examine the choices you made and the things that you could have done better. It's no fun to sit down and look your failures dead in the eye. When you do this, you'll be better able to evaluate risk versus reward, and you'll tend to choose setups where the odds are better stacked in your favor. Unfortunately, losses are inevitable at times, but there are things that you can learn from your so-called failures that can help you live to trade another day.

4. Trading is too hard. Many day trading classes will promise an overly simplistic strategy which will earn you loads of money in a short period of time. However, this is nothing more than a fallacy. The truth is, day trading is challenging. Working full-time as a stock trader isn't as easy as pressing a few buttons and collecting mega profits.

However, that doesn't mean that day trading is too hard for the average person. You don't need an advanced degree to be a trader. Just like any new career or endeavor, though, there is a learning curve. Much of the hard work involved in penny stock trading is behind the scenes. The trades themselves don't take much time at all, but what does are the hours spent poring through press releases, researching companies and studying the market. This is time well spent: not much compares to the feeling of finding a stock with great potential, and knowing that your research has presented an opportunity for you to profit. Thinking of yourself as a detective and the stock research as your sleuthing makes it seem a lot more fun.

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5. I'll never be as good as (insert hotshot trader's name here). It's a common misconception that some traders simply can't lose. Many newbies get discouraged in looking at successful traders like me or Tim Grittani or Michael Goode or Stephen Dux. They think that they'll never reach that level, so why try?

It's important to remember that even these successful traders went through a learning curve, too. For instance, Tim Grittani was not consistently profitable for his first 9 months of trading. Michael Goode was having only modest success as an investor until he decided to pursue a trading education.

Additionally, even the best traders don't win all of the time. For instance, even with an education and practice, I still lose about 30 percent of the time. However, my profits outweigh my losses, so I am able to remain profitable in the long run. Look at trading as a marathon-- not a sprint.

How to start trading

Once you've faced your fears and have decided to pursue trading, how do you get started? These are the the steps you'll need to take to set yourself up for success:

1. Learn everything you can about trading. Invest in education first. Before you ever make a single trade, devote yourself to learning all that you can about trading. Master the basics, buy trading books, and begin to understand how the stock market works. This is a powerful and proactive first step.

2. Study! Don't just learn the basics of the market and call it good. Dig even deeper. Begin to gain an understanding about what makes the market move. Study charts, study companies; study everything stock related you can. Knowledge is power; to gain an edge in the market, you need to be able to study the market and identify patterns. There is no substitute for screen time; the hours you spend following the market is time well spent.

For some traders, paper trading (simulated trading) is an ideal way to put their studies to the test. You can test your theories based on pattern recognition without risking actual cash. It's a great way to get your feet wet.

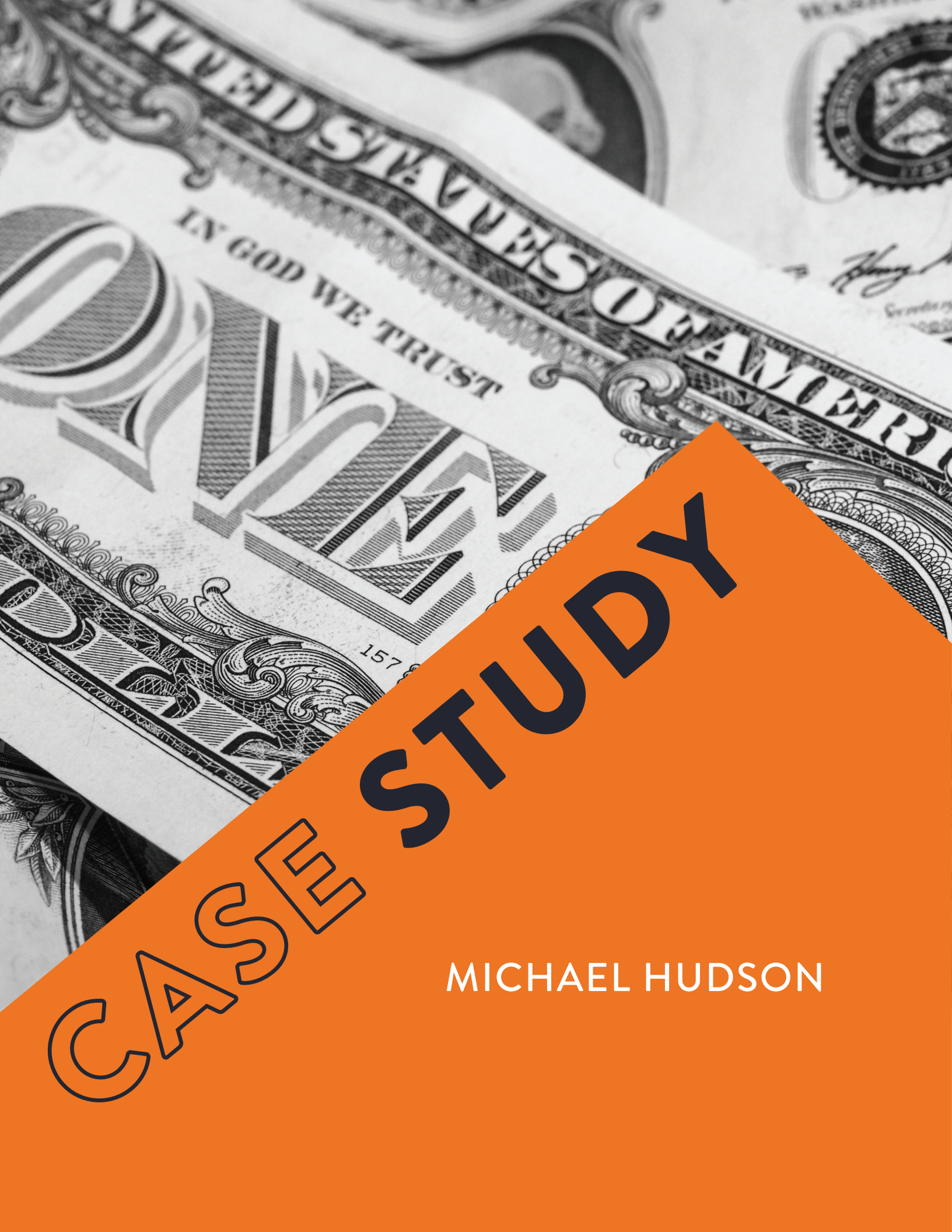
3. Get your trading setup in place. Happily, you don't need a ton of materials or equipment to start day trading. Really, all you need is a laptop, an internet connection, and a brokerage account. From

CHAPTER 5: YOU DON'T KNOW WHAT YOU DON'T KNOW

there, you can choose to add other resources, such as a scanning program, books, and educational DVDs. But really, while it's important to have the basic components in place, your setup does not have to be complicated. I typically trade from a laptop, which allows me to do my job basically anywhere in the world where I can get wifi.

4. Start slow and small. Don't go all in right away. Remember: you're not going to make your fortune on a single good trade, but you can definitely lose it on a bad one. Don't try to jump before you learn to walk. Start slow, and small. Keep your positions small, and monitor your progress as you go. While your wins might be small going this way, your losses will be, too. This allows you to make mistakes and do things right and be able to discern the difference between the two without risking too much money.

5. Let yourself grow over time. Just as you should start small, it's wise to continue your career at a slow but steady pace. You won't impress anybody by making risky trades, particularly if you lose big. Keep learning from your mistakes, keep monitoring what works, and focus on improving over time. Zero in on the setups and trading styles that are working for you, and refine and improve your methods. This is how you create a steady, and long term career as a trader.



CASE STUDY

MICHAEL HUDSON

CASE STUDY: MICHAEL HUDSON

Michael Hudson is an inspiring example of the stability that you can achieve in a trading career when you focus on building a strong knowledge base. He's also a stellar example of how what you can achieve in a short period of time if you make studying a priority no matter what. Just about three years into his trading career, this Bay Area resident has earned \$100,000 while concurrently pursuing a degree in finance and economics.

It all started during his sophomore year in college, when a friend introduced him to a commission-free trading app. Since he identifies as a bona fide "opportunity seeker", it didn't take him long to test the waters. In short order, Michael had thrown \$20 into the stock market, which he diversified into 6 penny stocks. He made, well, pennies, which wasn't quite a killing but compelled him to learn more.

Soon, Michael was blowing off classes to explore the market. He has always been taught to mind mentors, because they can teach you how to avoid mistakes and can speed up your learning curve. Michael knew that if he was going to explore the market in earnest, he needed guidance and a proper education. In seeking a mentor, he discovered my teachings.

Slow but steady is the way to describe his progress. Exercising Herculean discipline, he studied the market for 6 months before putting any money in, even though he was regularly identifying trades that could earn him profits. His watchful waiting had a powerful effect on him: during this time, he actually changed his major from entrepreneurship to finance and economics, specifically to to further his trading prowess, and better understand the logistics of the market through additional education and mentorship from his teachers.

When he finally began to trade again, he took it slow, and looked at everything as a learning experience. He refers to his first two years of trading as his "learning curve"; he won some, and he lost some. But overall, his account remained stable.

As he gained more confidence in the setups that were working for him, he began to profit. However, he didn't get cocky; once he began to be profitable, he did what few traders do: he went back to the books. He rewatched all of Tim Grittani's webinars and became obsessive about learning even more. His renewed commitment to learning paid off: his account began to grow exponentially, and now he's up more than \$100,000.

CASE STUDY: MICHAEL HUDSON

Michael's career is now a cycle of rinse and repeat. He keeps on refining his setups, profiting, and turning back to the books to refresh his education. His commitment to continued learning and work ethic mean that he will have a reliable income for life as a trader, which he can take anywhere with him. No matter how he diversifies and expands, trading will always be a potential source of income for him because he took the time to learn properly.