

Trading Practice and Better Trades

When you are new at this game called the stock market, you will find it necessary to start off with the basics. Milk not meat! If you only knew what we know, after years of trading and teaching students, you would do whatever we tell you and never break a rule. It is so hard to watch students jump before they are ready, but I see it time after time. I call this the READY - FIRE - AIM syndrome. Believe me, I so understand where you are at - I started the exact same way.

There are so many things to teach you in the beginning, to help you gain confidence as you begin to build your trading skills. One such issue is trading options. We tell you in the beginning to only buy options with a high delta. Using a delta of .70 to .90 is the basic starting point to work with. We start you off here, to help protect you from potentially more dangerous trades, until you can begin to grasp how the market works, to understand options a little better, and just get more comfortable with the language of the stock market.

Once you have attained and can begin to comprehend the basic knowledge, and you have had a chance to get your feet a little wet, then I can teach you in my

how you can estimate how long you will want to stay in a trade, and how to modify your trading strategy to use options with lower deltas. This can become very powerful, not to mention profitable, when you learn this advanced but simple technique.

I have seen many new students buy what we refer to as "THE KISS OF DEATH" options" which is a front month (the next month to expire), out of the money option. I understand how attractive these options look, being so cheap to buy and so profitable if the trade works. But the key word here is "IF"! These short-term options can be very risky, since time is not on your side! As a new unskilled trader (even if you think you know what you are doing) your thought process isn't exactly perfect yet.

With so many market traps awaiting the new trader, it is imperative that you first use practice trades to hone your trading skills. Many students skip the critical step of practice trading, before getting down to the business of trading real money. This can quickly become one of their major downfalls and often take new traders out of the game permanently. If you practice trading with real money, and you discover your technique is wrong, you are now wrong and broke! It is so easy to give up at this point and say the stock market doesn't work. The bad news is that typically means you have to go back to your JOB!

There are only a few trades I would consider using risky front month, out of the money options for. They include:

- * To buy Insurance on a trade (see LEAPS DVD's)
- * To do a strangle over earnings or expected serious news announcements
- * To do a BULL PUT SPREAD (BUPS)

I don't think I could stress enough how critical it is for you to practice perfect trades before using real money. And NO cheating!

You are not ready to trade with real money until you have PERFECTLY PRACTICED trading on paper so well that it is driving you crazy! I mean absolutely wild. Why? Because it is at this point that you know beyond a shadow of a doubt that trading works! You are winning most of the time, and it is not REAL money - it is pretend money! Now you are serious, and you will do whatever it takes to get the money to trade - sell something, take on a part time job, but you now know trading DOES WORK! It is at this point, and only at this point, that you are finally ready to start using real money to trade. Did it work that way for you, or have you been cheating yourself? If you have been cheating yourself, please stop the madness now and do it right!

It is interesting how professional traders realize the importance of practice trades, and continue to practice along with their real trades. This keeps them up on hot stocks they may have just started to notice. But they practice them on paper until they get to know the heartbeat of the stock. Then BINGO" they can get in on some sweet deals when the timing is perfect, while others sit on the sidelines wishing they made that sweet trade!

On the other hand, I find it funny that only amateur traders think they are too good to practice trade. Well here's an important secret" overlooking this one element of practice trading (until you are perfect) is a critical error in judgment! So critical that many traders who cheat, by skipping practice trading, most likely will not make it in the market anyway! Is it worth the risk to take this terrible shortcut? Absolutely not!

I think there are three critical things that are needed to become a successful trader:

1. You need to study and pick one strategy to trade. One that fits your lifestyle and your personality. Once you have found your strategy, please take the time to PERFECTLY PRACTICE it first.

2. You need a system to monitor your practice trades (and eventually your real trades). This fine tunes your entrance and exit timing, in addition to using safety nets and insurance. (See my NEW LEAPS DVD's if you are not familiar with how to use safety nets or how and why to buying insurance).

3. You also need to understand how the stock market itself works. (Learn this in my NEW Q's DVD's).

In my next newsletter I am going to address how to understand the actual workings of what we call "AMATEUR HOUR", so you can use this for better entrance and exits into and out of trades, in addition to knowing when NOT TO PANIC if you think the trade might be turning around. I will address how "Amateur Hour" is not a time issue (an hour), but instead is a "THING"! You don't want to miss this discussion!

In parting, I just want to encourage you to stick to trading. Practice Perfectly first, and once you get this right" you will begin to see why I am so excited about my lifestyle" because it will become yours! I am just an ordinary person, who decided to follow the rules, and stick to it until my trades worked. I am so in awe of how my life has turned out, and even better how I have been able to help students learn what I know in a fraction of the time and cost it took me to learn it.

You deserve all that you ever dreamed of, so let's go get it for you! I look forward to being a part of that process for you!

Happy Trading,

Darlene with BetterTrades

About the Author

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