Fred Boros, a man in his early thirties, had reached his breaking point. He pushed away from his desk, stood up, and switched off his computer screen. It had happened again. Things just weren’t working out as he had hoped. He began to pace back and forth in his office.

Fred had been trading stocks for over a year and had envisioned that by this time, he would have been successful enough to move out of his cramped apartment and up the financial ladder. Previously, Fred had worked as an engineer with a large defense contractor, a job that paid him well but required long, unfulfilling hours. He had wanted a fuller life outside the cubicle prison. But it didn’t seem to be working out.

The Conversation that Changed Fred’s Life

One evening, two years earlier at his neighborhood health club, Fred had the conversation that changed the course of his life.

While waiting for a pick-up game of racquetball, Fred started talking with an ex-work associate. The man told him how he had escaped from the corporate world and became a self-employed day trader. He was full of excitement about his new life, and had spun such a wonderful story that Fred was excited to know how he, too, could be free and financially stable.
Fred became obsessed with learning to trade. He invested his time and money attending seminars, read every book he could get his hands on, and paid expensive membership fees to join online forums where he could exchange notes with fellow traders.

Always a top-notch student, Fred learned quickly and began to trade actively in his paper trading account. He still held his day job, but found himself spending more and more time monitoring and analyzing his paper trades. Within several months, he was stuck to his computer screen like a teenager to a game console. He fell behind with his engineer work projects and found himself putting in extra hours just to keep up with his work responsibilities.

One day, fate stepped in.

To weather a major financial hit, his company had to tighten budgets and cut back on human resources. They let Fred go. Although he was shocked by the news, he was strangely not upset. On the contrary, he felt a sense of relief and an inexplicable surge of excitement.

He took this as a “sign” to pursue his dream. He thought that he was being guided toward a new future. He felt what lay in front of him was a worthier journey with a more enjoyable lifestyle, where he would have more control over his life, more freedom of time and, of course, a fuller bank account.

When Reality Kicked in: Paper Trading versus “Real” Trading

Fred took a portion of his savings and moved it into his active trading account. He felt a bit nervous trading with real money rather than just making trial trades. This uneasy feeling heightened when he quickly found out that the system that he had developed during his period of successful paper trading didn’t seem to work as well with “real” money.

When he was making paper trades, he never hesitated to enter into a trade when he felt it looked right. Most of the time, he made successful trades. The win/loss ratio in his paper trading had been consistently above 75 percent. But after a few losses from real trades, he found himself losing confidence in the system he had set up from paper trading. He tried to make adjustments as he continued, but his win/loss ratio fell through the floor. Days went by with no net profits and Fred began to panic. Despite this, he traded every day, because as a day trader he needed to do this in hopes that his small profitable trades could accumulate over time.

Even more discouraging, Fred found himself glued to his computer as much as he used to be at his engineering job. He wasn’t used to feeling like a loser. But Fred
had to admit that it wasn’t fun anymore. He once again felt trapped in a routine that sucked joy out of his life.

But he wasn’t ready to give up. Not yet. He was determined to make his trading a success.

■ The Path Forward

Fred believed that he was an intelligent person who could do well in any intellectual activity. Never in his wildest dreams did he realize how challenging stock trading could be, and how difficult it is to earn a living by trading full time. Because there seemed to be a distance between where he was and where he wanted to be, Fred decided to seek more training, to learn more techniques, and pick up more advanced systems to bridge the gap.

He asked himself:

How will I get the know-how to succeed?
What’s the secret to making it big?
Can I create my own winning strategy?

Fred jumped from one website to another looking for advice, spent money and time on trading courses, and subscribed to expensive software. Would this improve his situation? He was hopeful.

■ The Struggle of a Young Family

Stacey Braverman and her husband, Brad, had always wanted a family. They began to put a plan together to adjust their lifestyle to welcome a baby, and at the same time make ends meet. They agreed that Stacey should stay at home to take care of the baby for at least the first three years. They wanted to make sure the baby got the full care and attention from his parents, was taught well, and grew up to be happy and healthy.

But this decision meant that a major sacrifice had to be made.

Stacey would have to give up her high-paying job as a sales representative. For years, she had been one of her company’s top producers, generating remarkable profits for the company and earning huge paychecks. Her sales commissions contributed the major part of her family’s income.

It was beyond Brad’s capability to shoulder the family’s finances alone. They needed an extra income source. The only option was for Stacey to work part-time to supplement his income.
A Perfect Plan Found?

After careful consideration, they found a plan to address both concerns: Stacey would learn to become a forex trader. They knew they wanted something that allowed Stacey the freedom to work from home, on her own time, and they had heard about the high potential returns of forex trading. At the same time, they were fully aware of the high risks, so they had put aside a cushion of cash to weather the loss if things did not turn out well. Stacey knew she had a knack for business, mathematics, and logical analysis, and could easily imagine how she could use all these in trading. Forex trading seemed to be the perfect fit.

Stacey planned to dedicate most of her time at home to take care of the baby and trade for three hours every day. This way, she could plan her working hours around her life and the parenting plan, and have the luxury of a flexible schedule.

During her pregnancy, she started training herself in trading, received coaching from an experienced forex mentor, and tested her skills with a demo trading account. Within a couple months, she had established a trading system that fit her personality and preference, and so she took the leap of faith and started trading with hard cash.

Seven months later, their baby, Brad Jr., arrived. Soon after her maternity leave was over, Stacey quit her job and, according to their plan, started to trade forex at home while enjoying her new role as a mother. What astounded her was the fact that over time, she actually found herself making more money trading at home for three hours a day than when she worked a full-time job!

She was overjoyed, but cautious at the same time. She learned from her training that “each trade is a new trade,” and she held no illusions that there are any guarantees of success in trading. She understood that trading was much more than making a best guess on where a currency pair movement was heading, but rather, a deliberate study of the market fundamentals, cycles, and price action and skillful application of the trader’s psychology. She was cautious, all of the time.

A Typical Afternoon of a Trader

One day, as Stacey was feeding Brad Jr. and watching *Bloomberg Financial News*, she glanced over at her laptop computer. She noticed that her last trade was stopped out for a slight loss. She opened up her trading journal and clicked on a worksheet where she tracked her trades. She took a screenshot of the well-documented chart and pasted it on the worksheet, and then analyzed the trade.

Stacey posted the losing trade and the $120 loss into another spreadsheet called “the P&L and Win/Loss Ratio.” She looked at the running P&L column and then
at the Win/Loss column. This told her that she was holding around her 68 percent trade wins and her profits were slightly behind this month’s goal.

After putting Brad Jr. down for his nap, she went over the trade again to examine in detail what had happened. From previous experience, she learned that she was guilty of not being patient enough to wait for confirmation before entering a position. She was not upset about this, because she knew that all she had to do was to remind herself more often to execute her trades with patience.

At the end of her day, after reviewing her trading activities, she logged on to her trading coach’s website and entered the chat room. She posted the screenshot of the chart of her losing trade and asked her fellow traders: “Do you think this was a viable trade according to this setup?” She got up and went about some of her household chores and periodically checked to see if there was any response to her question. As expected, she received the valuable feedback she was looking for.

Stacey paid a sizable fee for the guidance from a veteran coach, and used his website to network with fellow traders, exchange ideas and tips with them, and receive support and motivation when she needed it. She knew the hefty sum that she had been paying for all this was a sensible investment.

 Trader by Chance

From the start, Fred had entered into stock trading by a chance encounter with his ex-colleague at the local health club. It was the wonderful outlook of the life of a day trader that lured him into the day-trading sphere. No detailed forethoughts and contingency plan were made before he made the leap:

■ He did not plan his trading education.

■ He was blinded by the potential rewards of a successful trading career but did not consider the risks.

■ His decision to trade was reactive (to his job loss) and not aligned with his skills or personality.

In essence, he entered this career for the sheer reason that he was convinced by the story that his ex-colleague had spun.

Fred had also not tested his system thoroughly before he relied on it for income. He had traded it with his paper trading account, but did not start small in trading real cash to gain confidence, so he did not know what to expect when the technical and psychological complications of trading live cropped up.

Worse, he allowed his emotions to get the better of him when he traded. A few losses in the beginning aroused his doubt about his system (although it had a win/loss ratio of 75 percent in paper trading). There might indeed be some flaws in the
system, but he was not experienced enough to effectively detect and then fix them, because he did not have any strategy to track his trades and find out where the “leakage” was.

He thought he was lacking some secret trading techniques or a more robust trading system, so he devoted more time, money, and effort to finding them. Fred was setting himself up to fail.

■ Trader by Plan

By contrast, Stacey had planned appropriately before she launched her trading career. She planned her training and received coaching to prepare herself mentally and technically to become a trader. She knew the schedule for leaving her job and planned the steps leading to that.

She started small, failed a lot, and failed fast to verify her trading system before developing a robust one that she could fully rely on. But things still went wrong even with these experiments. When it happened, she did not react emotionally. She calmly tracked her trades and analyzed her failures. To her, every failure was a lesson to learn, and one step closer to success.

But she did not do this alone. She used her coach and fellow traders for feedback and improved her results through experience and learning.

■ Dedicated Trader … or Slacker?

When Fred worked for the engineering firm, he was a dedicated and responsible worker. He would turn up at his office on time every day, never missed a project deadline, and made sure he delivered quality work, even if it meant he had to work extra hours. As an employee, his manager and supervisor guided most of the steps on his career path.

But things were different after he left the corporate world and became a trader.

Fred enjoyed the freedom that trading gave him. He could start work at almost any time in the day, and had the freedom to decide how many hours he would work. Not having to turn up at an office meant that when he felt that he needed more rest, he could take a few hours off from work; having no project milestones to hit meant as long as he worked to his satisfaction, he felt fine. (He did set some earnings targets. But since he was his own boss, when the targets were not met, it was easy to tell himself to “just try harder next time.”)

To his friends and family, Fred seemed to be a dedicated trader. His trading activities took up at least 80 percent of his waking hours. He was glued to his desk,
busy looking at charts and analyzing the market, busy deciding whether to enter or exit trades. And when he was not making trades, he was participating in online traders’ forums to exchange tips with fellow traders, researching the markets, and visiting trading gurus’ websites or blogs to get their advice and inspiration. He had practically no time for a life outside of trading—no time for a physical workout, no time for his hobbies, and no time for family and friends.

Deep down inside, Fred knew something was wrong. He was not making money consistently. His trading account was not growing, and he saw no significant progress in himself as a trader.

He started to wonder whether he was doing things right. As an intelligent young man, he soon realized that most of the hours he spent on trading were unproductive hours. He was spending his time aimlessly, not knowing where to head.

Fred was not really working most of the time. He was only slacking.

The Life of a Trading Mom

At another corner in the same city, Stacey was living a more fulfilling life than at her previous sales job. Juggling between trading and her duties as a wife and mother was not easy. It tested Stacey’s time management and multitasking skills—but Stacey was doing well so far. And she was enjoying every moment of it.

Stacey held herself accountable for her trading career. She knew that she only had limited time, so she planned well. She would show up at her work desk at the same time every weekday (after settling her baby down for a nap), worked for a fixed number of hours, and called it a day punctually—unless anything unexpected cropped up in her trades.

She was a methodical person, and this character showed in her trading. She knew she did not have the luxury of time or extra capital to waste, so even before she quit her job and launched her trading career, she already had her trading system set up, tested, and proven. In addition to that, with the advice of her coach, Stacey had written a business plan. It was just nine pages and not exceedingly elaborate, but the process of designing her plan had allowed her some space to think through how she intended to conduct her trading. Consequently, she was clear about her short- and long-term goals, her daily work schedule, the methods to track her performance, and how to manage money—even before she started trading.

All these efforts to “systemize” her trading seemed tedious and dull at first—and indeed, at some point Stacey questioned the rationale and necessity to do so—but she pushed through it anyway. At the end of the process, Stacey appreciated that she had laid out all the components involved in a trading business and she knew that her goals were achievable.
And she was right—in fact, more than that. Not only was she doing well in her trading career (and motherhood), she earned more money than she did when she held a sales job—while spending less time at work and more time with her family.

The Question You Need to Ask

At this point, it should be clear to you who among these two traders are more likely to make it big in trading, and who is more likely to fail.

The question is: “What makes the difference between them?”