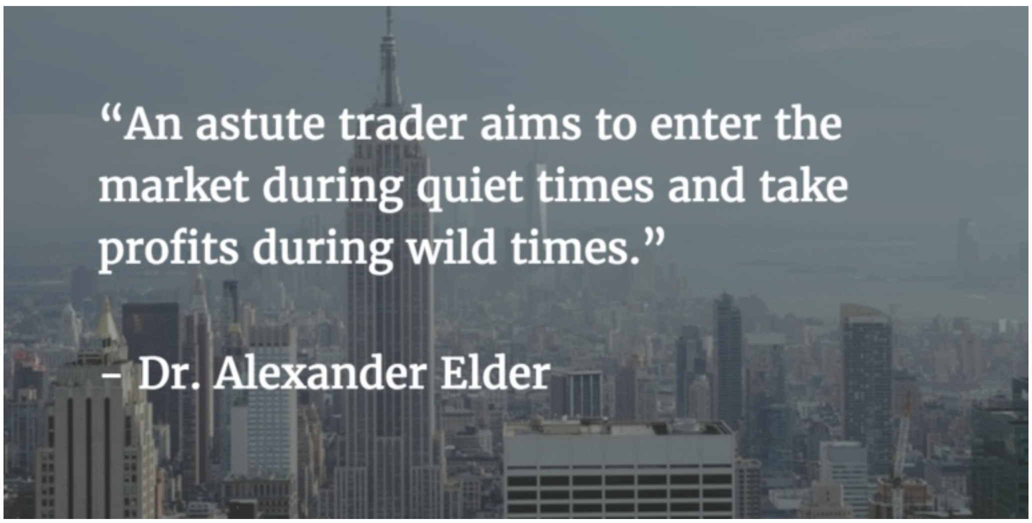
The New Trading For A Living Summary

1-Sentence-Summary: *The New Trading For A Living teaches you a calm approach to stock trading, by equipping you with the basic tools of chart analysis, risk-minimizing rules and showing you which amateur mistakes to avoid when getting started as a stock trader.*

Read in: 4 minutes

Favorite quote from the author:



Dr. Alexander Elder published this trading classic in 1993. In 2014, it was updated and expanded to help new traders turn pro even faster. Dr. Elder has been teaching traders for decades, his own experience coming from…his medical degree.

That's right. After being born in Russia, Elder moved to Estonia and started medical school – at age 16. By 23, he was working as a ship's doctor, one of which he jumped whilst in Africa, seeking political asylum in the US, which was granted. Working as a psychiatrist in New York City and eventually teaching at Columbia University allowed him to base his trading strategy not so much on tactics, but more on human psychology.

As a result, *The New Trading For A Living* has become an international bestseller, and its blinks hold some great practical trading tips.

Here are my top 3:

1. Don't let your commissions eat up your profits.
2. Leave your emotions at home.
3. Minimize your risk with two simple rules.

Want to trade for a living? Here are your starting steps!

Lesson 1: Don't let your commissions eat up your profits.

Like anything, becoming a good trader won't happen overnight, but while you can't skip getting all the experience necessary to make a decent living at it, what you can skip are a few rookie mistakes.

Commissions, for example. No matter which broker you sign up with, they'll take a commission for every single trade you make. These aren't cheap, so $10 per trade is a very common fee to pay. But if you're just starting out, you probably don't have too much money to invest, so if you trade a lot, the commissions will eat up your entire profits.

Imagine you're investing $10,000 over the course of a year, doing 4 trades a week, which is not a lot. At $10 per trade, you pay $40 each week, just in commissions! If you keep this up 50 weeks of the year, you'll pay $2000 in commissions – 20% of your entire trading capital!

That's why it's important to pick a broker with very low fees in the beginning and keep your trading to a minimum. I signed up with Degiro, a Dutch online broker, who has very low fees (less than $1 per trade on most trades) and only make 2-3 trades per month.

Lesson 2: Leave your emotions at home.

Another rookie mistake is **trading emotionally**. Just like in a good poker game, emotions have no place in trading. You can't feel personally attached to any one stock and shouldn't just buy a company's stock because you like their product.

When you bring emotions into trading, you'll start to gamble. When you feel incapable of resisting the urge to trade, or like "that one stock's gonna take off" and let your trades influence your emotions, that's when you know you're trading like a gambler (great movie, btw).

But trading is just a way to make money, and just like you don't emotionally obsess over your paycheck, rent, debit card or phone bill, you can't do it with trading either.

Once you let your emotions control how you trade, you can literally watch your capital go down to zero in an instant. So leave your emotions at home and trade with a mind as cool as the coins you want it to put inside your pocket.

Lesson 3: Minimize your risk with two simple rules.

Elder has two wonderful rules to help you avoid gambling and minimize your risks and losses. They're called **the 2% rule and the 6% rule**.

The 2% rule says you can't risk more than 2% of your entire trading capital on a single trade. For example, if you have $100,000 total to invest, buy a stock for $50, and set a stop loss at $48 (meaning the stock is automatically sold if it falls to $48), you can buy 1000 shares. Your maximum loss is $2 per share, so $2,000, equaling 2% of your entire capital.

However, if you don't set a stop loss, you could only buy 40 shares, because 40 x $50 = $2,000 and without a stop loss you can, in theory, lose it all.

The 6% rule compliments the 2% rule by stating that if your total losses + open risks in any given month exceed 6% of your total capital, you can't make any new trades.

Let's assume this month you've taken that $2,000 loss described above already, and have another 4 trades open, with a potential loss of $1,000 each. That comes out to $6,000 and means you shouldn't make any new trades until the month is up, to make sure you don't lose more than 6% of your total capital, if the 4 other trades go sour as well.

Pretty simple right? Imposing such arbitrary limits on yourself will make you feel safe and free from worry, because you know you're taking minimal risks.

The New Trading For A Living Review

Such a refreshing set of blinks! So much practical advice. Elder shares a lot of specific rules and tips, which makes this summary feel like I can instantly take what I learned to the trading room (virtually).

I like that in spite of being specific, his advice is still generic enough to help you with trading in general, and not limited to any particular kind of investment, like options, stocks, or futures.

Highly recommended to pair *The New Trading For A Living* with The Intelligent Investor by Benjamin Graham. Two big thumbs up!

Read full summary on Blinkist

Get the book on Amazon

Learn more about the author

What else can you learn from the blinks?

- What slippage is and why it determines whether you make market orders or limit orders
- How one of Elder's friends lost all of his money on another rookie mistake
- What professionals do to avoid the market crowd
- The five basic elements of bar chart analysis
- What a support and resistance are, and how they help you determine the mood of the market
- How Elder got stuck with 6,000 shares and what that taught him about liquidity
- What you can do to become your own trading teacher
- How to test the waters with $0

Who would I recommend The New Trading For A Living summary to?

The 14 year old youngster, who's heard about trading and wants to learn as much as she can before she's allowed to finally trade herself, the 52 year old, who's investing on the side, and suffers from high commissions, because he doesn't have the same funds as a huge hedge fund, and anyone who's ever gambled some money away and felt bad about it.