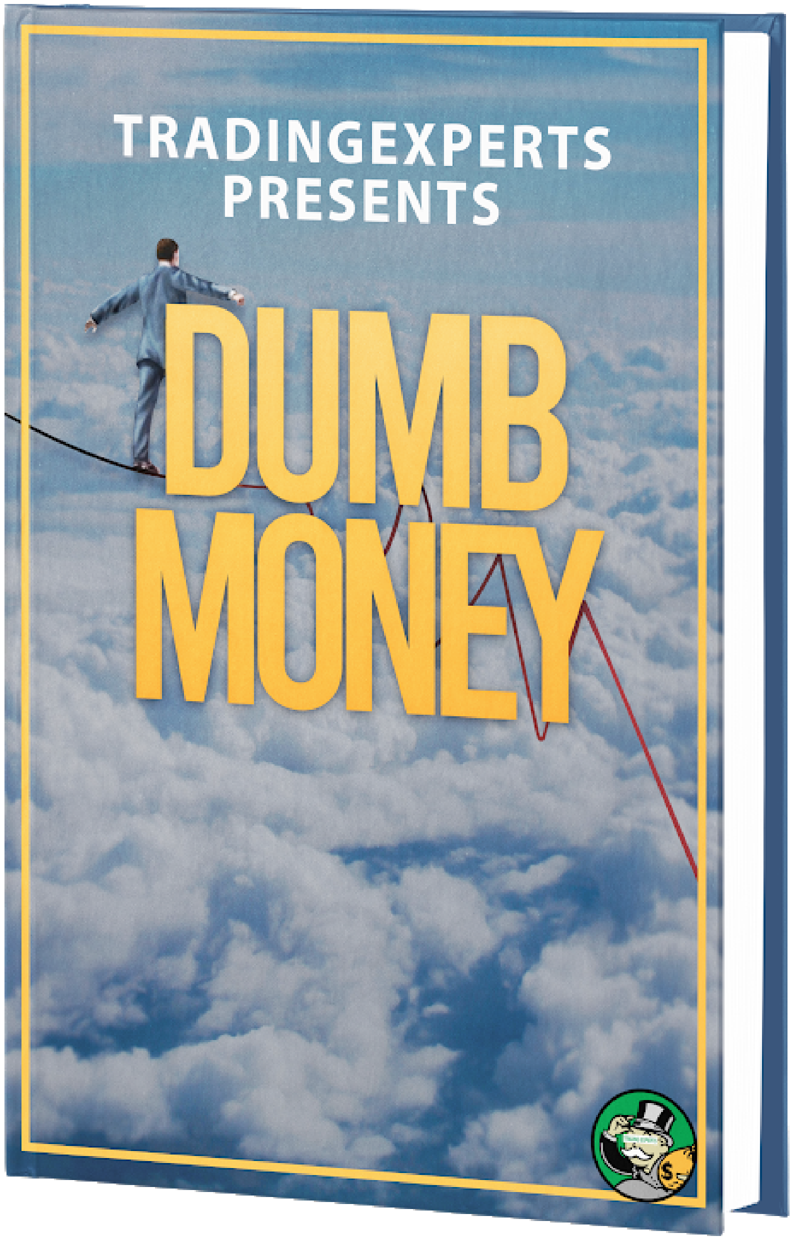
TRADINGEXPERTS
PRESENTS
DUMB
MONEY

Trading Experts Presents the:

Semi Smart Program

If you’re reading lessons from Dumb Money that means that you finished both the

Getting Started and ***What's Next*** program! Congrats on taking the road less traveled and actually focusing on learning first before trying to take on Mr Market!

So far, you have picked up a few things along the way; why the broker doesn't matter, how much to start with, how to fund your account, how to grow your account, how to gameplan, how to read charts, and some lessons we had to learn the hard way that you can now avoid.

Our goal of this program was to give you a peek behind the curtain of major misconceptions that Dumb Money consistently makes. This way, you can avoid the same mistakes that 90% of the market makes each and every day. We will touch upon the importance of buying above whole numbers, why leverage is a curse not a gift, tax misconceptions, the allure of the long term hold, how hindsight clouds your judgement and much more. Hope you pick up a thing or two that keeps more money in your pocket and less of it in Mr Market!

From Shake and Ben G

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Seal Training

"New investors tend to arrive just as the party's winding down, they miss out on all the gains and take part in all the losses."

Have you ever been called *dumb money* before? If you know anyone who has told you how Bitcoin was going to $100,000 or that some penny stock was going to become the next best thing since sliced bread, then without a doubt you know what dumb money sounds like. No one likes to admit it however we all start out as dumb money. Every single trader and investor on this planet, even legends like Bill Ackman or Carl Icahn have made dumb money mistakes. Even after you become smart money, you can still make dumb money mistakes if you don't check your ego from time to time.

If you were not aware, Bill Ackman had a multibillion dollar position in VRX, that's billion with a B. He looked like a wizard for years as VRX climbed and climbed putting in new highs, acquiring company after company. VRX and Ackman looked unstoppable however there were a ton of shady back door deals going on inside the company that virtually bankrupted the company as you can see from the 90% drop in less than a year (below). There's a great special on Netflix titled *'Dirty Money'* that breaks down the VRX scam. So yes, even a billionaire can make the same dumb money mistakes new traders make each and every day. Forgetting the simple rules of trading, you need to sell to make a profit, never turn a winner into a loser, and when you hear yourself saying ***"this time is different***", it isn't, it's the same as always you're just too dumb to see it, yet.

To invest and trade you need ***enthusiasm.*** Enthusiasm is an essential ingredient required to become successful regardless of the situation. You will need it when reading through this program as we will go over topics that are often brushed under the rug. Why are they brushed under the rug though? Well, who really wants to expose all the dumb stuff they do on a daily basis? Dumb money is a simple term, put simply, it's poor decision making. We make dumb money mistakes all the time, as does any trader and we will go over them as we work through this program.

Our mission is to turn you from dumb money to semi smart money as effectively as possible. We said 'semi' smart for a reason, although we are pretty confident at what we do, we don't have all the secrets and don't claim to know everything. We master and perfect a very limited tool belt, it is up to you to become smart money, we are just here to nudge you in the right direction.

Our goal is to keep you safe from unnecessary losses and help you to avoid some of the hundreds if not thousands of costly mistakes we have already made. Trust me, with almost two decades of trading experience we have made a lot of them! Think of something you excel at, did you become a master at it overnight? Of course not, you didn't learn how to surf that 12 foot barrel in Hawaii, or how to bench 400 pounds, or ‘insert any other impressive skills’ day 1. It took time, practice, repetition, getting knocked down, asking for help, learning from others, etc.

“Philosophers warn us not to be satisfied with mere learning, but to add practice and training. As time passes we forget what we learned and end up doing the opposite, and hold opinions the opposite of what we should.”

For some weird reason when it comes to investing, the more novice one is the more they act like they are the experts. The market will call you stupid every day of the week, day in and day out while you let Mr. Market dig deep into your pockets. Either we can tell you it's stupid or the market can take your money. The choice is yours.

If you're ready to embrace learning from stupidity, keep your eyes wide open and your hands inside the vehicle at all times because we are about to go on one bumpy ride.

"If you don't ask, you'll never know."

Semi Smart Task

Share a time when you were dumb money however in the moment you thought it was the best idea ever, only to realize after the fact how blatantly foolish it was (does not have to be specific toward investing).

Post your answer in the chat

You are already 10% towards reaching your goal of finishing these lessons, keep it up! If you're proud of this, say "I'm at the 10% mark!" in the Semi Smart Group Chat!

Sous Chef

Did you know that to become a sushi chef in Japan as an apprentice you have to make rice for 2 years straight? For 700+ days you have to make the stuff that comes for free with every order of chinese food here in the US. Not only that, the rice you made for 2 plus years, gets thrown in the garbage every single day. Now let's really dig the knife in (and twist it), not only do you have to make perfect rice day in and day out for 2 years, the rice you make is used only to store the fish that the Sushi Chef's need for that day, then in the trash it goes. Imagine the mind fuckery! Ever see a sushi chef lose his shit? Those guys are all smiles and have the patience of monks, come to think of it they would probably make decent swing traders.

"You can whine that you have to go to work or be grateful that you have a job."

For those apprentices that made it through that mental mind game for 2 years earned the right to prepare a delicacy that us Westerners have screwed up to no end, even though it's delicious. Ever had a sushi roll with pop rocks on it? I have and it was to die for, just a casual $18 a piece (not a roll) at *Ninja* in Soho. The chefs in Japan would turn over in their graves if they saw the stuff that passed for sushi here in NYC. Now you might be thinking, why do I care that sushi chefs had to be tortured for 2 years to be granted entry to an elite circle of masters of their craft?

Trading is a similar process. Do you know how many times on a daily basis some cocky rookie will tell us *"just wait a year and see what happens"* yet in a month they're broke, again. Those traders don't have the mental mindframe to take a step back and really hone their craft and master the simple stuff like making rice. They would much rather start wiping up Philadelphia rocks with candy on top covered in soy sauce.

6 months of consistent
work can put you two
years ahead.

Invest your time wisely.

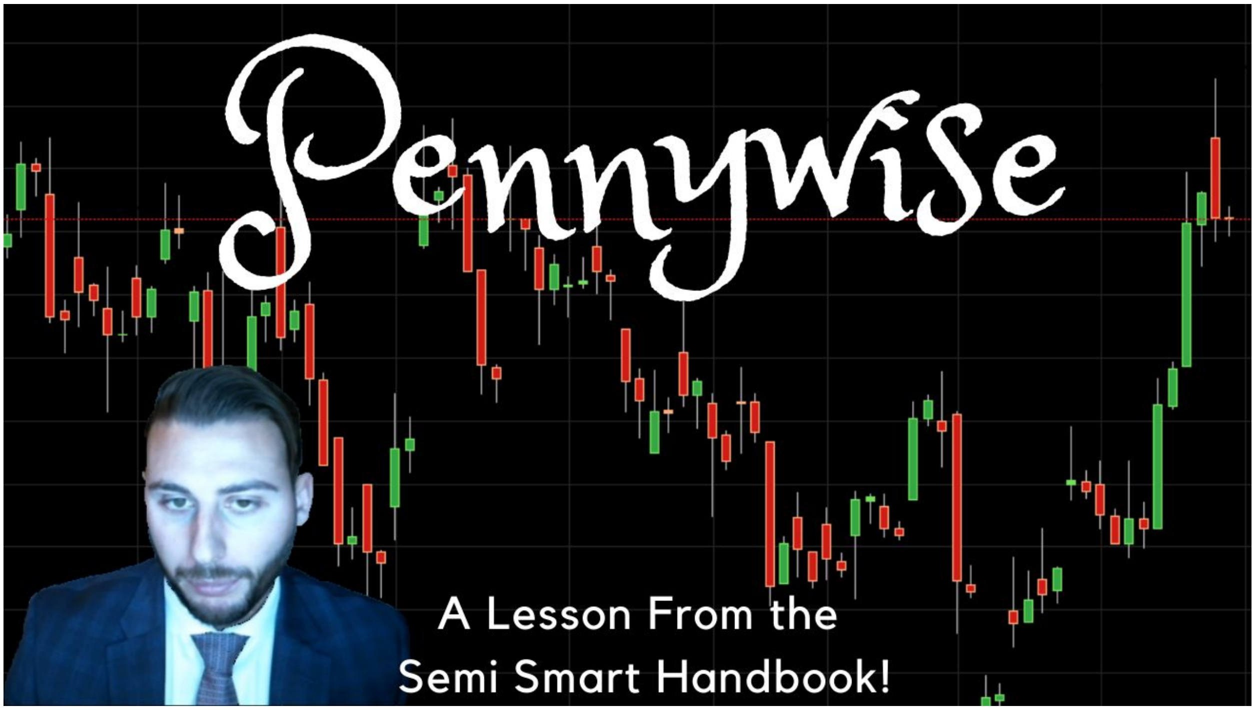
If you are in your 20's or even your 30's, the market will be here for you for the next 40 to 50+ years. Spending a few months, even a year to really learn can set you on a path that will pay dividends for decades. Or you can rush it like 90% of people and blow your wad before you can figure out what the hell happened.

Semi Smart Task

Share a time where you mastered a skill in the space of a week (no, not really) no one masters anything that quickly. Share something that you feel you excel at (truly excel at), maybe it's a sport, or coding, whatever it is, share how long it took you to truly become proficient at it and what steps you needed to take to get to where you are.

Post your answer in the chat

Penny Wise



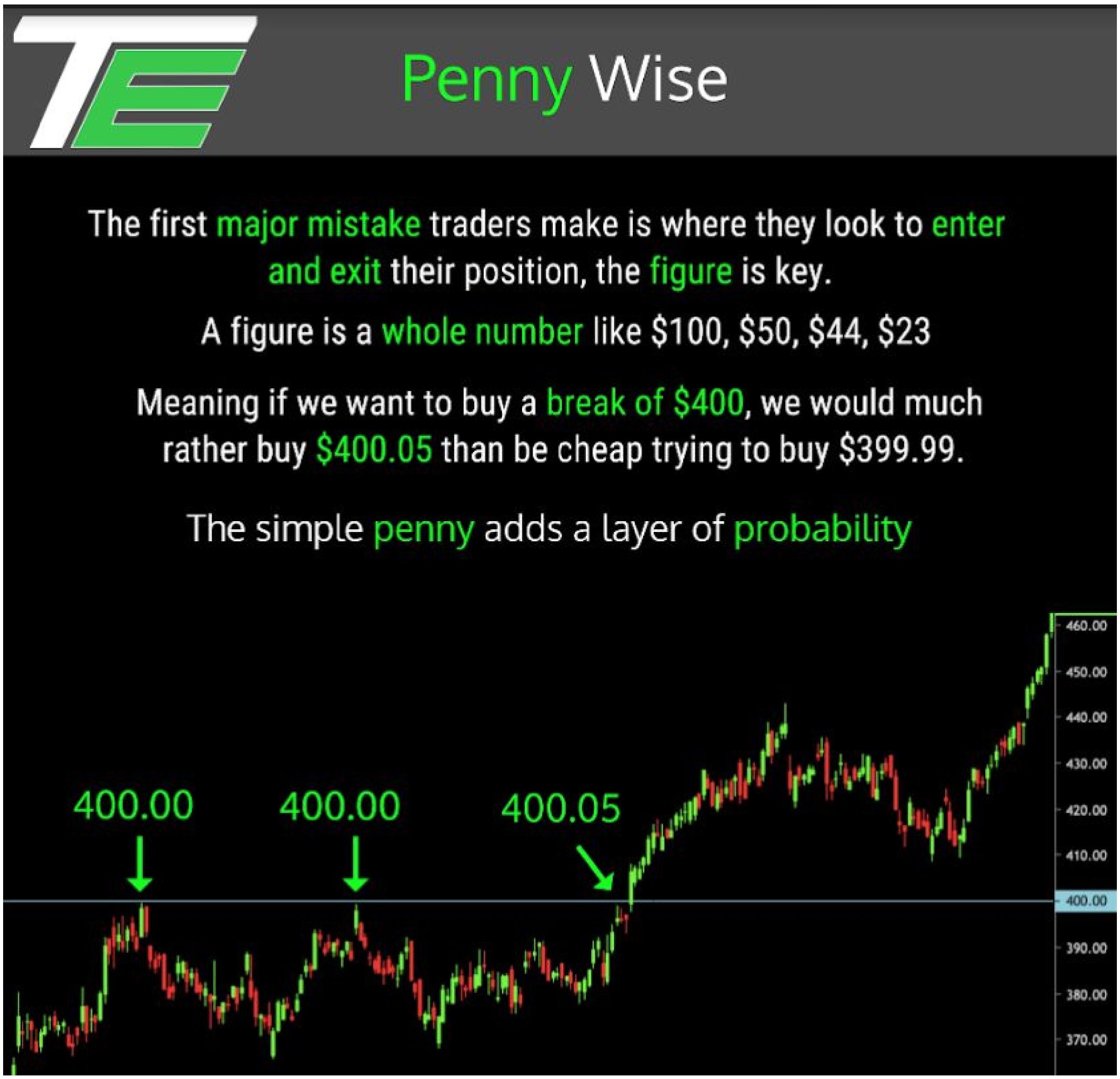
[(click here to watch a video on this lesson)]()

The first major mistake dumb money traders make is where they look to enter and exit their position, the figure is key. Now you might already be scratching your head? What is a ***figure***? A figure is a whole number like $100, $50, $44, $23, you get the picture, a whole number. Trust me on my first trading desk , it took me 2 weeks to figure that out as I was too embarrassed to ask.

"Dumb money buys and sells whole figures."

In virtually every trade we put on, we buy **above** figures, and get out **below** figures. Meaning if we want to buy BLK on a break of $400, we would much rather buy $400.05 than be cheap trying to buy $399.99. You might be thinking, really? A few cents makes that big a difference? You bet it does and we have avoided tens of thousands of trades because of that. Conversely, those mere pennies have gotten us into and kept us in thousands of trades too. Let's take a look below:

"Rookies plan for sunshine, we prepare for hurricanes."



BLK was setting up for this $400 break for quite some time, had you been a dumb money buyer trying to buy whole numbers, 3 times in a row you would have bought $400 only for it to drop $10-$20 points in your face. We simply bought $400.05 when it broke, since that break BLK went on a 50% run. As a stock that was **AT ALL TIME HIGHS** and also a **VERY EXPENSIVE $400** stock, most rookies would say it could not go higher, but it went **50% higher in less than 8 months**! Now we bought $400.05 however we only caught $30 points of the $200 point move, what an idiot (in hindsight!)

When trading you would have to be an idiot to buy a name with the expectation of losing money. You invest in a stock because you feel it is undervalued and due to appreciate it as soon as you buy it, however more often than not, you are wrong (so are we). Don't take it personal, we're wrong all the time, we are professionally and statistically wrong, yet we make money.

"Don't let the ups and downs leave you down and out."

There are only a few walks of life where people are paid insane amounts of money to be wrong more than they are right, and trading happens to be one of them. However you will see that the guys who have been in the game long enough are not making bold 'shouting from the mountain' bets. The big players move in silence, you only hear them talk about a trade ***after*** they are out and the dumb money is pilling in.

Trading is not: A leads to B to C to D to E and you win. Trading is more like: F to A to G to Q to Q to Q to B to Z then back to A. This is why the first way we gauge someone's experience is asking them ***"what's your out?"***

If the answer is a higher price (meaning their only plan is to profit) they're dumb money, plain and simple. If their answer is below the current price, we know they have experience.

"Past failures tend to furnish the finest material to learn from."

As time goes on you learn more from your mistakes than from your successes. Your successes keep you motivated to continue and your mistakes help you to continue to learn. Trust me mistakes are part of trading regardless of experience or bank roll. Don't get overconfident after a few winners as anyone can win once or want to throw in the towel after a string of losses. Just when it's the darkest tends to be right before the turn and vice versa. Just when you feel that the sun is shining the brightest and you can't do any wrong, those sneaky expensive lessons tend to pop up to keep that ego in check. Any real trader will openly talk about trades they messed up, it's the rookies who only want to talk about their best trades.

Semi Smart Task

Comment on the Penny Wise Video Lesson explaining why you should look to buy stocks above figures and get out of stocks when they break below figures.

Post your answer on the Youtube Video

Jungle Book

Have you ever watched an episode on the Discovery Channel about any of the jungles around the world? There was one I can still remember that went into detail on the jungle's complexity with all the different species of animals that live there. They each manage to survive because they are the best at ***one*** specialized task. These animals master their one skill and crush it, they are either humble enough (or are not smart enough for their own good) to know they cannot each be the king of the jungle.

If you are thinking you are going to be the king of the stock market jungle, sit yourself down. Mr Market has been ruling that kingdom for hundreds of years. We see this same level of complexity in the workforce, with team sports, and all over society. People specialize in skills and exploit those talents. For us, our specialization is simplifying our trading process, focusing on leaders and buying them as they break out to new all time highs.

Are we expert short sellers, option collar traders, reversal traders or the other 9,000 different types of traders? No, we don't care, we know where we excel and exploit it at every possible opportunity. We know where we don't excel and can humbly admit so.

"Everyone wants to win when the game is on, yet most will not train the other 6 days."

For the new trader though, they're hungry, they're the little Simba who wants to trade stocks, options, forex, bitcoins, binary options, penny stocks, weed stocks, futures, baseball cards, bubble gum, the list goes on. The more these people list the stuff they trade, the more we know how much they suck at all of them. MJ kills it on the court, put him on a football field, can he compete? Sure he's competitive however do you think Tom Brady isn't going to make it rain out there against MJ in his prime?

Regardless of what it is, you have to figure out what you are really good at, and capitalize on that before you get distracted doing other stuff.

Let's take a break from reading for a moment and watch a video recap of how Shake murdered this SQ swing and let's see what you learned from that trade.

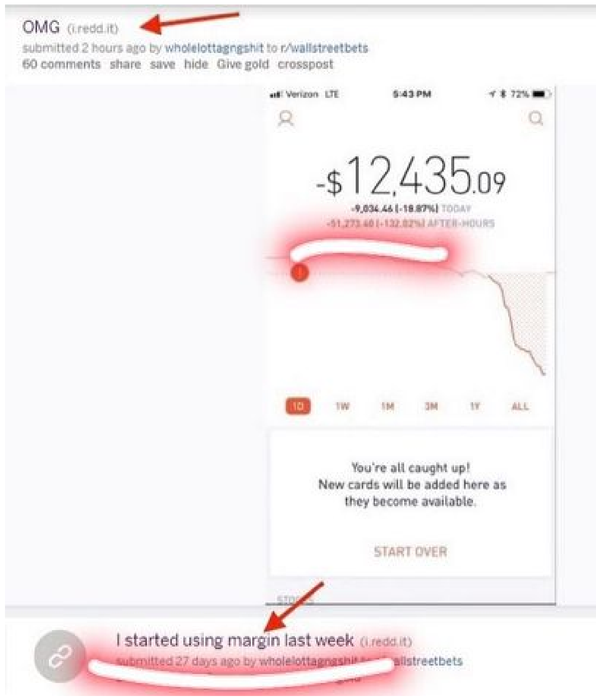
$12,000+ Swing Trading in SQ

Semi Smart Task

Share 3 things that you learned from this trade recap!

Post answer on Youtube

Leverage



Wait a minute? How is the loser below down 132%? Isn't the most one could lose 100%? When you buy the stock with your own money, yes that is correct, the most you are on the hook for is what you invested. However the brash new rookie who is trading on margin and trading leveraged ETFs, thinking he can do no wrong, yet can owe a lot more than his initial investment.

The fundamental cause of trouble in the investing community is the dumb ones are cocksure while the intelligent are full of doubt

Let's take a step back and let's pretend your friend opens a modest margin account (10:1 leverage) meaning with his $10,000, he has $100,000 in buying power.

Why is this the dumbest idea on this planet, because just think for a second what happens when he's wrong (I know you think hr will be 100% right every day) however with that kind of margin, what percentage loss will wipe you out of all of his capital? What percentage loss would blow you up with that type of margin?

10%, a measy one percent loss would blow up his account, there are some high beta Chinese names that on Monday morning at 9:45 am can drop more than that. Now that's not even the worst part, the rookie trader now armed with his own bomb strapped to his chest is given the detonator with a smile and doesn't even know it, yet.

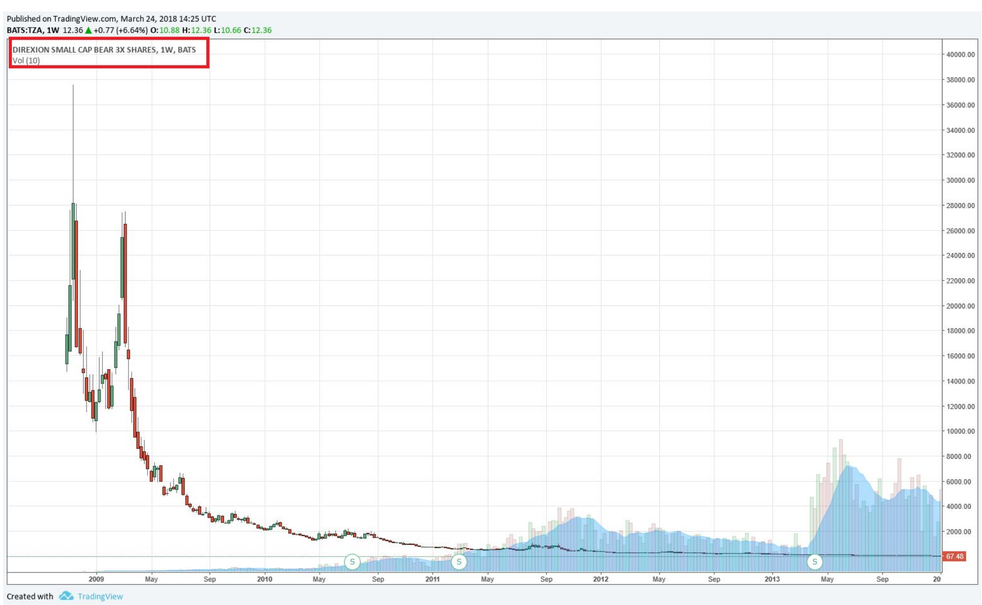
"We know that dumb money doesn't know, they just don't know that they don't know."

Where do they tend to go first? Penny stocks, options, or leveraged ETFs and ETNs. All of the most riskiest asset classes known to man, even makes me cringe considering a penny stock as an asset class. What's an ETN you might be wondering? Here's the definition and let's see if you have a better idea of what they are.

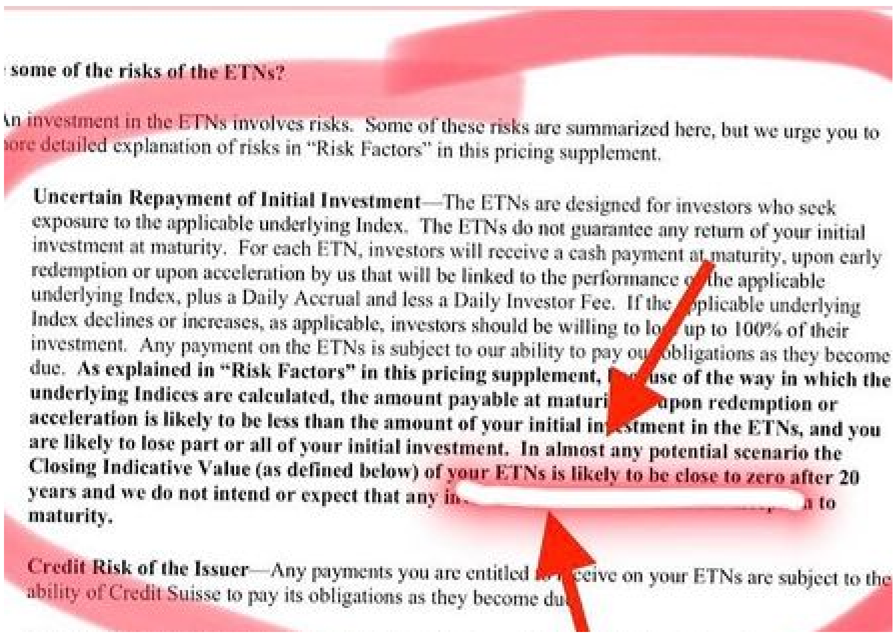
> An exchange-traded note (**ETN**) is a senior, unsecured, unsubordinated debt security issued by an underwriting bank. Similar to other debt securities, ETNs have a maturity date and are backed only by the credit of the issuer. ETNs are designed to provide investors access to the returns of various market benchmarks.

Confused yet? Remember the greatest enemy of truth is very often not the deliberate, or dishonest lie, it's the myth, the persistent, persuasive and unrealistic myth that causes the real pain. Too often the new trader holds fast to the cliches that will blow up his account. The rookie is now armed with a margin account and a list of 100+ triple leveraged bearish ETNs. His eyes light up since he is going to make the market his bitch with his Spongebob Squarepants margin account. He can dream for a second how his 10:1 leverage and 300% leveraged bearish ETFs will turn that $1,000 into a million in a week!

However reality sets in quick, now the new guy has no time to read the prospectus of these ETNs, or time to look at the daily chart of these pieces of trash. Come on guys, he just found a bull flag on the 1 minute chart!



I'm going to ride this back to $3,000 and that would make me a billionaire! How naive. What they are not aware of is that this stock has been reverse split more times than one can count. The stock was never at $3,000, it's just the ETN has to keep splitting the stock to keep it from going to zero as it's designed to go to. Yes, you read that correctly, **they designed these ETNs to go to zero** and tell you to your face that they will do so. People still line up to buy them (myself included many years ago) if you don't believe me take a look below.



some of the risks of the ETNs?

n investment in the ETNs involves risks. Some of these risks are summarized here, but we urge you to ore detailed explanation of risks in "Risk Factors" in this pricing supplement.

Uncertain Repayment of Initial Investment—The ETNs are designed for investors who seek exposure to the applicable underlying Index. The ETNs do not guarantee any return of your initial investment at maturity. For each ETN, investors will receive a cash payment at maturity, upon early redemption or upon acceleration by us that will be linked to the performance o the applicable underlying Index, plus a Daily Accrual and less a Daily Investor Fee. If the pplicable underlying Index declines or increases, as applicable, investors should be willing to lo up to 100% of their investment. Any payment on the ETNs is subject to our ability to pay ou obligations as they become due. **As explained in "Risk Factors" in this pricing supplement, use of the way in which the underlying Indices are calculated, the amount payable at maturi upon redemption or acceleration is likely to be less than the amount of your initial in stment in the ETNs, and you are likely to lose part or all of your initial investment. In almost any potential scenario the Closing Indicative Value (as defined below) of your ETNs is likely to be close to zero after 20 years and we do not intend or expect that any in n to maturity.**

Credit Risk of the Issuer—Any payments you are entitled eive on your ETNs are subject to the ability of Credit Suisse to pay its obligations as they become du

If you read the risk factors they tell you that it's going to $0 in time, however screw those guys, the rookie is here to turn his 10 franklins into a billie before they go to zero.

(Trading Skills)

So let's recap. We have rookies with no idea of risk management, game planning, chart reading or any basic trading skills, who are given a margin account that can be anywhere from 2:1 to 1000:1 leverage and they tend to gravitate towards 300% leveraged bearish ETNs. Disaster. Now it's not just broke, dumb money that does this. We have seen smart money fall victim to this as well when they get overconfident in their trading. A BSD who manages around $400,000,000 of his client’s assets once told me:

“Over the last 30 years in this business, all of my client’s biggest blow ups were due to margin and nothing else.”

In the beginning most want to act like Spongebob with there inflatable arms, they are so focused on how quick they can double their lunch money yet they fail to realize that the market rewards patience, not leverage. I, myself have learned this lesson the hard way and it almost ended my career as a trader. We have watched first hand hundreds of professional prop traders blow up with leverage, we have seen millionaires lose their entire network from one bad bet, and we have witnessed thousands of rookies piss through their bankroll in just a few months with margin and leveraged ETNs. For all of those losers, there is not one success story that we can think of over the last decade plus of trading. Please do not take this lesson as you trying to prove us wrong and being the one guy or girl to make money in that space because all that really matters is having time on your side, not walking through a field of landmines carrying a box of grenades and a gallon of gasoline while smoking a cigar.

(click here to watch a video about this lesson)

Semi Smart Task

In the Group Chat share your experiences if you have (unfortunately) dabbled in margin or leverage ETFs or ETNs. Shit if you've made money net net using either we would love to hear that as well!

Post your answer in the chat

Get to Zee Chopper

A gut punch of confidence

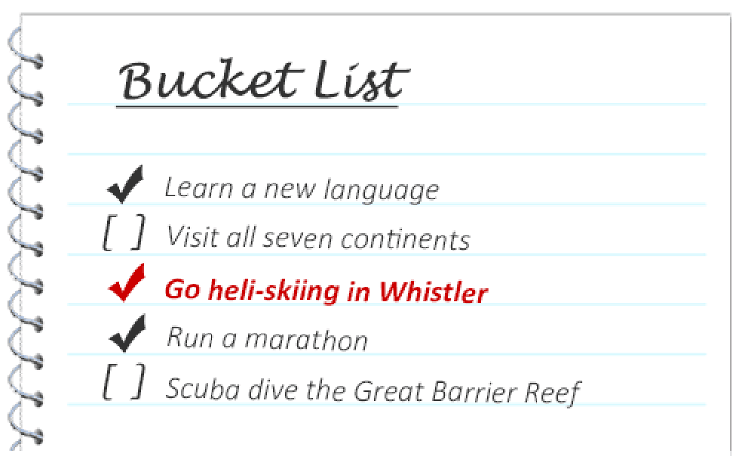
Traders & snowboarders alike know the game is all about progression and pushing the limits. In my decade plus of snowboarding, the sport itself has progressed dramatically. I started during the days of step-in bindings when there was no such thing as a terrain park. Now you have 12 year olds throwing down triple cork 1440’s like they’re buttering a bagel.

Ever since my first year snowboarding, I was always the best snowboarder amongst my buddies. Not cocky if it's true? At my peak, I was throwing down 900’s and winning a few pro-am competitions here and there. One low point, however, was entering into the *Grenade Games* and letting Danny Kass take his lap in front of me. It’s pretty hard to one-up a guy who's opening run consisted of a double rodeo 900. In case you’re wondering, I sure as shit did not advance to the finals in that one.

We always said, *“If you ain’t fallin’, you ain’t tryin!”* It’s all par for the course when boarding (or trading, for that matter). We all take our falls; a broken wrist here, a torn acl there, even a fractured tailbone are all in a day's work. The worst falls, just like the worst trades, all tend to supply us our most important lessons. One lesson could be *‘don't bomb it down the mountain and huck a front 900 on your first lap.’* Who knows, you might blow out your knee overshooting the landing! Or ‘*don't buy a few thousand shares of a 3X leveraged short ETF.*’ You know, take it slow -- much easier said than done, same with trading and virtually anything in life.

If you’re a real fan of the sport, you know the dream is Heli Boarding. Waking up before sunrise, walking out to the heliport, jumping in a million dollar machine, pointing at a mountain and getting dropped off exactly where you want. Uber should have been in that game 20 years ago, right?

Now the obvious pitfall for most are the costs associated with actually *going* heli boarding. Flights, AirBnB, renting the chopper, and having the right equipment can be a very expensive day. Most don't have $5,000 to $6,000 to throw around on a few turns down some fresh pow. Chair lift it is for most unfortunately.



But when you’ve got the money to spend, I can attest that it is DEFINITELY worth every penny. Now I would fancy myself an experienced snowboarder, as well as my partner Shake. We had booked a day Heli Boarding at Whistler Blackcomb (voted the #1 resort in the world) and could not have been more confident in our abilities to fly down each run like Travis Rice in *The Art of Flight*. For months we were hyping each other up on how we were going to make that back country our little bitch. Our cockiness in a game we hadn't really played was eerily similar to cocky new traders who come across a few lucky wins and think they have the keys to the kingdom. Both parties had some lessons to learn very quickly.

So we plan to go heli boarding on the third day of our trip. We wanted to go the first day, however the pilot advised we get a few days under our belt, considering it was our first day of the season riding. We hadn't strapped up in a year and we thought we would just be stepping on the chopper ready to ride day 1 --- just a bit cocky. Ok fine Mr. Pilot, day 3 it is. Day 1 rolls around, après-ski and riding is in full effect. I think between Shake and myself we drank 20 Irish Coffees before noon. Day 2, we took it a bit lighter to prepare for the big day.

Day 3, the big fucking day! We wake up at the ass crack of dawn, 4:45am, to get the first gut punch of the trip. Weather forecast: They were calling for heavy snow, which means unless you want to die crashing in the Whistler backcountry, you're not heli boarding. We being Americans still tried to press it *"You sure we can't just go?"* The coldest "*NO"* fired back from the pilot, aren't Canadians supposed to be nice? So we had built this day up in our heads for years and now we had to go ride the slopes like everybody else. Poor us right, boo fucking hoo, cue the baby violin.

We were told that we would be on standby, meaning if the weather is good any of the following days, we would get the 4:45 am call saying *"it's go time."* Day 4, no dice, but we get the green light saying that we're about 80% good for the following day. This day/night we obviously party the hardest and quickly forget that in a few short hours we will be in a helicopter flying up to some of the biggest peaks in the world. A filet, half a dozen martinis, some irish coffees, and a few Canadian bottle girls into the night, let's just say heli boarding was the last thing on our minds.

Day 5, we sleep through the wake up call, to that cold sweat feeling you get when you oversleep and know you're screwed. Not the *"Ahh I'm fucked I'm going to be 20 mins late*," but "*OH FUCK, I'm about to be out $5,000 with a zero tolerance cancellation fee!*" type of screwed. Let's just say it was a land speed record of how fast we got our boots on and got down to the heliport.

Now being the confident (read: cocky) snowboarder I am, I show up rocking *Ray Bans* and bumping music. Everyone else has on full face helmets and are checking their avalanche probes while I'm making sure my Drake playlist is cued up. We go over some safety procedures as I nod along, really listening to my music and we get the green light, all aboard! So we get in the chopper and spend the next 10 mins fist pumping each other as we fly over endless amounts of freshly snowed on peaks into the middle of west bumble fuck British Columbia.

(Not a house, person or road for miles. Get stuck out here without a chopper, you're as good as dead.)

As we land at the first peak and all anxiously bind up, ready to make this peak our bitch. The instructor asks “*Who would like to go first?*” My hand shoots up faster than the know it all who sat in the front of your 8am lecture on Friday Mornings. I’m getting first tracks! (dumb money at its finest.) The instructor has one clear rule, stay to his right because to the left were cliffs. Cliffs = death. I'm bumping *More Life* nodding along like I’m listening to what he's saying. It's also starting to snow and my tiny little Ray Ban Clubmasters are starting to ice over (impending death here I come). I start bombing it down the hill, meanwhile everyone else is taking it slow, smart turns forming S’s down the mountain.

(Smart Money With A Mentor)

Meanwhile I'm just like “WOOOOHOOOO FUCKK ITTTT!!!” Unknowingly heading right for a cliff.

(Dumb money I got this, its my first trade…..DEAD!)

The instructor is screaming for me to stop but I’m in the zone, 100 yards ahead, bumping music. As I start to get closer to the edge, it gets steeper and I start to see black squinting through my iced over glasses, fuck those are rocks/edge! Luckily I'm able to cut a hard right and stop myself from flying off a cliff. But now I am fucked. I’m standing in 5 feet of fresh powder, which is your best friend with speed when you're ripping down the mountain, but your absolute worst enemy when you're at a standstill. As I look up ahead, everyone including the instructor is perched comfortably in a flat area a few feet from the next leg of the run (traders trading with a mentor). I'm down below like an asshole who couldn't be more stuck.

(Fuck me right? Well not actually ‘me’ but you get the idea.)

It must have taken me 30 minutes to climb back up, did I forget to mention I was hungover at 15,000 feet above sea level? Everyone else was comfortable waiting to continue the day. The cocky 10 year veteran, who knew it all when it came to snowboarding was quickly humbled within the first five turns back country boarding. Any real trader will tell you, once you get cocky, or think you have it all figured out, the market will quickly and happily come and punch you in the gut.

After that embarrassing start to the day, I followed the instructor, put on some god damn goggles like a normal person, turned off the headphones and had one of the best and most exhausting days snowboarding of my life. Prior to actually experiencing backcountry snowboarding, we could not have been more confident that we were going to be paying the pilot a few extra Franklins to take us up after our 5 runs. When we were actually doing it, riding in 5 feet of powder using every ounce of our 3 day old snowboarding legs (read: hungover), we were ready to pack it in by run 3.

At one point the instructor even made an incorrect call resulting in the chopper coming to pick us up in the middle of the back country instead of the designated pick up zone. However, being that the guide had thousands of hours of experience, he was as calm as a cucumber. He literally pulled out an axe, chopped down about a dozen small trees and bushes, while we all sat there clueless as to why the fuck this dude was chopping his life away. After he moved all the trees, he formulated a game plan, we all followed, the chopper landed in a 15 sq foot spot in the middle of the mountain, we climbed in and were whisked off to safety (and to the nearest bar).

(On the way back, Long Oakleys Goggles, Short Ray Ban Sunglasses.)

In life, we tend to overestimate our abilities and underestimate other’s abilities. While it doesn't matter if you're in the backcountry of Whistler BC or at your desk trying to buy a breakout in Apple, having a game plan can be the difference between another day and your last day.

Pressure

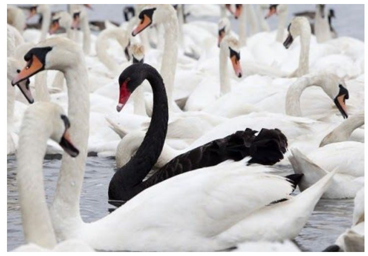
Poor traders play the victim and blame the market rather than seeing how they contributed to the problem

It's not in our human nature to embrace the unknown, it scares the shit out of us. When we are confronted by it, we ignore it, we run away from it, we label it in a way that allows us to dismiss it. Just think of taxes, credit card debt or trying something that scares you, you might already be feeling the pressure just thinking about it. This is why trading can seem so difficult from afar as there are so many unknowns. Yet when you peek behind the curtain, or step into the game with the right game plan you can see it isn't as scary as you maybe once thought.

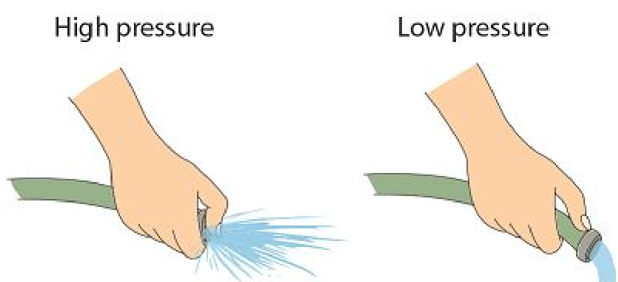
When it comes to trading there are *known knowns, known unknowns, and unknown unknowns.* ***Known knowns*** are things such as if $50 has been resistance in a stock for 10 years then above $50 there should be a major breakout (things we heavily focus on).

Then there are ***known unknowns*** that we know exist yet but we don't know how they work, such as when the stock breaks $50 how will it get to $70? (things you will learn as you continue to read).

Then there are ***unknown unknowns****,* those are the black swans, those are the stocks that get bought out for 100% over their market price, the stocks that go bankrupt due to fraud or due to other major headline news of the day that you see and say ***"if only I got in (or out) yesterday I would have killed it".*** Sometimes we get lucky and catch the good side of a black swan event such as KITE getting bought out by GILD that resulted in a 140% profit in 3 months, or the other side of the black swan events such as getting out of ADMS a day before the start of a 100% rally in less than a month's time.



This is why trading can be as hard or as easy as you make it out to be, either you're the half full or half empty type of trader. Most traders can be separated into two categories, either there are endless opportunities or no opportunities. The ones who feel there are endless opportunities tend to be the ones doing the work while the latter are the ones watching CNBC complaining that the DOW is down 300 points (which is inconsequential when the DOW is at 25,000 points).



Now during the easy times, the pendulum tends to lean towards endless opportunities as all you really have to do is put risk on. However when the market gets shaky and the pressure is applied those traders quickly buckle and run for cover. As a trader you have to be conscious of what you're doing, however you cannot be overly obsessed with the technique of doing it. Trading is a fluid process as there is never a perfect trade. Your goal is to find high probability setups with a risk reward that is in your favor (5-1 or better), follow your game plan and repeat that process over and over.

You learn from your mess ups and your successes keep you in the game. You have to take the good with the bad and as a professional trader, we are wrong more often than we are right. That means a lot of lessons and few successes however our lessons are not costly, think of them as the cost of guac on your taco while our successes pay for another Rolex Day Date. The new trader tends to do the opposite where they're willing to boast about risking a Rolex for a side of guac.

Every trade is just another trade regardless of the timeframe, there are no Super bowl trades, there are all just trades. When the pressure is really on, you've got to be yourself. It has to be the best version of yourself that you can be, and it has to be you. You cannot play outside your range. Forget the prestige of your broker or who you want to brag to about your winning, take the trade and cheerlead after you're out. When under pressure, if you obsess over something that is hard to swallow, you're ultimately going to choke.

"People trip over pebbles, not mountains."

No matter what you decide to do, there will always be someone to tell you, you are wrong. There will always be difficulties arising that make the easy road look appealing if you give into your critics. You need to map out a course of action and follow it to the end which requires the same courage that a soldier needs. Peace has it's victories, however, it takes courageous men (and women) to win them.

Semi Smart Task

In the Group Chat share a time when you experienced a black swan event in your life, when something happened that you just could not imagine ever happening (this is not just specific to trading).

POST IN THE SEMI SMART CHAT

Odd Lot

> "DEFINITION of '**Odd Lot** Theory' A technical analysis theory/**indicator** based on the assumption that the small individual investor is always wrong. Therefore, if **odd lot** sales are up - that is small investors are selling stock - it is probably a good time to buy."

Every new trader starts out this way, no one just walks in day 1 crushing it, however for most comers this is a hard pill to swallow. Either the market will shove it down your throat and take your lunch money, or we can tell you when you're being an odd lot and you can keep that money. One is costly without a publicly bruised ego, the other is free. However your ego is going to take a right hook or two, the choice is yours. Let's take a walk in an Odd Lot's shoes for a moment so you can see what we are referring to.

Let's see, how do we know that DL is Odd Lot right off the bat? He's asking a group of strangers to borrow money, an odd lot is a small investor who is broke, check number one. Red flag number 2, gambling on earnings, biggest thing we make sure our members avoid is earnings, however for the dumb money trader that's their favorite day/time of year. Let's take a look at MU real quick as he said it was cheap…….

No problem can be solved from the same level of consciousness that created it

Ok so he had one bad call just a quick 10% loss 24 hours after his call. Everyone is wrong here and there, and we are wrong from time to time as well, so let's give him another shot, everyone needs a second chance, right? He thinks BABA is a buy off $184. Now we love Jack Ma and the Chinese Amazon, however you do not buy stocks on the way down (which is what odd lot loves to do), smart money buys them on the way up. He thinks BABA is a buy, let's see what the market says.

Mr Market says WRONG!

So far his first call in Apple is down 10% since, his MU earnings gamble would have cost you 10% in less than 24 hours and his third call immediately cost you money as BABA waxed $184 that we said would happen. Are you starting to see why we tell you to start with $0? In the beginning people suck at virtually anything, why would it be different with investing. When you're new what you think is going to go up will probably go down and vice versa. **If you did the opposite of his advice and shorted all 3 stocks he wanted to buy where he wanted to buy, you would be up 10%+, 10%+, and 3%+ so far.** That's why you need to focus on practicing in the batting cages, this is not the time to step up to home plate at Yankee stadium and point to the fences.

Always remember as Thomas Woodlock once said "*the principles of successful stock speculation are based on the supposition that people will continue in the future to make the same mistakes that they have made in the past.*"

Semi Smart Task

Share a time when you were the Odd Lot in the trade, and don't be embarrassed, odd lot exists in all of us and even professional traders still mess up trades. The only difference is as one progresses as a trader, the losses should decrease and the winners should increase.

Post your answer in the chat

Aces Wild

When it comes to playing cards, the best possible hand is 4 aces.

Actually I have no idea if that is true or not for the simple fact that I do not gamble. I've been dragged to Vegas and Atlantic City more times than one can count, however the number of times I have gambled is a big fat zero. Granted I am as odd lot as they come when it comes to card games, I know enough that if you have 4 aces you probably have a decent chance at winning the hand. Right? Jokers Wild?

So if I don't know shit about gambling or cards, what am I getting at here? You're right, the point of the matter is that in a deck of cards there's 52 cards and 4 of them are aces. When it comes to our trading, it tends to be very similar, we can have 52 ideas for the week ahead and only a handful might actually trigger, and of that handful there's even a smaller group that really breakout.

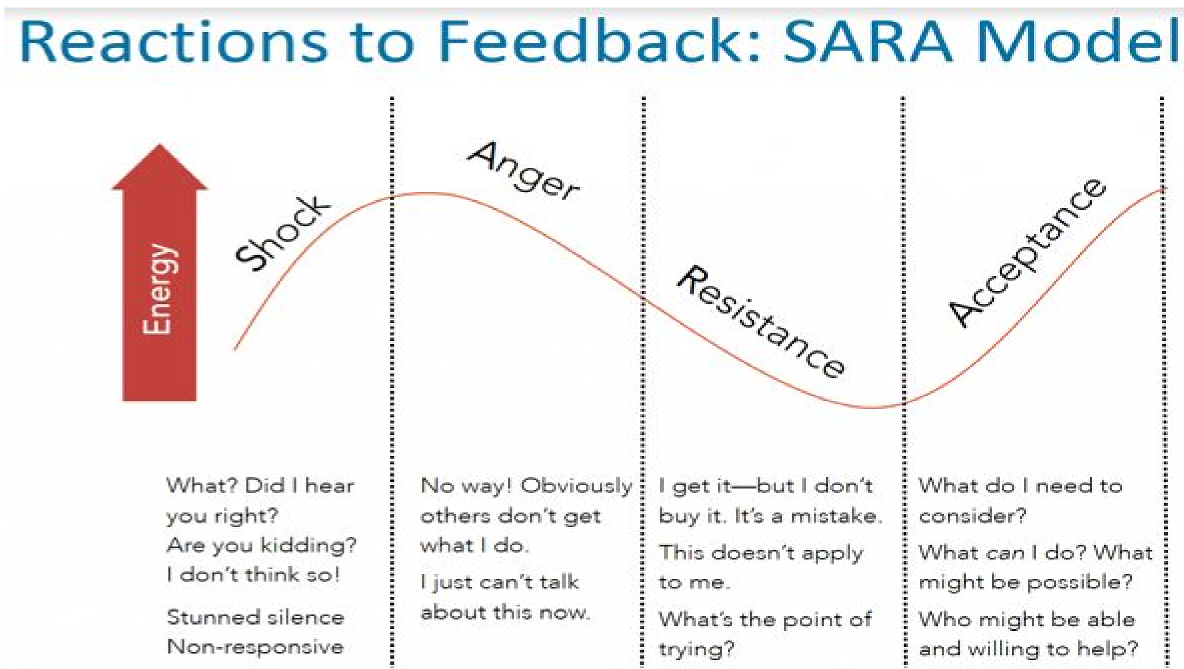
That's why you need to keep a straight face and calm composure when that 4th Ace hits the river?

Ace number one - **Persistence**, how many times have you bought a breakout too early? I know I have hundreds of times and failing is ok, quitting is not. Failing brings out your true colors, you can fail like a loser or fail like a winner. If you can finally buy that LJPC one last time through $36, or that WVE back through $40, or any name that really had you on the ropes yet you finally caught it, shows your persistence. If you bought LULU at $84 you know! You just have one ace in your hand. This is where you want to be learning, observing, listening, and speaking when you have value to add.

Ace number two - **Patience**, you need to let the stock come to you even if you don't always like her approach. You just have to be ready to put the risk on when she starts to show her true colors. Passion is also key. Trading can be extremely rewarding when you’re right and equally painful, if not, worse when you’re wrong. If you do not enjoy being kicked in the teeth from time to time from Mr Market (read: being wrong more often than being right) without passion it's going to be a rocky road.

Ace number three - **Class**, now you are starting to grin and get a little cocky (we all do), you now have 3 aces in your hand and are feeling like the king of the castle. Don't. Being cocky is a death sentence for a trader. Celebrate your achievements after you closed out the position, there is nothing worse than cheerleading an open position only to give back most or all of your PnL since your hands are in the air, instead of on the keys offering out.

Ace number four - **Positivity**, this can be a hard one at times however it is crucial to your success as a trader. Remember that quote from *Wallstreet* when Gordon says to Bud Fox *"no one likes a cry baby"* that statement could not be more true, no one has a gun to your head saying to buy the stock. Mistakes and fuck ups happen, even the best trades can have shit news that gaps the stock down that is out of our control. You have to stay positive and continue your commitment in the face of extreme discomfort.



If you keep your cards close to you and focus on being persistent, patient, positive and carry yourself with class, you should be able to avoid that shitty relationship with Sara (**S**hocked, **A**ngry, **R**ationalize, finally **A**ccept).

Semi Smart Task

Share a time when you slept with Sara and how you moved through the 4 stages of that breakup (Shock, Anger, Resistance, Acceptance).

Post your answer in the chat

The Zone

"Spending too much time on hardware or software tends to be counter productive."

You might have heard athletes refer to *'being in the zone'*, where the baseball player can see the stitches on the baseball as that 100 mph ball comes screaming at them, or the golfer who effortlessly drives the ball on the green with ease, round after round. In trading, you too can get in the zone, however it requires a simple task, you have to actually trade. I don't mean hyper active, day trading every stock you see uptick. I mean focusing on your strategy, finding your A+ set ups and swinging the bat when that meatball pitch slowly comes across the plate. When you do this consistently you too, like the professionals can get on a hot streak which we will talk about later. For now let's cover a few major points required to get into the zone.

Commit yourself to excellence - You must want to be the best, plain and simple. Being good enough to get by is not going to hack it when it comes to investing. People who want to get in the zone crave coaching, mentoring and strive to improve daily. They want to learn more, they look for tougher competitors since there are no easy ways to be the best.

Work hard - To become better you must be willing to put in the time and energy necessary to improve. Throwing money at the fanciest computer or platform is going to do nothing for you when the other guy is spending his money trading and learning and less time on the fluff that does not matter. If you are not looking to improve daily just close up shop now or risk handing your money to the traders who are better prepared.

Practice Perfect - If you are making it up on the fly you are only practicing bad habits. We cannot begin to count how many times we have came across traders who have blown up their accounts, and when we ask who taught them, they tell us they taught themselves. Did you teach yourself how to read, how to drive a car, how to play a sport? Unless you're a prodigy you probably had some guidance along the way. Learn it the right way once instead of wasting years forming bad habits on made up ideas. Just because Carl Icahn made his billions shorting, don't think that you too are going to replicate the same success just because someone else has done it.

Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat.

Confidence - Without it you will not be in the game for long, your mental capital is what separates you from the pretenders and the pros. Now there is a difference between cocky and confident, cocky traders get humbled by confident traders all day long. A cocky trader is quick to become fearful in silence, a confident trader can easily admit when he is wrong and get out of a trade.

When you're in the zone, you make the rules, when you aren't you follow the rules.

Concentrate - Was Michael Jordan the best at baseball, soccer, football and basketball? No, he was a master at one sport, he is extremely competitive so he can still compete in other fields however he is a master of one. The cocky new trader wants to be the MJ of everything. We master one trade and exploit it, tweak it, enhance it and adapt it to new market conditions. We concentrate on the task at hand, making money. We don't care which new fad is popping up because there is a new one every year. In the mid 2000's it was Solar stocks then it turned into 3D printing stocks towards the tail end of the financial crisis, then Forex was the next best thing, then Binary Options had its day, then Penny Stocks, then Oil and Gold stocks, then Bitcoin was going to change the way we (insert whatever they actually do) then it was weed stocks and now in 2020 it's high beta stocks like TSLA.

Every year dumb money gets sucked up into a new bubble and the majority of them lose their shirt and repeat the process over and over chasing the next fad as if this time it's going to be different (it never is).

"How people play the game shows something of their character, how they lose shows it all."

Conditioning - You think those guys with the 6 pack go to the gym once in a blue moon? Hell no, those guys are relentlessly conditioning themselves day in and day out. If you are looking at 1,000 charts a day and the other guys are looking at a dozen charts, who is going to find more opportunities?

Pressure - Recently, after a wild start to 2020 we saw our first major sell off in quite some time, just when everyone was looking to cash out there 401ks and run to cash.

Big Picture

by Ben G. March 22, 2020

Broad Market Outlook

When will we hit the bottom? Is the common theme, yet no one really has a clue. Hearing all of the insane investment ideas lately (not from the TE circle) is continuing to make me feel that we are getting closer. Sector wise (dollar cost averaging) I added more last week to each sector then I have in as long as I can remember.

We were doing the opposite because we've seen this before and knew how to act under pressure. Most people who were still on the sidelines had the excuse that they were ***"waiting for it to be safe to invest"*** . Those people waited and missed a **broad based rally of over 55%** in a few months time. Sure now it's safe to get back in, yet they missed all the upside.

As you can see below when people get scared and hide from the market, the best opportunities arise, what would have taken 5 months if you traded Apple perfectly during the slow times could have been done in less than a month when most were scared to act.

"Success has no rules, however, you can learn a lot from failure."

Love what you do - We know you have heard this corny saying a thousand times however it's true. We are pumped for Mondays (TGIM) as it's our favorite day of the week, if you do not love what you do or when it comes to trading, love to learn from your mistakes when you are wrong, trading might not be for you. If you are up for the challenge then it's a game that will keep you on your toes.

Semi Smart Task

In the Group Chat share your mindset during the recent market crash in 2020 (be honest), where you were scared, nervous, did you sell out or want to sell out of your positions? Next time a market crash happens what is your plan?

Post your answer in the chat

You are officially at the 50% mark! Only 50% to go! Drop "I'm past the halfway point and I learned …." in the Chat!

Uncle Sam

[To watch a quick video on this lesson click here!]

Now we are the *Trading Experts*, not the Tax Experts, however there are some common misconceptions that the media has spun that people have been pounding down their throats for so long they are happily chugging the kool aid. Let's see if you have been sipping on it too.

Which account would you look to hold long term investment in from a tax standpoint?

A. Trading Account
B. Retirement Account

Which account would you look to trade more actively in from a tax standpoint?

A. Trading Account

B. Retirement Account

Now there is a good chance that you answered hold long term investments in your retirement account and trade your taxable account. Both wrong and this is the story most have been sold.

Which account would you look to hold long term investment in from a tax standpoint?

A. Trading Account
B. Retirement Account

Which account would you look to trade more actively in from a tax standpoint?

A. Trading Account
B. Retirement Account

People get wrapped up in the names - brokerage account, margin account, option account, IRA account, ROTH IRA account, 401k account, SEP IRA account, 529 plan, etc etc. They all are the same thing, an account but with different tax benefits and how much you can contribute to them. To avoid going into the weeds, we are going to keep this simple and focus just on Uncle Sam.

Majority of people start with a taxable account, like at Robinhood where you are taxed each year if you ***actually*** make money, the tax bracket is below.

		Federal Rate	Capital Gains	
From	To	Single Filers	Short	Long
$0.00	$9,075	10%	10%	0%
$9,076	$36,900	15%	15%	0%
$36,901	$89,350	25%	25%	15%
$89,351	$186,350	28%	28%	15%
$186,351	$405,100	33%	33%	15%
$405,101	$457,600	35%	35%	15%
$457,601	Above	39.6%	39.6%	20%

Now let's say you have a little more coin than most, and you have a taxable trading account and an IRA account that you max out each year of $6000 (or $115 a week). If you are in this camp, bravo since the average investor in the US does not get around to opening their first IRA until their mid 30s. This lesson is more for you, where knowing basic tax strategies can keep more profits in your pocket for the next 40 to 50 years.

The plan is simple, odd lot what the media has been selling you, aim to be more patient and hold longer term in your *“trading account”,* sounds weird right? However numbers don't lie, **0% to 20%** (long term capital gains) trump's **10% to 39%** (short term capital gains) in taxes any day of the week unless you're dyslexic.

Now why do we say trade the retirement account? What's the tax rate each year on profits made in that account?

ZERO PERCENT

Let’s try question 1 again, which would you rather trade in, the account that you have to pay 10-40% in taxes a year or the account that you pay 0% in taxes each year?

This is why we trade in our retirement accounts. We can grow $5,000 into $100,000 in an IRA and **owe Uncle Sam not one penny** for that year in your IRA! In a **taxable account** if you did the same you **would owe Uncle Sam about $28,000**. Starting to see how stupid most people are when it comes to taxes?

Very simply, if you have both accounts, max out your IRA (remember you cannot touch that money until you retire) then after add any extra savings to your taxable account. If you have a 401k and are not at least contributing to your company's match (usually 3-4%) you should hit yourself in the back of the head with a shovel.

Trading wise aim to be more aggressive in a retirement account and more patient in your taxable account. We lean towards a ROTH IRA if you are not currently a high income earner **yet.** Meaning if you are making less than $132,000 a year on your tax return, not what you tell your buddies on Friday night trying to impress the girls across the bar. Trust me they don't care either, they care who's paying for the next round.

In our program *The Secret* we dive deeper into tax strategies however for now at least you now know the major misconception that the media has been selling you since the day of time.

Semi Smart Task

Explain from a tax standpoint which account (Trading account or Retirement acct) makes sense to trade shorter term in and which account (Trading account or Retirement acct) makes more sense to aim to hold for a year plus. Also explain the tax reasons why those choices make sense.

Post your answer in the chat

Streaks

Traders are either on a hot streak, a cold streak, or on the sidelines; They're in the zone or out of it. Most would like to think they are always in the zone or on a hot streak however that is often a lofty dream.

Successful long term trading is all about having the percentages on your side. By focusing on the percentages (not the dollars) you can keep your eye on the ball. There are times when the markets are hot and times when they're cold, your trading can also be hot or cold.

When you're hot you need to master running that streak for as long as possible, yet having the ability to be honest with oneself when you're not fully seeing the market. For us we often see a change in streaks after a big loss, or a change in overall market conditions.

Leading up to the first correction (10% pull back from prior highs) in 2 years back in 2018, we were on a hot streak. Trades were clicking, members were putting up monster numbers. Kriss Knapp was up 50% in 2 months on his overall account, Adam Rav made over $125,000 in a week (has a 7 figure plus account), and the Alpha chat was putting up $200,000+ weeks in locked in profit when we were recently averaging around $50,000 prior.

"Every winning trade isn't a good trade, every losing trade isn't a bad trade. Just because you're making money doesn't make it a good trade."

We were on a hot streak and the energy and euphoria was at an extreme high. There were talks of members shopping for Rolex's and wanting to buy their first exotic car. We were at highs along with the market. There were subtle clues as we started to shift more defensive towards the end of the run (but we did not have a clue a correction was about to occur).

That big, bearish engulfing bar (opening the day at highs, and selling off the entire day, closing at lows) is a horrible sign if you are long. On that day, the Alpha chat as a whole was bitching and moaning as they were getting stopped out of trades and were not used to the market actually not going up. Human nature has been the same for thousands of years, and people love to complain, the market can be up 90 days in a row however one or two down days and people get all fussy.

As technical traders we did not have to sit through much pain after that day and the market corrected for the first time in years. We were able to let the cash settle, let the group’s euphoric emotions settle and get back to business when the time was right. We let the market settle out and didn't have to try to be heroes catching bottoms, we just got back in once the market showed us that the storm was over.

The actual correction, the one that millions of investors were bragging that they were waiting for for years, lasted a mere 2 hours. 2 hours the market stayed in correction territory being down 10%+ from recent highs. This is why you have to be honest with yourself and your streaks. You need to know when to press it, and when to take the foot off the gas pedal.

This is a feat that will stay with you throughout your career. A tremendous baseball player will bat around .300% so at 1,000 bats the player will hit about 300 of those 1,000 attempts and teams will pay millions of dollars for that player to professionally fail. The ball player knows it's not as simple as hitting the ball 3 times in a row and striking out the next 7. The player might strike out 20 times in a row then go on a streak and have 15 hits back to back and any other combination in between.

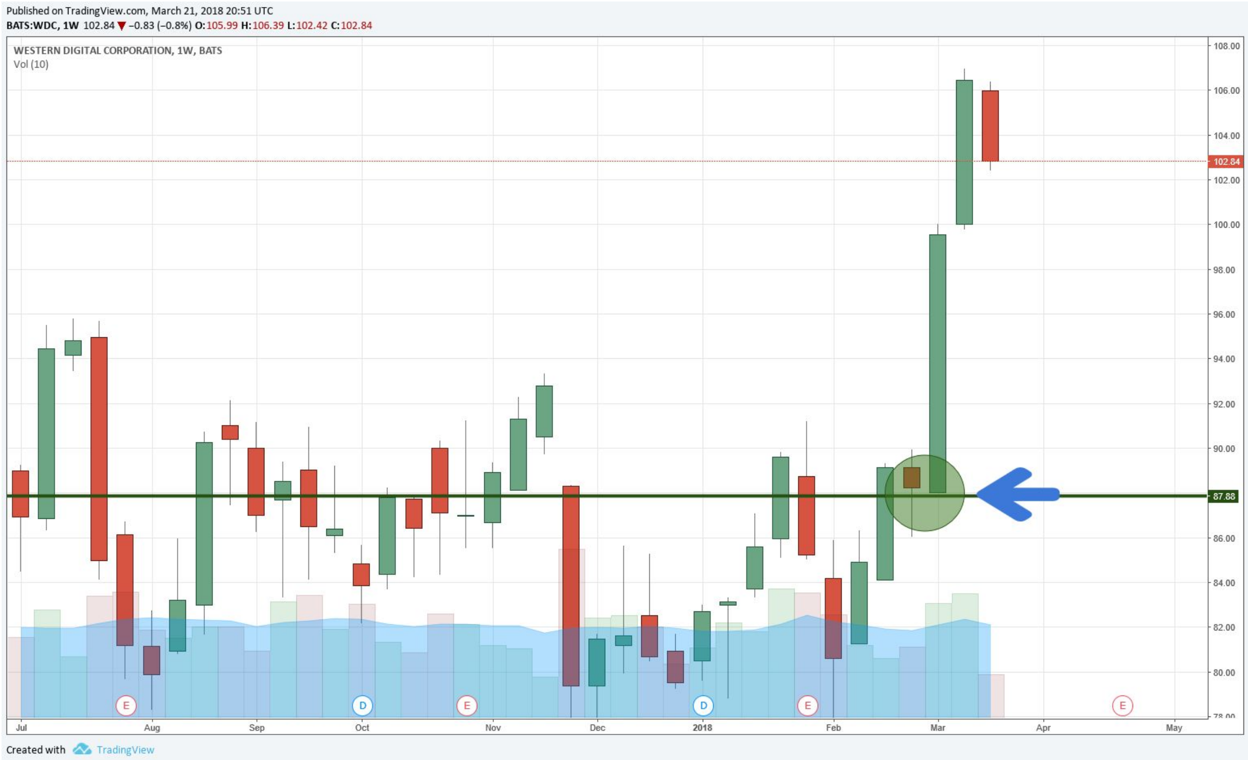
For professional traders it is often very similar, if we are right around 30% of the year it's a great year, and of those winning 30% trades, only a handful will really make our year. We don’t really know which stock will be the next NKTR and go from $25 to $105 in 3 months or the next ONCE to go from $50 to $90 in a quarter. We have to step up to the plate and swing the bat and keep swinging over and over and eventually with enough bats, we can point to the fences and knock a few monsters out of the park.

Now these streaks can last longer when people act collectively as a group even if those people do not necessarily agree amongst themselves. Our Alpha chat is a prime example of this, we have hundreds of members all trading a handful of the same stocks.

One member might make 5%, the next might make 10%, another might hold for longer and make 25% while others who are even more patient might make 40-50%+ in the same stock in a few months, there might even be one or two who lose money in that same name. Everyone is working together as a team passing along information. How they messed up, say they moved their stop too tight, or that they were too heavy to hold through the pull ins resulting in selling too much stock too quickly. You could put 1,000 people in front of the same stock and they will all trade it differently, all that matters is who made money.

Having a few hundred eyes watching your back and the stocks you are in, will often be more beneficial than being a lone ranger trading on your own. The reason for this is that a stock represents the conflicting opinions of thousands of buyers and sellers. Yet the major moves in stocks will be concentrated over a handful of days. If you are not familiar with the 80/20 rule, it tends to apply to stocks where 80% of the stock’s price movement tends to only occur on 20% of the trading days. Let's take a look at an example of this below:

As you can see WDC set up for an entire year before it was ready to breakout. We took a loss in it earlier in the year before catching the big run that it went on. For an entire year WDC traded in a $20 range. Now that is still a big enough range to trade inside, however it really didn't do much, because for 80% of the time it just traded inside $77 to $96. Then, it finally gave us an opportunity to get in on tight risk. Did we know that this time WDC was going to rage for 10 days in a row?



No shot, all we knew was that WDC was giving us a tight risk opportunity where 1-2% of risk could potentially yield 5-10%. This trade ended up giving us 15%+ and all you had to do was up your stop to the prior day's low each day to catch the meat of the move.

You might be reading this and wondering, can trading be that simple? The rookie trader tends to need a bible to explain his fundamental analysis on some stock that he's going to sell $.03 higher. For us, our trades can be explained in 1 to 2 sentences, we're looking to buy here, get out here if we're wrong, and sell above here if we're right. We might not be right the first time and if given an opportunity to get back in we will take the trade again. Keep trading simple and keep the streaks on your side.

Semi Smart Task

Share a time when you were on a hot or cold streak (does not have to be specifically related to trading) and what you learned from the experience.

Post your answer in the chat

Expert Power

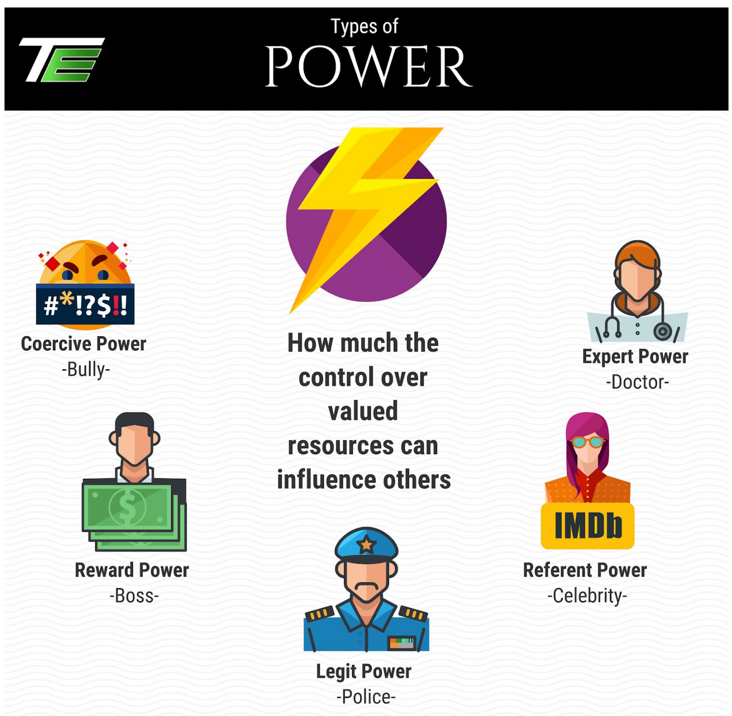
Expert power is based on specialized knowledge that is not readily available to many people. It is a potential source of power because other people depend on it, seek advice from it and without it would be at a disadvantage to the ones with access to it. Think of the doctor/patient relationship: there might have been a time where you thought you were gravely ill or dying (overly dramatic) after a few webMD searches, only for your doctor to politely tell you that you're an idiot and that you simply have the common cold. You follow your doctor's advice not because he is in a formal position of power, you follow his advice because the potential negative consequences could be far greater if you ignore them. This is not a fun topic to bring up, however the late Steve Jobs ignored the advice from his team of doctors because he felt he could cure himself naturally, and ultimately when he did come around to his doctor's advice he was too far gone.

Even though we (Trading Experts) are forever students to Mr Market, on paper technically we are experts, we are **professionally licensed traders**

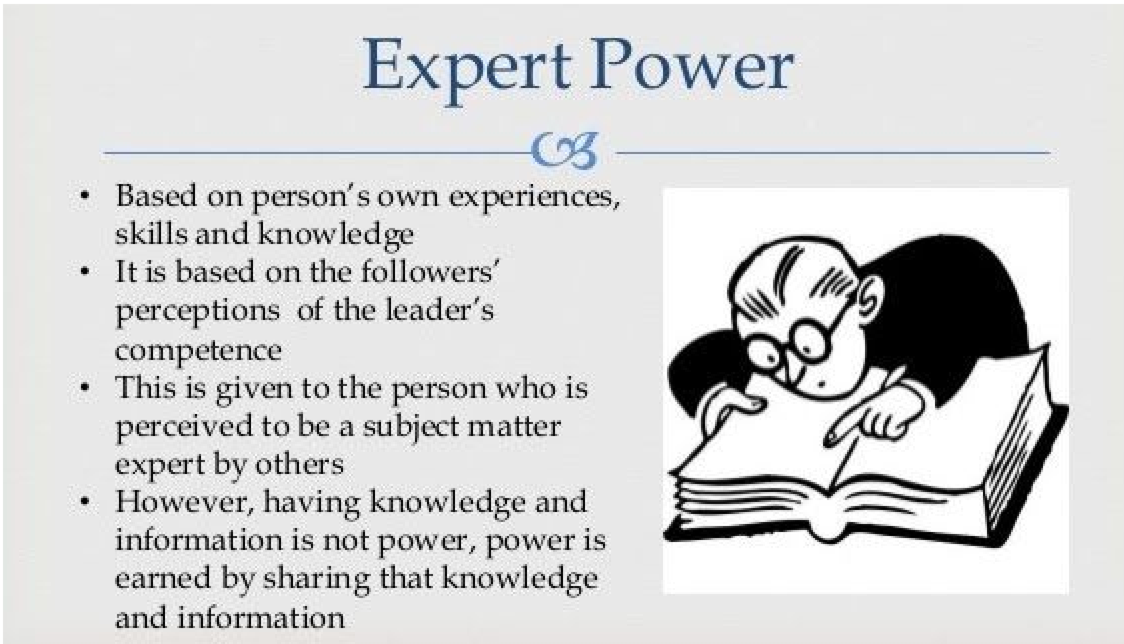
(**Series 56,66 and 7**). We have the years of experience in the trenches along with the piece of paper to show that the regulating agencies approve our status.

We ended up down this path not to save lives like the noble doctor, we went down this path because it is one that is as entrepreneurial as can be, a path where you eat what you kill. We also have been given the opportunity to help others and push them in the right direction which is something that they normally would not have access to.

"The meaning of life is to find your gift. The purpose of life is to give it away."



As a result of this we have noticed our members start to pick up on this and that is commonly referred to as ***referent power***. This is when one gains power from other people and it happens in subtle occurrences. For example we have noticed newer members who were so hell bent to trading options watch Shake casually explain how he made $14,000 in a 2 day swing trade in SQ, or how he made 70% in 2 months holding ANAB on 1% risk, flip a switch and never look back at such costly gambles.



It can be very hard for most to break these bad habits without a cold dose of reality, this is coming from two traders (Shake and Ben) who have fallen victim to those same misconceptions and have made it their goal to help others who are in a similar situation.

Semi Smart Task

Share 3 things you have learned during your time with Trading Experts that have helped improve your trading.

Post your answer in the chat

Using Shake Outs To Your Advantage

Semi Smart Task

Share 3 things that you learned about shakeouts and how you can use them to improve your trading.

Post answer on Youtube

Keep up the consistency, only 25% left to go! Let's hear it in the chat "I only have 25% left to finish Semi Smart, I will complete it by (insert your deadline)!

Death by a 1,000 Cuts

(18 mistakes most investors make)

I'm not a big sports guy, however I did read an interesting quote from Knute Rockne. For non-sports guys like myself, he was a famous Notre Dame football player with the famous saying:

"The way to succeed is to build up your weaknesses until they have become your strengths."

One of my own biggest weaknesses in trading was that I used to refuse to pay up for stock. "*It's too expensive, I'll wait for the pullback*", I'd say. Oftentimes, I still make this mistake, don't get me wrong, it just happens less frequently. In my head when I'm saying *"It's too expensive at these levels"*, a light bulb goes off that it might be time to load up.

Below we're going to walk through the most common mistakes new investors tend to make over and over. As you read through these 18 mistakes, you'll undoubtedly notice one or two you've fallen victim to.

1. Getting started in the right names

What seems too high in price, tends to get more expensive, and what seems cheap tends to get cheaper. For new traders right out of the gate, if you're picking some bottom-right, loser, has-been, that was at $100 three years ago and now is a “value play” at $10, you are just asking to get fucked. You ask 100 new traders, an expensive stock like Amazon or a dog like Twitter, 90% will buy the dog. That's why they’re called dumb money.

2. Buying on the way down

If your initial buy is on the way down, don't worry that deal tends to become an even bigger deal. I can't even tell you how many times I’ve had those “deals”.

“It just can't go even lower, it was at $70 now it's at $30! Buffett said to buy when people are scared!”

“Oh shit! this loser is at $15 how am I down 50%?!”

Don't worry it will turn, and when it gets back to $30, you sell and watch it go to $70. I have a firm rule, the first buy has to be on the way up. Are there times to buy into support? Absolutely. However, focus on starting with the trend instead of catching the deal.

3. Averaging down

If your first buy was wrong, so be it, trades fail. But averaging into a loser is a sucker's strategy. The time to be adding is when it turns and is getting back to your price, not selling like most new investors who buy on the way down. In 2007 I was 100% long financially, solar and automotive which were the 3 worst performing sectors. My portfolio was down 80% in March 2009. I was the classic dumb money that I explained in the second weakness. New traders love to be "long term investors". Until they break even, sitting through a ton of pain for a long period of time, and just selling once they can recoup their initial investment.

I sat with those losers for years and each one I sold at break even. After I sold they all raged 100-200% from "my price" (except for GM which went bankrupt).

4. Buying cheap companies because it buys more shares

This is by far the worst misconception/parlor trick out there, and also the most common. You have $1,000 to invest: 1 share of $1,000 Amazon, or 1,000 shares of Dog Shit Inc. They both increase by 10%, which made more? It's the same gain, $100 profit. Now what's more likely Amazon or Dog Shit Inc. to get cut in half in 1 day? Dog Shit right? So focus on the winners.

5. New investors want to make a killing day 1

(Don't worry I've been doing this since yesterday!)

“How fast can I double my money!?” Realistically you're probably going to lose it much faster than you think. Knock down that first 5% swing and find out what works. From there go for the 10%, 20%, then 30%, and so forth. Hit some singles before going Babe Ruth on the market.

6. Rookies love tips

Rookies will risk their entire bankroll on what some pundit on CNBC said quickly before a commercial break (turn off the fucking tv) or some troll on Stocktwits with 4 followers said (twitted?). If you're on Stocktwits taking random people’s opinions seriously, just quit while you're ahead.

7. Chasing yield

“XYZ pays out 9% a year!” Yeah but if it drops 50% you are still smoked. From my experience, once you start getting above a 5% yield in our current market environment, the stocks tend to perform very poorly. Just type up any REIT, 9 out of 10 are in a perpetual downtrend. Think about it for a second; if a stock is paying out 16% a year, that means 4 times a year when the dividend gets paid out, people are walking into a 4% gap down. Do you know how many investors out there haven’t the slightest clue as to when their dividends get paid and will panic out? They’re searching for news as to why their name is down 4% when it's simply adjusting for the payout. There are always exceptions to the rule, like MLPs specifically. There are some MLPs that are pipelines, which are essential toll takers. Oil at $10 or oil at $1,000 they’re still getting paid to move oil, but that's a different story for another day. For now, let's keep it simple. Don't chase yield.

8. Too much advice

When I started trading, I used to have 12 tabs open from every stock related site, charts on every screen, pretending I was Gordon Gekko. But really I had no clue what was really going on. What ends up happening is that you hear 6 people say that the markets are going to rage and 6 saying the world is ending. I cannot stress the importance of keeping it simple, ESPECIALLY when you're first starting out.

9. Blindly buying new highs

How many times have you heard us say 3rd time's a charm? In most cases, the first time a new high is made, it's from dumb money chasing. The second time, that level is dumb money getting out for break even, recouping their investment. The 3rd/4th time when it barely pulls in, is when you want to keep your eyes on it. You want to buy when it breaks. **90%** of the masses out there would much rather buy new lows than new highs, and you wonder why only **10%** of people make money each year?

10. Turning a small loss into a career ender

If you guys remember our story *"$60,000 loss, who needs a game plan?"* There was one day where I could have essentially gotten out for break even or a small loss. In my head I knew I should get out. However, the devil on the shoulder says "Nah fuck it, you got this", as I proceed to get smoked. Keep your losses small. Even long term if your dollar cost averaging, as shitty as it feels to pay up for stock, it's usually the right thing to do.

11. Being a Wannabe

Similar to above, the new trader will boast to his buddies about the 5% he made in XYZ, but he's tight lipped about being down 50% in ABC.

Cut your losers quickly and hold your winners. The real investor is willing to lose 5% to hold and make a real 50% chop.

12. Uncle Sam

(Politics aside --- that's the tax return you should be wanting to file, not worrying about)

It's common for new investors to be worried about taxes, which is a valid concern. However, having to pay too much in taxes is what we call a "good problem". We do break down advantageous steps you could take to avoid paying the maximum amount in taxes with the right accounts. However, your only concern is to put on proper risk/reward trades and just make a profit. Worry about Uncle Sam in April, not 3 minutes after you buy the damn stock.

13. Speculating in options

Fun fact 90% of options expire worthless. Yes, there are plenty of ways to supplement option trading into great returns -- but when just starting off, the time value is too difficult to comprehend adequately to play them. It is difficult enough to be 'right' concerning a chart and price --- now throw a ticking time bomb in the mix, I don't like your odds.

14. Focusing too hard on limit orders

ONCE went as high as $99 today and it's down at $97, I will sell when it gets back to $99, only to watch it fall back to your price. 999/1000 you will not catch the all time low or high of a stock, if you see a name put in a monstrous daily move and retrace and you start saying in your head “when it gets back to highs, I’ll sell it” just hit the bid. One or two things will happen if it actually gets back up there, it's probably going much higher, or the devil on your shoulder is just trying to fuck you. When in doubt lock it in.

15. Indecisions killed the cat and your account

“I missed LOXO it ripped 20 points today, I missed AMZN (wasn't even on my radar) it went 7% today” you then go buy some loser and lose money. Set a game plan, set your alerts, set your buy stops or be ready to buy your stock when it sets up. A failed trade isn't necessarily a bad trade, game planning and freezing up however is.

16. Having an opinion, trust me the stock doesn't care

Anytime I have taken a personal opinion against a name, I could not have been more wrong, “TLSA (at $80) it’s going be at $10 next year, FB (at $60) no one even uses it!” The quicker you can realize that number one, the stock doesn't care and two, look back to number one, the better your investing will become.

17.New investors look at things that simply does not matter

Buy and sell ratings (which are done by recent college grads who don't know shit) and price targets (again done by college kids who still put ‘proficient at excel and outlook on their résumé’) simply do not matter. These same people think a stock split is a good sign, or headline news “VZ upped its dividend by 5%” is of great importance. In reality you read the article and all they did was up the quarterly payout from $.49 to $.50.

18. Every rule is not written in stone

There are always exceptions and rules can be broken from time to time, however if it starts to become every time, it's no longer an exception and is just a bad habit.

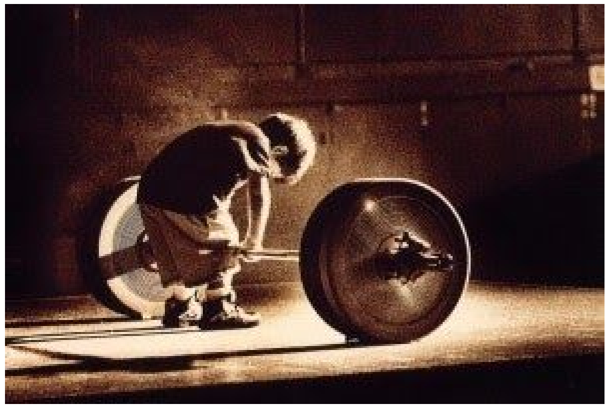
Semi Smart Task

In the group chat share 3 mistakes that you have fallen victim to that you will cut completely from your trading.

I was dumb money when……. I will no longer do……..
I was dumb money when……. I will no longer do……..
I was dumb money when……. I will no longer do……..

Post your answers in the chat

Determination



After spending the last few years talking with thousands of new, semi novice and professional traders, most tend to fall into one of 3 different camps:

- **The wills**
- **The won’ts**
- **The can’ts**

The first accomplishes everything, the second opposes everything and the third fails at everything. There was a study done by the *Los Angeles Times* where they conducted a 5 year long study on 120 of America’s top artists, athletes and scholars. The point of the study was to determine if these masters of the universe had some great natural talent that gave them a leg up against their competition. The findings were shocking as these experts had **no such natural talent**, even most of the parents interviewed admitted that if the star had a sibling they felt the other child had a better chance at success. The study found one key trait and it was not talent, the common trait was determination. They had mental toughness that exceeded their peers, they decided that they were going to achieve and they simply did.

DETERMINED

We have heard every rookie trader excuse one could think of and they tend to boil down to short cuts. What's the best broker, scanner, indicator, hot tip etc. All loser talk.

"Anything works if you keep trying"

There is no secret sauce or perfect indicator that will make you a successful trader. What will, is very simple, **determination**. Shake looks at 1,000+ stocks every single day even on weekends. Ben is trading his own and his clients money every single day, no matter what the talking heads on TV are saying about the markets. If you don't want to put in the effort that's fine, just don't complain when your PnL isn't anywhere near that of professional traders.

Semi Smart Task

Share a time when you had a goal and were determined to achieve it. What did you do to achieve that goal and how could you make that a repeatable process to achieve future goals?

Post your story in the chat

How Shake made $4,500 in 20 mins in YY

Semi Smart Task

Share two or more of the major factors that you want to see in a major breakout.

Post answer on Youtube

Long Term Hold *for a week*

The most infamous term that new traders throw around is ***"it's a long term hold"***, which is the farthest from the truth, trust me I know as I was that same rookie who would boast that every idea I had was a long term hold. However here's a peak behind the curtain, every one of my long term holds were all names that I bought that fell in price, and continued to fall in price and yes they would fall from my price for more than a year and then guess what? As soon as a stock got back to my price, I would sell it for breakeven or a small 1% gain even though I sat through a 50% loss to find the next long term idea and sell my stock to a professional as it would soon breakout (now I am on the other side of that transaction more times than not).

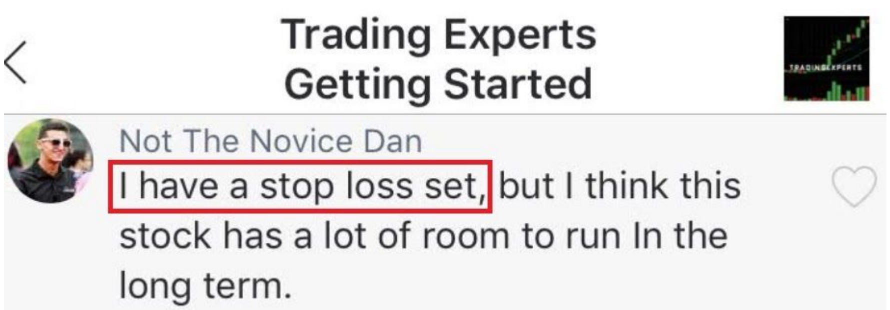
Now you might be thinking, how can I can compare the logic of a new trader's idiotic "long term holds" to my own stupid trades? Very simple, We talk to thousands of new traders every single day. Their story is word for word the same as what mine was. If they buy the stock and they are **right**, only 1% actually stay in for a year plus while the other 99% **turn** this long term idea **into** a quick **trade**.

This same group of new traders will hold losers with pride and boast of all the fundamental reasons why the stock should go higher, yet once it finally turns around they end up giving their stock to professionals like us. We call this trade *The Round Trip.* However enough talk from me, let's take a walk in the shoes of a recent Long Term Investor that could not make it a mere 24 hours after explaining his Long Term Hold. Get your popcorn ready.

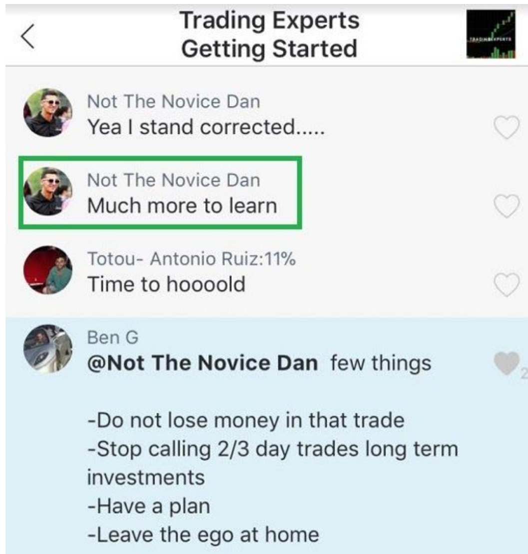
This was on March 11th, let's take a look at this long term hold in the chart below.

He has survived for 8 days so far, just 340+ more days to go, he's got this!

Now on the way up most traders are as confident as one could be, as he claimed ***"I'd be buying calls".*** Unfortunately options are not available for happy meal stocks. It's now day 9 guys, with less than 340(ish) days to go, let's see what his plan is now a mere day later in this long term hold.



A day ago he was telling us we should buy, now that the stock is tanking he's already looking for the exit, he doesn't sound as confident as he was yesterday.



That same day he puked the position for breakeven and the weed company that was going to change the world was now just another stock (years later it's a $5 stock). In general holding your winners for as long as possible and cutting your losers quickly is a very profitable strategy. All of our major winners, KITE 140%, ANAB 70%, NKTR 65%, CAT 60%, SQ 60%, MU 45%, etc all took time. They did not happen overnight however none of them **took even a year**. All of them happened within a year's time. Most of those big winners were all in retirement accounts where Uncle Sam is not getting a penny of my profits.

Holding long term on paper makes sense however when you're new you tend to lack the patience that is required to actually hold a **WINNER** for a year. Holding a loser for a year is cake walk as 99% of investors have done it their entire investing careers. There is a taxable benefit to holding a stock longer term however for most starting out, tax strategy is not something that is really an issue yet as you can see below.

		Federal Rate	Capital Gains	
From	To	Single Filers	Short	Long
$0.00	$9,075	10%	10%	0%
$9,076	$36,900	15%	15%	0%
$36,901	$89,350	25%	25%	15%
$89,351	$186,350	28%	28%	15%
$186,351	$405,100	33%	33%	15%
$405,101	$457,600	35%	35%	15%
$457,601	Above	39.6%	39.6%	20%

Your first $9,000 in profits short term is only a 10% hair cut, if you're making less than that, long term holding for tax benefits is probably not much of a concern just yet.

Just like trading, patience comes with time. Aim first to hold a profitable trade for a week, then two, then a month, then two months, then a quarter, then 6 months, then for up to a year. Keywords here are **profitable** trades.

PROFITABLE and **TRADE**.

Every trade starts out as a day trade that becomes a swing trade that becomes a longer term hold. Not the other way around. Hold your winners and cut your losers quick! Rinse and repeat.

Semi Smart Task

Share your experiences with "long term holds", such as, were you able to hold a profitable position for a year plus, were there times where you held a position that was going against you only to sell it for breakeven or a small profit? If you did would it have just been easier to read the chart and buy on the way up instead of on the way down?

Post your answer in the chat

Hindsight Bias

In hindsight it all looks so obvious, yet in real time it tends to be much harder, and as a new trader this tends to be most new trader’s achilles heel. The new trader will look at a chart and say that they would have bought near the low of the overall move, held the whole way up and got out at the high. Yet you ask them what will happen next and their hands go up as they have no clue as to what's in store in the future.

Even for us as traders or whomever you listen to, most can predict shorter term moves pretty accurately. However long term predictions tend to be a dart at a dart board as there are too many variables to really say with confidence where a stock will be in 5 or 10 years time. Let's take a look at the chart below and see if you have the hindsight bug.

(Click on the chart for a bigger version)

Looking at Amazon from the past year how would you have traded it if you were able to buy just 1 share?

Where would you have bought?
Where would you have sold or would you still be in?

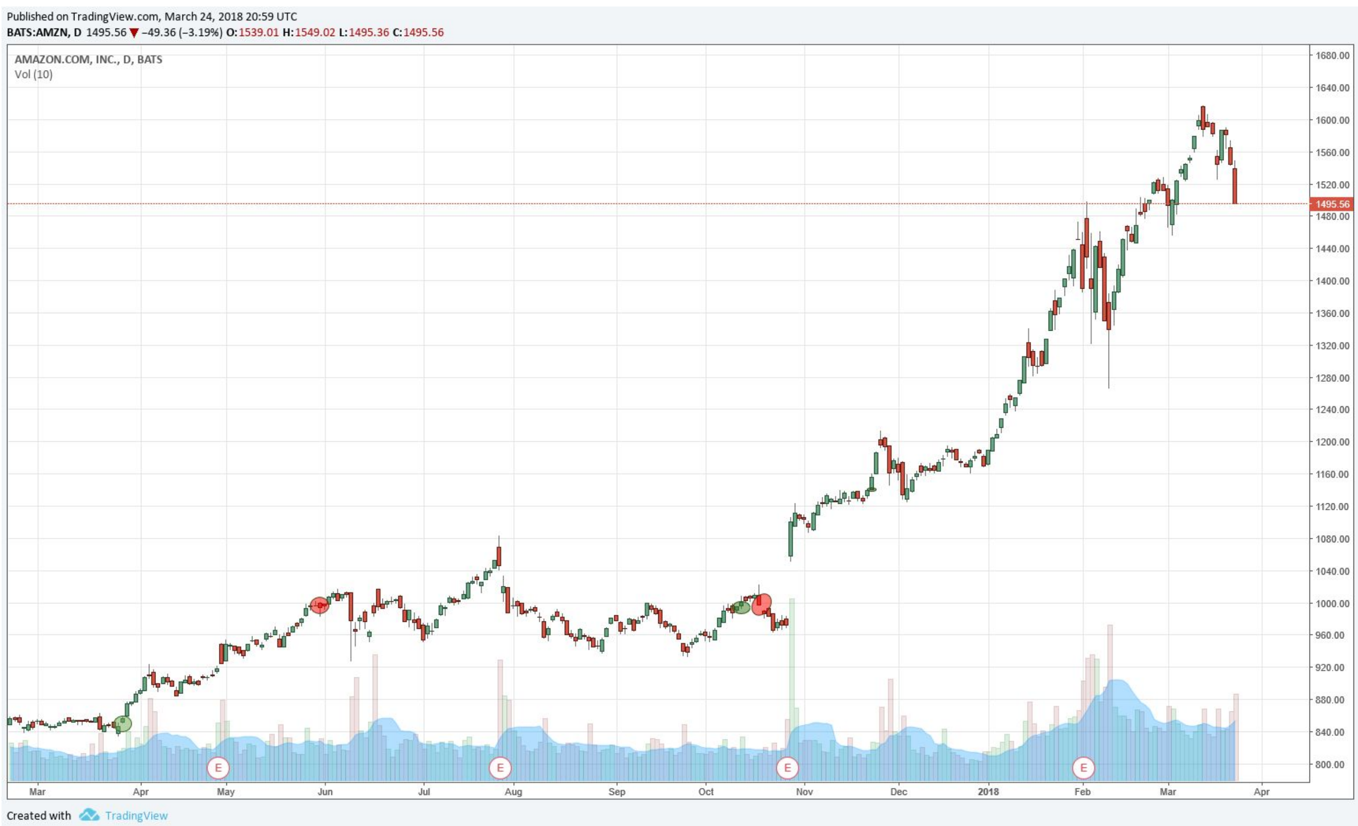
Now these questions in the real world are utterly useless hence why we don't want you to post them in the chat however for the lesson at hand, it is useful to show how bad hindsight is.

You probably said something along the lines of “I would have bought near $1,000 and would have sold near $1500 or $1600 for a 50 to 60% return”.

That’s hindsight and useless in the real world. Now here’s the million dollar question. Let's repeat the same question based on the closing price today.

Where will Amazon be in 3 months?
Would you still buy 1 share now, if so what is your game plan?

See the difference between how easy it is to look at the past vs how hard it is to trade looking into the future. I will show you how we traded it recently.



[(Click on the chart for a bigger version)]

It looks so small on the chart now however last March we bought Amazon through $860 and took it for a $140 ride to $1,000 on $10 of risk. We sold as the media outlets started to pump the $1,000 price target and we got out a few days before an $80 flash crash in the stock. It started to consolidate for the next 6 months as we were waiting to buy that $1,000 breakout (that we were selling 6 months earlier). Now remember we do not gamble on earnings, we bought the breakout however earnings were a few days later and we took a breakeven/papercut loss in it as it broke down below $1,000 going into earnings.

[(Click on the chart for a bigger version)]

Now at the time, Amazon was up almost 400% in the last few years, even though we felt it had already gone so far, so we passed on buying it after the earnings beat and major gap up. When it took 3 months to make $140 points prior, Amazon gained $600 points in 6 months after already being on such a crazy run. This is why we focus on top right charts, because even if we mess up the trade, the downside tends to be very small while the upside can be huge. Amazon went on a 60% run in 6 months **after** already going on what most thought was an already crazy move and it's still up 300% from that gap up.

Semi Smart Task

Share your experiences with hindsight bias and if you have fallen victim to it.

Post your answer in the chat

You are almost there, just 10% left and you will be passing the finish line!

Journal Time

A trading journal is one of the biggest things new traders and even veteran traders overlook. Yet it is the key inside your own mind. There are 3 key times to reflect on a trade:

Before Trade (BT)
Current Trade (CT)
After Trade (AT)

Before Trade - Is your game plan, what you expect, etc, this is usually the same for us each time so we can summarize in 1 to 2 sentences, my entry is $100, my stop is $99, and my target is $105 for 5:1 risk reward.

Current Trade - Sold some at $103, moved my stop up to $102, still aiming for $105. We see a lot of members updating these notes on their daily charts on Tradingview.

After Trade - I am an idiot, stock is at $110 in a straight line up, had I just stuck to my gameplan I would have greatly exceeded my target. Lessons learned, more patience, focus more on upping my stop loss and less on offering out. We recommend using a word document, an actual journal, or free sites like Tradersync.com

Now over time, as your trading journal grows you can look back and see how you traded a particular name, you can look back and see how you messed each trade up and what you did well. When Shake and myself were prop traders we had to do this every single day and send it to our boss before we were allowed to leave the office. At first we hated it, it was such a useless task, we knew what we did that day, because we were the ones buying and selling stock.

However, eventually it became something we enjoyed and eventually something that we wanted to do. Something that helped us rid ourselves of the crappy feelings of a trade we really messed up or the joy of a trade we really crushed.

Even for my trading now, I look forward to writing what % I locked in on my index cards from the PnL from the trade. I am playing a game with myself to put on the best possible trades and avoid as much of the crap as possible.

There are 2 simple methods we use to journal.

1. Use a free site like Tradersync.com
2.Use an actual journal

Example

Saw MMM holding support vs $148 and put a buy stop to buy up through $152 vs the low of support, got filled and the stock stair stepped higher 6 days a row into resistance at $168, after day 1 closed high of day, I upped my $148 stop ($4 risk) to the low of the day $151.89 (breakeven trade). I upped my stop of ⅓ of my position vs the LOD after $168 could not break and got stopped out at $165 ($13 gain per share). I was willing to give the rest back to my price to hold for the bigger move. As time progressed over the next month, the new clear out was below $160. After a few failed attempts at that $168 breakout, I was stopped out for the remaining ⅔ at $160.

What I did well - tight risk buy up off of support, held for the meat of the move

What I could have done better - upped stop for some after 5th attempt through high

All in all great trade.

This lesson is by far one of these most important that separates average traders from true professional money makers. You might not like the extra work required of each trade but in time, you will grow to love it and the money, well that’s a plus too!

“The more you can speak the truth, the more liberated you will become.”

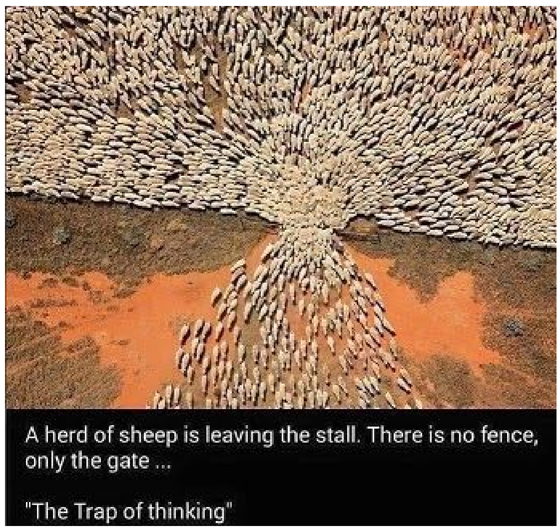
Semi Smart Task

Post a screenshot of your physical trading journal or Trader Sync account, even if you have yet to trade and they are blank. You know what to do once you complete your first trade!

Post your answer in the chat

Flea Collar

Did you know if you put fleas in a box with the lid on it they will jump until they hit the top of the box, after enough time, you can remove the lid and no matter what they will not jump any higher. Same goes when herding sheep, talk about herd mentality.



The new trader tends to fall into similar traps. They have heard to sell your losers quick and hold your winners, yet they hold their losers and sell their winners quick. They are told that one needs to learn how to invest first, yet most go in with no prior knowledge or game plan. They are told proper ways to invest, how to avoid bubbles and basic tax strategies yet they still admittedly and with confidence do the complete opposite. The new trader tends to be the sheep following the herd, buying at the top, selling at the bottom and listening to other people's advice without doing their own homework.

You can be the sheep crawling toward the imaginary gate or the flea trapped in the lidless box *or* you can be a shark. We don't compete where we don't have an edge, if I suck at blackjack, I don't gamble (I suck), if I suck at basketball (I do) I am not going to play you for money. However you think BABA is short at highs banging on resistance for the 5th time in 6 months and you're looking to buy puts, we are going to take the other side and squeeze you out.

"I've never met a confident gambler, nor have I ever met a profitable one either."

(Duuhhh nuhhh, duhhhh nuhhhh)

If you have made it this far, that means you have successfully completed our first 3 steps of our program! Now that we are nearing the end of lessons from Dumb Money, you are getting a few steps closer to being ready to put on your first trade. However you're still not quite there yet. Let's finish the last lesson of this program and see what you have learned so far.

Semi Smart Task Final Task

Throughout this program we have addressed the pitfalls of margin, leveraged ETNs, Odd Lot Theory, Tax Efficiency, Long Term Holdings as well as a few other topics.

Share one of the major concepts that you admittedly were a sheep in the beginning of this program and now you are more of a shark!

Maybe not a great white just yet, however at least a Bull Shark!

Post your lessons learned in Semi Smart Group Chat

"I'm ready to move onto Game Planning! I will be in the Alpha Chat by (insert date) and my first $1,000 day by (insert date)!

Click Here to move up to Step 4 Game Planning