

Title:

Learn By Hands On Forex Trading: Demo Accounts Vs Mini Accounts

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Summary:

There are several schools of thought on how a new trader should progress from learning to actual live trading. In this article we will discuss the best ways for a new trader to learn how to trade the forex and make their first live trades.

Keywords:

forex, currency trading

Article Body:

If you are new to Forex, you are likely overwhelmed by the sheer amount of information you are finding about currency trading. Although the concept of trading the currency markets is simple to understand, the actual trading methodologies and understanding of how, why and when trades are executed can be hard concepts to grasp and fully understand. If you aren't aware by now, forex trading is not without substantial risks.

There are several schools of thought on how a new trader should progress from learning to actual live trading. In this article we will discuss the best ways for a new trader to learn how to trade the forex and make their first live trades.

To start out, I can not stress enough the need for hands on trading. This is why you will often hear it recommended that new traders start trading with a demo account. What is a demo account? Many online forex brokers offer something known as a "demo account" which is a fake account that you can trade until you feel comfortable trading your own funds. Demo accounts behave just like real accounts, the only difference is that the money you are trading is not real and no actual trades are ever executed.

The purpose of using a demo account if you are new to Forex trading is to get you comfortable making trades and to help you become familiar with the brokers trading platform. You can cut your proverbial teeth so to speak without risking any of your own funds. This makes demo accounts good for a brand new trader who just wants to see how trading works. There are some drawbacks however to using

demo accounts to learn Forex trading.

The biggest downside to using a demo account is that you will likely only be able to trade standard size accounts with a demo account. If you intend to trade mini accounts, as many beginning forex traders do, a standard size demo account is going to behave differently than a mini account. Your margins are very different for a standard account versus a mini account. If you become accustomed to trading a standard size account, your trading methodologies will show it. This is because the larger margins offered on standard size accounts allow you to take greater profits from smaller movements in currency prices.

The other major downside to trading with a demo account for learning forex is that as a trader, you need to carefully manage the emotional aspects of trading real money. Since a demo account is fake money, detachment is easy to come by. Once you start trading your actual funds, you might just find that your tolerance for risk is much more conservative. Ideally, as you are learning to trade you are also learning how to manage your risks most effectively.

So what is a beginning trader to do? What is the best way to learn to trade the Forex, hands on?

Once you have read, studied, and completed any courses on Forex trading that you may be taking, you are ready for probationary live trading. The single best way to trade the Forex is to just Do it. Now, this does not mean to jump in and trade a full size account with real money, this would be an enormous risk for a new trader and not a very smart move indeed. What you can do is to find a broker that offers mini accounts. Mini accounts typically start at \$200 and typically give you 100:1 leverage. That said, as of this writing, there is one broker (Easy-Forex) that allows you to trade a live mini account for as little as \$25.

For less than you paid for any of your books, courses or training materials, you can actually try live trading. You will be amazed at how after just a few trades, the stubborn concepts seem to start making sense and you begin to understand Forex trading.

Now, if you do decide to begin your trading with one of these tiny mini accounts, you should start by making several very small trades. You should also be trading with the same system or methodology that you are trying to perfect. Your profits will likely only be a few dollars since you are trading on a small margin. This is good, however because the reverse is true as well, you are only ever risking a few real dollars. If you happen to have a series of losing trades and wipe out the funds in your demo account, you can consider it the least expensive education you could possibly get in actual forex trading. Much

better than loosing large sums of funds, and more realistic than trading a demo account. Just learn from the experience, and consider it a good deal on a valuable lesson.

Once you are comfortable trading your mini account, you can always have it converted to a regular account (with an additional deposit) if you choose. Overall, it cant be stressed enough, the best way to learn the Forex is to have experience with live hands on trading. This article showed you ways that you can do this at a minimal cost and with the smallest amount of risk.