

Title:

Five Steps to Trading for a Living

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1003

Summary:

People regularly ask me how I was able to quit my job to become a full-time forex trader from home. This article contains the five practical steps that I had to take, and will serve as practical advice to anyone that would like to trade for a living.

Keywords:

forex trading, trading for a living, professional trader, full time trading, forex market, day trading

Article Body:

For the past five years my sole source of income has been profits made from trading on the forex market. Over that time period, many people, perhaps somewhat envious of my ability to earn money from home without having to report to a boss, have asked me what it takes to trade for a living. How can one arrive at a point where one feels confident enough to leave ones regular employment, strike off on ones own with no guarantee of a regular paycheck, and put what might conceivably be ones entire savings up to that point at risk in the markets?

While I unfortunately cant actually give you confidence in your ability to make it on your own, nor the stomach to risk your hard earned savings, I can tell you the practical steps that I took to get where I am today. These steps do not include the obvious "learn of the existence of the forex market", as presumably you already know something about forex trading, or you wouldnt be reading this article.

Furthermore, while these steps have been applicable to trading the forex market in my case, one could easily apply the same principles to becoming a professional trader in the equities markets, derivative markets, etc.

Step 1) Start saving your money. To trade professionally you need a bankroll, and one that is large enough to withstand the ups and downs that are a natural part of trading. For me, this was easy. I had been putting money aside ever since I started working. Those like me that have been raised to understand and appreciate the value of saving, will accomplish this quite naturally. However,

if you are a habitual spender and are accustomed to living paycheck to paycheck without putting anything extra aside, be prepared to expend some serious effort curbing your habits and learning to save instead of spend. How much money will you need? Unfortunately I cant answer that specifically because it will depend on the trading strategy that you use, the amount of leverage you plan on trading with, and the amount of money that you need to take out in profits. You should count on having a bare minimum though, of a full six months salary saved up before beginning full time trading. One years salary would be still better. Keep in mind that the larger your bankroll, the more money you can earn without risking an unnecessarily large percentage of your bankroll.

Step 2) Get an education. You cant start trading before you know something about the market you are trading in. This education does not have to be formal (as in University classes), and you do not have to understand economic forces as well as Alan Greenspan prior to getting started. You should, however, have a basic understanding of why the market that you are trading in exists, how buying and selling on that market works, and the strategy that you are going to employ to take your profits out of the market. There are a lot of totally free resources on the internet that are worth your time to read (and there are a lot of opinions and ideas that are NOT worth your time, but reading some of those that are not worthwhile is part of the process of developing discernment about what is and is not a good resource). There are also some inexpensive trading courses on the internet that are useful. Part of the education process is coming up with a trading strategy that you are comfortable with, as well as a money management strategy to ensure the long term viability of the trading strategy. There are many good trading strategies out there, but regardless of which one you choose, you must understand that the traders that are successful cut their losses early and let their winning trades run. This can be somewhat more difficult than it sounds, but is really the key to making money trading.

Step 3) Sign up for a demo trading account and start practicing while you are not at your regular job (or, if you have free time and internet access at your job, WHILE you are at your regular job). We list some good forex brokers at forex-rates, so if you are planning to trade currencies, be sure and sign up for a demo account with one of the listed brokers. In order to get a real feel for the trading strategy that you have chosen, you will have to do a lot of practice, so take your time with this step. Dont start trading with real money until you have an actual history of successful demo trading

Step 4) If you are making money trading on paper and are comfortable with your trading strategy, go ahead and get started trading for real on a part time

basis. Dont include all of your savings as part of your trading bankroll yet. Start slowly and gain a comfort level. As your confidence builds, move money from your savings to increase the size of your bankroll.

Step 5) When you can estimate that your average gains from real trading (from step 4) are at a level where, if you were to trade full time using your current bankroll, you would be making profits that slightly exceed your current employment salary, you are ready to quit your job and trade full time. Remember, you want your trading profits to exceed your present salary. This will give you the opportunity to maintain your current financial level, but at the same time continue to increase your trading bankroll, which will enable you to earn more and more money as the size of your available funds grows larger.

It is important to have patience with yourself at each of the steps mentioned. Maintain emotional equanimity and understand that fear and greed are a traders most dangerous nemesis. If you can keep these emotions under control and maintain the discipline established while following these steps, you can look forward to making it as a professional trader.