Rule # 1 - Invest in What You Understand

This means both trading styles and industries.

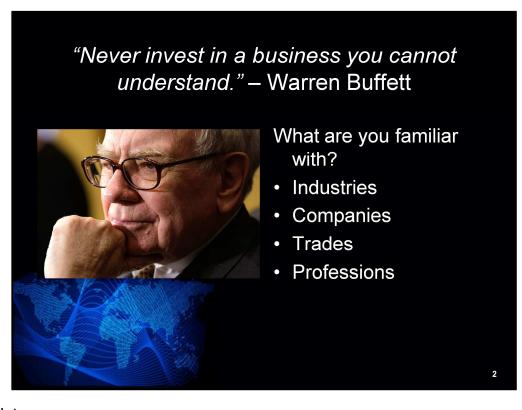
- Collar
- Fence
- Iron Butterfly
- Calendar Spread
- Ratio Spread
- Iron Condor

- Basic Materials
 Wholesale
- CATV Systems
- Diagnostic Substances
- Management Services
- Specialty Chemicals



What comes to mind when you read this?

Notes:	 	 	



Notes:	 	 	

Rule # 1 also applies with how you invest.

Some people immediately try to trade the most complicated systems and styles.

Many successful traders want simple systems over complex systems.



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Rule # 2 - Emotion Costs Money

It's only natural to get emotional about our hard-earned savings. We work too hard, save and invest to see it all go down the drain.

Emotion has no place in investing. It causes us to make irrational decisions. Most successful investors have mental habits that help them stay focused on long-term even when the short-term is stressful and distracting.



Notes:		

4 Steps to Trading Without Emotion 1. Understand what's coming. 2. Take a step back. 3. Develop a system. 4. Put the weight on the system.

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Take a Step Back

Many novice investors will get out of a losing trade and jump quickly into another trade to try and make their money back. This is the most frequent way inexperienced investors lose money. Take a break, clear your head and come back to it.



Notes:	 	 	

Develop a System A trading system is the single most important success factor in professional investing. What is a trading system?

Notes:			

Rule # 3 - Use Play Money First

Often, when we get started, we want to dive in both feet first and put all our resources towards what we're learning.

Invest for 4-6 months on paper before you use any of your real money. That will give you enough time to make some mistakes on paper before you make them with your hard earned money.



Notes:		

What does all this mean so far?

- Modeling successful investors can lead to success.
- Investing in what you understand takes out a lot of guesswork.
- Having proper systems in place smoothes out ups and downs.
- Action without education = Losses.



Notes:	 		

To be successful, an investor needs a way to find good companies to invest in.

"The amateur investor has numerous built-in advantages that, if exploited, should result in his or her outperforming the experts and also the markets in general." – Peter Lynch



This is the same reason that Mutual Funds most often underperform the market. Institutional money takes time to get in and out while we can get in and out quickly.

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