

## CHAPTER 1

# Millions Can Be Made with Safer Trades

There are a number of ways to trade the stock and options markets without fear. In this book, I am going to show you some strategies that can yield exceptional returns with little or sometimes even *no* risk. Whether you are a market neophyte or someone who has been investing for years, you need to know how to protect yourself and make money at the same time. I want you to see some of the strategies I have used to increase my own wealth and, at the same time, permit me to sleep soundly at night.

Fear is one of the great enemies to profitable trading. Fear results from risk taking. If we can remove some or all of the risk from our trading equation, we will become better traders and investors. This book is designed to do exactly that—show you how to reduce and even remove risk from your trades and investments.

Many of us in the Baby Boomer generation were taught that if we went to work for a corporation and were loyal to that company, we would be set for life. We would have a pension to carry us through our older years. On top of that, we would enjoy the benefits of Social Security. As so many workers have learned, security can be illusory. Some companies have underfunded pensions, other companies have disappeared, and still others have laid off or fired workers before pension rights vested.

Politics aside, there is little doubt that Social Security as originally envisioned is a failure. Without dramatic change, it is headed for bankruptcy. For those who have relied on the promise of corporate pensions and Social Security benefits, the future could be grim unless they can develop an investment plan that will take the place of the income streams they thought they were going to enjoy.

Those just entering their productive years will need to look forward. They will need to educate their children, buy their homes, cover their living expenses, and pay for their medical care. It seems highly unlikely that they will be able to count on future pensions or Social Security. In fact, as things stand now, more of their earnings will be taken to fund the preceding generations' needs. If you are in this group that is just entering their earnings years, you, too, will need to have an investment plan that will enable you to achieve the lifestyle you desire.

As we go forward, you'll see some ways to help make your money grow, help you achieve financial goals, and help enhance the quality of your life. Please don't think these things will happen automatically. This isn't a get-rich-quick scheme; I'm looking at ways to try to increase wealth while keeping risk to a minimum.

Success in these endeavors requires some study as well as a plan. I'll give you a simple framework so you can develop a personal plan that fits you and your personal situation. I'll also lead you through some strategies that I know can be successful. It'll be up to you to study them, test them, practice them, and decide what you want to do. Nothing here will be very complicated, and I'll try to take you through step by step. You'll see that you can set up no-risk and low-risk trades yourself.

Learning the same things I am going to show you in this book changed my life, and it can change yours as well.

## **HOW I CHANGED CAREERS AND LEARNED HOW TO TRADE FOR A LIVING**

Ten years ago, I knew almost nothing about successful trading and investing. I had practiced law for 25 years. My law practice had been successful, but it wasn't much fun. In the last several years of practice, my primary client was a major corporation and my actions were controlled, second-guessed, and subjected to the vagaries of corporate politics. I felt nothing but relief when the client ended our relationship, and I decided it was time to do something I really enjoyed for a change—so I opened a photography store. Photography had been a passion for some time, and I thought a photo processing store and portrait studio would be just the ticket.

I quickly learned that the business had little to do with my passion and that I was tied to a retail operation. I was working 7 days a week, at least 10 hours a day, and the biggest paycheck I took home was around \$200. Photographic processing equipment was very expensive, and most of my assets were tied up in the business. I was trying to make a success of the store, but the business was turning digital and things were getting worse.

Things seemed as bad as they could get, but then I suffered a great personal tragedy. As a result of that loss, I decided to get rid of the store and find something else to do. I definitely did not want to return to the practice of law, so I began my search. I explored and tried many different things, including a stint selling preneed funerals. Nothing was clicking.

One morning, in an airport, I bought a book to read on a plane ride back east. The book was about trading. I read it on the flight, and I reread it five times. I knew I had found my new vocation. I was going to become a stock and option trader. Shortly after I had read the book, I received a flyer in the mail advertising a free seminar that the same author was giving near where I lived. My wife and I knew that the free seminar would be a “come-on” for some expensive seminar, so we agreed that we would go to the free seminar and see what we could pick up. We also agreed that the seminar that was being sold would probably be too expensive so we wouldn’t sign up for it.

Well, we went to the free seminar and we were sold. We bought the seminar that we thought would be too expensive. Remember, now, I was almost out of money. We flew to the West Coast and attended the seminar for two days. It ended on a Friday, and by the following Tuesday, we had made back the cost of the seminar using the trading knowledge we had just gained.

That seminar was in the early fall and the same company was having another seminar in Hawaii in November. We signed up for that seminar and, while in Hawaii, made about \$26,000. If I hadn’t been sold on trading before, I was then. I began my career as a full-time trader. Of course, what I didn’t realize was that I was involved in what was perhaps the biggest bull market in U.S. history. It was hard to lose on a trade. Then came the year 2000, and the bubble burst. I had purchased one stock for around \$88 a share and finally got rid of it at around \$3. Fortunately, I owned only a few shares.

I learned several lessons from that experience. I learned that the belief that “it’s coming back” isn’t necessarily very wise; I learned that “buy and hold” can be a dangerous strategy; I learned that I better find out how to trade a down market; I learned that I needed to keep learning; and, most importantly, I learned that risk awareness and risk control are critically important to success.

I continued to study and continued to learn. I read everything about trading I could get my hands on and I attended many seminars. I was so excited about trading that I would bore almost everyone I met with conversations about trading. I did well. If people seemed interested in my stories about trading and my successes, I would invite them to the house to learn what I was doing. (As an aside, I should mention that one of the great benefits I consider I have from trading is that I can do it at home. In fact, I can do it wherever I can hook up my laptop.) Family, friends, and neighbors

came to learn, and they came and they came. It got to the point where I had someone at home learning to trade for five or six hours every trading day so I ran out of time to trade myself.

I then had an “aha!” moment.

I decided I'd do seminars and if the students had to pay they wouldn't come. I did some radio advertising and set up some classes. I was wrong. They paid and they did come. Now I had another business and it was very successful. However, while seminars are fun for me to do, my real passion is trading. At most, I work only two or three hours a day trading, but setting up and running seminars is a full-time business. I decided to significantly reduce the numbers of seminars and made a DVD of the basic SWAT (Stockmarket Weapons and Tactics) seminar. I now give seminars only rarely and advertise infrequently. Most attendees find me by word of mouth.

As a result of the seminars, I was approached by a publisher to do some advisory services. My services differ from many in that I am not interested in sending out a “tip of the day” or a “tip of the week.” In fact, I just send out some of the trades I am actually doing myself in an attempt to provide education to subscribers. I always try to include a technical explanation of what I am doing. I sincerely believe that it is a serious mistake for anyone to blindly follow someone else's trade. Each individual has a personal risk tolerance, a different set of investing or trading goals, different amounts of money to risk, different levels of knowledge and experience, and different approaches to life.

Instead of trying to follow what someone else does, I believe that anyone who wants to trade successfully must first learn about themselves, then about trading and investing, and finally about what trades suit them.

### **SUCCESS WORKING A COUPLE OF HOURS A DAY**

Investing and trading has led to a wonderful life and lifestyle for my wife and me. I now work only a couple of hours a day trading. I have a great deal of time to devote to my family. My wife and I are able to travel frequently and widely. We are able to give time and money to charity and volunteer work. We are not tied to the daily regimen required by a normal job, and our financial future is secure. I have become a multimillionaire. We can travel whenever and wherever we choose, and I can set up shop anywhere I have access to the Internet.

This book is, in part, an effort to give back. It is an effort to show the reader ways that make it possible to enhance retirement, to heighten

quality of life, and to attempt to assure a financially comfortable future. There are, of course, no guarantees. I can show you strategies that may yield great returns at known levels of risk, some even at *no risk*. I can show you where many of the risks lie and I can show you ways in which to reduce and minimize risk. The risks taken, however, will always be yours, so it is important to gain an understanding of not only how to make money but also to learn how to avoid losing money.

### **HOW TO CREATE A SUCCESSFUL TRADING PLAN AND SLEEP SOUNDLY AT THE SAME TIME**

As we go forward, I'll set out the details of exactly how to set up a trading plan that can help you sleep soundly while letting your money work for you. Sound sleep is, in part, a product of knowing and limiting risk; it is a product of placing yourself in a position where the risk undertaken is one with which you are comfortable. In Chapter 3, we'll cover, in detail, just how to create that kind of plan. Ultimately, the plan will be your own and it will be one that puts you in a position where the level of risk undertaken is comfortable for you. Unless you can find a comfortable level of risk, you'll just find stress influencing your trading. Whenever stress or emotion enters the trading process, it is likely to be a serious negative.

It has often been said and written that fear and greed move the markets. While that statement is true, it is also true that traders who trade under stress and whose decisions are a product of fear or greed are those who are least likely to succeed. So let us remove the stress and learn to trade with as much discipline and as little emotion as possible.

### **THE ZERO-RISK TRADE MAY BE FOR YOU**

Your personality may dictate that you take no financial risk at all. If that is the case, you will love the zero-risk trade. Even if you are a little more aggressive, the zero-risk trade is something you will probably want to add to your arsenal of investment strategies. Zero-risk trades do exist. They are frequently employed by the very wealthy whose first goal is to preserve capital. In the zero-risk trade, you can assure yourself that your capital will be safe and you'll see that a significant return is possible even where nothing is risked.

We'll also explore low-risk trades, where really high returns are possible with little risk. Only you can judge the risk you are willing to take, but we'll look at strategies and trades that will satisfy anyone from the most

conservative trader to those willing to accept a bit more risk in return for even higher rewards.

### **HOW TO CUT LOSSES AND LET PROFITS RUN**

One of the old adages about successful trading and investing is “cut your losses and let your profits run.” Easily said and quite true, but rare is the person who knows how to do either, let alone both. Many traders, new and old alike, realize the wisdom of the saying, but have never learned what it actually means or how to cut losses and let profits run. The failure to cut losses or let profits run is usually the result of letting emotions rule the trade rather than trading in a disciplined, unemotional fashion.

As we go forward, I will try to show you some of the ways to eliminate emotions from trading and develop a disciplined method that can work for you.

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