

TRADING JUSTICE

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Don't Be a Quitter After Quitter's Day



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We are two weeks into January... how many of your resolutions are still going strong? How many goals did you set that you have already started to lose faith in? Well if you are like many these questions might hit a little close to home as according to Strava so many people give up early in the year that they have named the second Friday as “quitters’ day.” Financial freedom is too important to quit on. Giving up on your financial goals is simply unacceptable. So, let’s get back on that horse and we will see if we can give you a little pick me up to reenergize you for the rest of the year.

AVOIDING GOAL CUTTING AND PASTING

One reason so many people quit on their goals is goal setting for many individuals has become nothing more than a cut and paste exercise. Did someone want to quit smoking last year but failed to do so? Simply cut and paste that goal for this year. Did they want to make more money but have even less today? Cut and paste that goal for 2019 as well. The goal that these individuals want to achieve remains constant, but with each passing year less and less time is spent thinking about the goal. They simply rehash old goals with the expectation that somehow things will be different this time. It has been said that the definition of insanity is doing the same thing over and over again and expecting different results. If this saying has any basis in truth, then a straitjacket should be handed out to many people during their annual goal setting exercise.

This annual goal setting exercise can be a fulfilling event - if an individual takes the time to treat it as such. It can be a time of where a person examines where they are in life and where they want to be in the future. It can be a time where a person analyzes what they love, what they enjoy, and who they want to become. Setting goals for the coming year can even serve as a catalyst for change in one’s life. Because of the potential impact it can have, it is well worth devoting the time and energy to thoughtfully crafting your own goals.

Do not succumb to the temptation to simply cut and paste past goals. Take the time in the upcoming days to think through what you want to accomplish in 2019. If you don’t know where to start, here are a few suggestions to help you get started on your goal setting session.



CREATE A LOVE/HATE LIST

Robert Kiyosaki has advocated creating a list of things you love and a list of things you hate during your goal setting exercises. For Robert, passion is a combination of love and hate. Passion has always been an important characteristic to strive for as his Rich Dad told him,

“If you want something, be passionate. Passion gives energy to your life. If you want something you do not have, find out why you love what you want and why you hate not having what you want. When you combine those two thoughts, you will find the energy to go get anything you want.”

You may hate going to your nine-to-five job each day, being required to perform menial tasks, or worrying about bills. You may also love freedom, travelling, eating the finest foods, and spending time with your family. Only you know what creates passion inside of your soul. Passion is what can help provide you the motivation to accomplish the more specific goals you set later in your goal-setting session. On those lackluster days in 2019 where you need a pep in your step, you can always refer to your love/hate list to help remind you why you are working hard and what you are working hard to achieve.

CREATE AT LEAST ONE MACRO GOAL

When a person creates a goal, they often create these goals in smaller micro terms. For example, they may state “I am going to quit smoking.” A fine goal, and one that can easily be measured, but rarely does one want to quit smoking simply for the act of quitting smoking. Normally there is a larger, more encompassing reason behind the goal. For the person who wants to quit smoking the larger reason may be that they want to live as long as they possibly can, or want to be as healthy as possible, or want to demonstrate self-control in their life. If the person’s motivation was the desire to live a long and healthy life, then this would serve as the macro goal. Quitting smoking could then be a smaller micro goal that would help the person take a step towards the achievement of the larger goal.

It is very easy in a person’s goal session, and other times as well, for a person to focus specifically on the day-to-day problems that a person is encountering. When a person is living paycheck to paycheck and under constant money duress, it can be difficult to focus on a large macro goal of becoming financially independent or achieving their other monetary goals. Individuals may be more worried about how they are going to pay for their kid’s braces or be inclined to set a goal to save up enough money so they can take their family on vacation. During your goal setting session, force yourself to take the time to lift yourself above the day-to-day problems you may be encountering to envision the life you want to live. Set a macro goal(s) based on this vision.





WRITE DOWN, ACTIVELY THINK, AND SHARE YOUR LARGER GOALS WITH OTHERS

Your larger macro goal(s) will be an accumulation of your hates/loves and dreams. If you created this goal by yourself then share it with your spouse or a friend. If you created it with your spouse then share it with another couple or other family members. Talk about it, actively think about it, and be open to share it whenever possible. You may not have the all the answers upon the creation of the goal to how you are going to achieve it. However, by actively sharing and thinking about your goal then in time the how will take care of itself.

This may sound like a strange starting point at first. After all, if a person's desire is to become financially independent, how can they possibly do so simply by thinking about it and discussing it with others? Naturally, there will be many more steps than simply conceptualizing this independence, but by starting your goal at the macro end point (financial independence for example) you are more likely to make sound and strategic decisions regarding the smaller micro goals that are needed to get to that end point.

For example, let's assume you had a smaller micro goal of simply making more money in the coming year. If you took that goal and shared it with others, then you might start discussing ways in which you might be able to make more money in 2019. Some solutions might be to work more hours, attempt to get a promotion, or maybe even invest in stocks or buy a rental property. However, if you started the same conversation with a larger macro goal, let's say a desire to become financially independent, the discussion would have an entirely different premise. Solutions to achieve the goal of making more money might seem naïve when attempting to apply them to the larger goal of becoming financially independent. By starting these conversations in the proper context, you might brainstorm ideas that you might not have ever thought about if you were simply focused on smaller micro goals.



LET'S GET DOWN TO THE NITTY GRITTY - FINANCIAL GOALS FOR TRADERS

What has been written to this point is applicable to anyone, whether they are interested in trading or investing or not. But hey, this is the Trading Justice newsletter, right? Let's focus for a minute on specific goals for traders and some of the pitfalls they encounter.

SHOULD YOU SET SPECIFIC FINANCIAL OBJECTIVES?

Novice traders often set goals centered on specific financial objectives. It is not uncommon for a new trader's first goal to center around making a million dollars trading, or more abstractly, simply becoming rich through trading. On a conceptual level there is nothing wrong with these types of goals. In fact, these types of goals can provide a great deal of moti-

vation; however, they can become problematic when new traders focus on setting goals related to making a set amount of money in a specific time frame. Problematic might be too kind of a term, as this type of goal can be downright disastrous to a trader's account. There are two primary reasons for this.

First, new traders who set goals relating to specific financial targets often do so without considering the amount of capital they have to work with. One could argue that making \$5,000 in a month is a reasonable goal if the trader has \$100,000 in trading capital to work with. In fact, many experienced traders might argue that this is a very conservative goal. However, many new traders fresh off the street might set specific goals of making \$10,000 this month even though they only have \$5,000 in trading capital to work with. The fallout of setting an unreasonable goal often results in the trader placing too much of their capital on trades in order to achieve their goal. This can quickly wipe out a trading account.

The second problem that a new trader encounters when setting goals relating to specific dollar amounts relates to the decisions that are made in attempts to

achieve that goal. For example, let's assume that a new trader has set a modest goal of making \$2,000 this month on a properly funded trading account. As the end of the month approaches, the trader might have placed a few trades and enjoyed some success but has not yet reached their financial objective. If the trader is close to their financial goal, they might start placing trades that they may not have placed otherwise simply so they can reach their goal. Worse yet, if those trades go awry, they might act like college kids playing blackjack and start doubling up on their trades in order to attempt to meet their objective. This behavior can turn a profitable month into a losing month quickly just because the new trader was attempting to meet a predetermined goal of how much money they were attempting to make that month.

TRADING RULES

A trader's trading rules are designed to help prevent such behavior. A trader's trading rules govern the actions of a trader as they help the trader make logical decisions and help minimize emotions from entering the decision-making process. What rules a trader follows is largely determined by the trader themselves, but there are some common themes that are found across many experienced traders personal sets of rules. Among these are:

- Times traders avoid trading (during personal duress, following multiple losses, etc.)
- Types of strategies that employed in certain market conditions
- Checklist for conditions that must be present to place certain trades
- Maximum percentage of capital that can be placed on any given trade
- Maximum amount of capital that can be placed on trades at any given time

These are just a few of the numerous personal rules that can be employed by a trader to help maximize their effectiveness as a trader. These rules are designed by the trader to help the trader always make good high-probability trades and to help protect the trader from themselves. The making and losing of money can create a flurry of emotions. Personal trading rules can help keep a trader grounded, protecting their trading capital from the bad decisions that emotions can help create.

REFINING TRADING RULES WITHIN A GOAL-SETTING FRAMEWORK

Trading rules are not etched in stone law, but also should not be changed on a whim. It is very easy for a trader to want to change a trading rule in order to justify an action that they want to take. If a trader has suffered a few losses in a row, they likely will be eager to want to get a winning trader under their belt as quickly as possible. Their rules may tell them to take the day or two off after three losses in a row, but they may want to change that rule to after four losses to justify their actions and make a trade. In order to prevent this, many experienced traders have an all-encompassing rule, a prime directive if you will, that trading rules can only be changed during a set review period. For some traders this is at the end of a month, for others the end of a quarter, or for some very experienced traders it is only done on an annual basis.

This review period allows the trader to look back and examine what went right, what went wrong, and how their trading can be improved. Where a new trader might set a goal to make a certain amount of money, an experienced trader will create a new rule

with the goal to always follow that rule. They know that if they meet this goal and follow their rules, their trading capital will increase, and their larger goals will also be achieved. Make no mistake – experienced traders are not stoic creatures who only dream of perfection. They dream of wealth and financial freedom as well. They just usually have been taught that discipline and adherence to their rules are the quickest way to get there.

For new traders, this review period might be done daily at the start. After all, it is only through experience that your personal trading rules are refined and you gain the wisdom and knowledge to make a set of trading rules that are applicable to you. In time, you can lengthen the amount of time between review periods. During this review period focus on making a set of rules that can help govern your trades and help protect you from scenarios where you are prone to make mistakes. If you then set your goal to adhere to your rules, and add to them as experience dictates, then you will be well on your way to becoming a successful trader.





WE ARE PAST QUITTER'S DAY

We are past "Quitters' Day" on the calendar and now let's make a commitment to move past it figuratively in life as well. For traders, the constant reevaluation of one's trading rules and plan provides a revolving date to constantly evaluate where you are as a trader and what adjustments you need to make. Sometimes trading can be hard and sometimes it can be frustrating. Never forget you have amazing resources available to you here at Tra-

ding Justice and Tackle Trading. While we have a handful of paid products for our pro members we also sponsor and create a tremendous amount of free content to assist traders visualize and achieve their financial goals. If you are ever stuck in 2019 reach out to us and we will do everything we can do on our end to get you headed down the path of financial freedom for good this time.

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