Chapter 1

Wake Up to Day Trading

In This Chapter

- Figuring out just what day traders do anyway
- Setting up a trading business
- Concentrating on a few assets, a few dollars at a time
- Knowing what it takes to be a successful trader
- Dispelling some of the myths of trading

Make money from the comfort of your home! Be your own boss! Beat the market with your own smarts! Build real wealth! Tempting, isn't it? Day trading can be a great way to make money all on your own. It's also a great way to lose a ton of money, all on your own. Are you cut out to take the risk?

Day trading is a crazy business. Traders work in front of their computer screens, reacting to blips, each of which represents real dollars. They make quick decisions, because their ability to make money depends on successfully executing a large number of trades that generate small profits. Because they close out their positions in the stocks, options, and futures contracts they own at the end of the day, some of the risks are limited. Each day is a new day, and nothing can happen overnight to disturb an existing profit position.

But those limits on risk can limit profits. After all, a lot can happen in a year, increasing the likelihood that your trade idea will work out. But in a day? You have to be patient and work fast. Some days there is nothing good to buy. Other days it seems like every trade loses money. Do you have the fortitude to face the market every morning?

In this chapter, I give you an overview of day trading. I cover what exactly day traders do all day, go through the advantages and disadvantages of day trading, cover some of the personality traits of successful day traders, and give you some information on your likelihood of success.

You may find that day trading is a great career option that takes advantage of your street smarts and clear thinking — or that the risk outweighs the potential benefits. That's okay: The more you know before you make the decision to trade, the greater the chance of being successful. If it turns out that day trading isn't right for you, you can apply strategies and techniques that day traders use to improve the performance of your investment portfolio.

It's All in a Day's Work

The definition of day trading is that day traders hold their securities for only one day. They close out their positions at the end of every day and then start all over again the next day. By contrast, *swing traders* hold securities for days and sometimes even months, whereas *investors* sometimes hold for years.

The short-term nature of day trading reduces some risks, because there's no chance of something happening overnight to cause big losses. Meanwhile, many investors have gone to bed, thinking their position is in great shape, then woke up to find that the company has announced terrible earnings or that its CEO is being indicted on fraud charges.

But there's a flip side (there's always a flip side, isn't there?): The day trader's choice of securities and positions has to work out in a day, or it's gone. There's no tomorrow for any specific position. Meanwhile, the swing trader or the investor has the luxury of time, as it sometimes takes a while for a position to work out the way your research shows it should. In the long run, markets are efficient, and prices reflect all information about a security. Unfortunately, it can take a few days of short runs for this efficiency to kick in.

Day traders are speculators working in zero-sum markets one day at a time. That makes the dynamics different from other types of financial activities you may have been involved in.

When you take up day trading, the rules that may have helped you pick good stocks or find great mutual funds over the years will no longer apply. This is a different game with different rules.

Speculating, not hedging

Professional traders fall into two categories: speculators and hedgers. Speculators look to make a profit from price changes. Hedgers are looking to protect against a price change. They're making their buy and sell choices as insurance, not as a way to make a profit, so they choose positions that offset their exposure in another market. For example, a food-processing company might look to hedge against the risks of the prices of key ingredients — like corn, cooking oil, or meat — going up by buying futures contracts on those ingredients. That way, if prices do go up, the company's profits on the contracts help fund the higher prices that it has to pay to make its products. If the prices stay the same or go down, it loses only the price of the contract, which may be a fair tradeoff to the company.

The farmer raising corn, soybeans, or cattle, on the other hand, would benefit if prices went up and would suffer if they went down. To protect against a price decline, the farmer would sell futures on those commodities. Then, his futures position would make money if the price went down, offsetting the decline on his products. And if the prices went up, he'd lose money on the contracts, but that would be offset by his gain on his harvest.

The commodity markets were intended to help agricultural producers manage risk and find buyers for their products. The stock and bond markets were intended to create an incentive for investors to finance companies. Speculation emerged in all of these markets almost immediately, but it was not their primary purpose.

Markets have both hedgers and speculators in them. Day traders are all speculators. They look to make money from the market as they see it now. They manage their risks by carefully allocating their money, using stop and limit orders (which close out positions as soon as predetermined price levels are reached) and closing out at the end of the night. Day traders don't manage risk with offsetting positions the way a hedger does. They use other techniques to limit losses, like careful money management and stop and limit orders (all of which you can learn about in Chapter 2).

Knowing that different participants have different profit and loss expectations can help a day trader navigate the turmoil of each day's trading. And that's important, because to make money in a zero-sum market, you only make money if someone else loses.

Understanding zero-sum markets

In a zero-sum game, there are exactly as many winners as losers. There's no net gain, which makes it really hard to eke out a profit. And here's the thing: Options and futures markets, which are popular with day traders, are zero-sum markets. If the person who holds an option makes a profit, then the person who *wrote* (which is option-speak for *sold*) that option loses the same amount. There's no net gain or net loss in the market as a whole.

Now, some of those buying and selling in zero-sum markets are hedgers who are content to take small losses in order to prevent big ones. Speculators may have the profit advantage in certain market conditions. But they can't count on having that advantage all the time.

So who wins and loses in a zero-sum market? Some days, it all depends on luck, but over the long run, the winners are the people who are the most disciplined. They have a trading plan, set limits and stick to them, and can trade based on the data on the screen — not based on emotions like hope, fear, and greed.

Unlike the options and futures markets, the stock market is not a zero-sum game. As long as the economy grows, company profits will grow, and that will lead to growing stock prices. There really are more winners than losers over the long run. That doesn't mean there will be more winners than losers today, however. In the short run, the stock market should be treated like a zero-sum market.

If you understand how profits are divided in the markets that you choose to trade, you'll have a better understanding of the risks that you face as well as the risks that are being taken by the other participants. People do make money in zero-sum markets, but you don't want those winners to be making a profit off of you.

Some traders make money — lots of money — doing what they like. Trading is all about risk and reward. Those traders who are rewarded risked the 80 percent washout rate. Knowing that, do you want to take the plunge? If so, read on. And if not, read on anyway, as you might get some ideas that can help you manage your other investments.

Keeping the discipline: closing out each night

Day traders start each day fresh and finish each day with a clean slate. That reduces some of the risk, and it forces discipline. You can't keep your losers longer than a day, and you have to take your profits at the end of the day before those winning positions turn into losers.

And that discipline is important. When you are day trading, you face a market that does not know and does not care who you are, what you are doing, or what your personal or financial goals are. There's no kindly boss who might cut you a little slack today, no friendly coworker to help through a jam, no great client dropping you a little hint about her spending plans for the next fiscal year. Unless you have rules in place to guide your trading decisions, you will fall prey to hope, fear, doubt, and greed — the Four Horsemen of trading ruin.

So how do you start? First, you develop a business plan and a trading plan that reflect your goals and your personality. Then, you set your working days and hours and you accept that you will close out every night. Both of these steps are covered in Chapter 2. As you think about the securities that you will trade (Chapter 3) and how you might trade them (Chapters 12 and 13), you'll also want to test your trading system (Chapter 11) to see how it might work in actual trading.

In other words, you do some preparation and have a plan. That's a basic strategy for any endeavor, whether it's running a marathon, building a new garage, or taking up day trading.

Committing to Trading as a Business

For many people, the attraction of day trading is that traders can very much control their own hours. Many markets, like foreign exchange, trade around the clock. And with easy Internet access, day trading seems like a way to make money while the baby is napping, on your lunch hour, or working just a few mornings a week in between golf games and woodworking.

REMEMBER

That myth of day trading as an easy activity that can be done on the side makes a lot of traders very rich, because they make money when traders who are not fully committed lose their money.

Day trading is a business, and the best traders approach it as such. They have business plans for what they will trade, how they will in invest in their business, and how they will protect their trading profits. So, much of this book is about this business of trading: how to do a business plan (Chapter 2), how to set up your office (Chapter 6), tax considerations (Chapter 10), and performance evaluation (Chapter 11). If you catch a late-night infomercial about trading, the story will be about the ease and the excitement. But if you want that excitement to last, you have to make the commitment to doing trading as a business to which you dedicate your time and your energy.

Trading part-time: an okay idea if done right

Can you make money trading part-time? You can, and some people do. To do this, they approach trading as a part-time job, not as a little game to play when they have nothing else to going on. A part-time trader may commit to trading three days a week, or to closing out at noon instead of at the close of the market. A successful part-time trader still has a business plan, still sets limits, and still acts like any professional trader would, just for a smaller part of the day.

Part-time trading works best when the trader can set and maintain fixed business hours. Your brain knows when it needs to go to work and concentrate on the market, because the habit is ingrained.

The successful part-timer operates as a professional with fixed hours. Think of it this way: My son is a patient in a group pediatric practice that has some part-time doctors. They keep set hours and behave like any other doctors in the practice; it's just that they do it for fewer hours each week. They commit their attention to medicine when they are on the job, and patients only know about their part-time hours when it comes time to make an appointment. These doctors don't pop into the office and start giving shots during their lunch break from their "real" job, sneaking around so that their "real" boss doesn't find out. And what patient would want to be seen by a doctor who won't dedicate themselves to providing health care, even if it's just for a few hours a day?

If you want to be a part-time day trader, approach it the same way that a part-time doctor, part-time lawyer, or part-time accountant would approach work. Find hours that fit your schedule and commit to trading during them. Have a dedicated office space with high-speed Internet access and a computer that you use just for trading. If you have children at home, you may need to have child care during your trading hours. And if you have another job, set your trading hours away from your work time. Trading via cell phone during your morning commute is a really good way to lose a lot of money (not to mention your life if you try it while driving).

Trading as a hobby: a bad idea

Because of the excitement of day trading and the supposed ease of doing it, you may be thinking that it would make a great hobby. If it's a boring Saturday afternoon, you could just spend a few hours day trading in the forex market (foreign exchange), and that way you'd make more money than if you spent those few hours playing video games! Right?

Uh, no.

Trading without a plan and without committing the time and energy to do it right is a route to losses. Professional traders are betting that there will be plenty of suckers out there, because that creates the losers that allow them to take profits in a zero-sum market.

The biggest mistake an amateur trader can make is to make a lot of money the first time trading. That first success was almost definitely due to luck, and that luck can turn against a trader on a dime. If you make money your first time out, take a step back and see if you can figure out why. Then test your strategy, using Chapter 11 as a guide, to see if it's a good one that you can use often.

Yes, I have two warnings in this section, and for good reason: Successful day traders commit to their business. Even then, most day traders fail in their first year. Brokerage firms, training services, and other traders have a vested interest in making trading seem like an easy activity that you can work into your life. But it's a job — a job that some people love, but a job nonetheless.

If you really love the excitement of the markets, there are ways to invest on a hobbyist's schedule. First, you can spend your time doing fundamental research to find long-term investments, which is described a little bit in Chapter 12. You can look into alternative investments to help diversify your portfolio; Chapter 3 can get you started on that. You can also trade with play money, either in demo accounts or in trading contests, to try out trading without committing real money. Chapter 20 has some ideas on that.

Working with a Small Number of Assets

Most day traders pick one or two markets and concentrate on those to the exclusion of all others. That way, they can learn how the markets trade, how news affects prices, and how the other participants react to new information. Also, concentrating on just one or two markets helps a trader maintain focus.

And what do day traders trade? Chapter 3 has information on all of the different markets and how they work, but here's a quick summary of the most popular assets with day traders right now:

- **Financial futures:** Futures contracts allow traders to profit from price changes in such market indexes as the S&P 500 or the Dow Jones Industrial Average. They give traders exposure to the prices at a much lower cost than buying all of the stocks in the index individually. Of course, they tend to be more volatile than the indexes they track, because they are based on expectations.
- **Forex:** *Forex*, short for *foreign exchange*, involves trading in currencies all over the world to profit from changes in exchange rates. Forex is the largest and most liquid market there is, and it's open for trading all day, every day except Sunday. Traders like the huge number of opportunities. Because most price changes are small, they have to use *leverage*

(borrowed money) to make a profit. The borrowings have to be repaid no matter what happens to the trade, which adds to the risk of forex.

- **Common stock:** The entire business of day trading began in the stock market, and the stock market continues to be popular with day traders. They look for news on company performance and investor perception that affect stock prices, and they look to make money from those price changes. Day traders are a big factor in some industries, such as technology. The big drawback? Stock traders can get killed at tax time if they are not careful. (See Chapter 10 for more information.)

Managing your positions

A key to successful trading is knowing how much you are going to trade and when you are going to get out of your position. Sure, day traders are always going to close out at the end of the day — or they wouldn't be day traders — but they also need to cut their losses and take their profits as they occur during the day.

Traders rarely place all their money on one trade. That's a good way to lose it! Instead, they trade just some of it, keeping the rest to make other trades as new opportunities in the market present themselves. If any one trade fails, the trader still has money to place new trades. Some traders divide their money into fixed proportions, and others determine how much money to trade based on the expected risk and expected return of the security that they are trading. Careful money management helps a trader stay in the game longer, and the longer a trader stays in, the better the chance of making good money. Chapter 2 has more information on this.

To protect their funds, traders use *stop and limit orders*. These are placed with the brokerage firm and kick in whenever the security reaches a predetermined price level. If the security starts to fall in price more than the trader would like, *bam*! It's sold, and no more losses will occur on that trade. The trader doesn't agonize over the decision or second-guess herself. Instead, she just moves on to the next trade, putting her money to work on a trade that's likely to be better.

REMEMBER

Day traders make a lot of trades, and a lot of those trades are going to be losers. The key is to have more winners than losers. By limiting the amount of losses, the trader makes it easier for the gains to be big enough to generate more than enough money to make up for them.

Focusing your attention

Day traders are often undone by stress and emotion. It's hard, looking at screens all day, working alone, to keep a steady eye on what's happening in the market. But traders have to do that. They have to concentrate on the market and stick to their trading system, staying as calm and rational as possible.

Those who do well have support systems in place. They are able to close their positions and spend the rest of the day on other activities. They do something to get rid of their excess energy and clear their minds, such as running or yoga or meditation. They understand that their ability to maintain a clear mind when the market is open is crucial.

Traders sometimes think of the market itself, or everyone else who is trading, as the enemy. The real enemies are emotions: doubt, fear, greed, and hope. Those four feelings keep traders from concentrating on the market and sticking to their systems.

One of the frustrations of trading is that some days, there will be more opportunities to trade than you have time or money to trade. Good trades are getting away from you. You simply don't have the resources to take advantage of every opportunity you see. That's why it's important to have a plan and to concentrate on what works for you.

Personality Traits of Successful Day Traders

Traders are a special breed. They can be blunt and crude, because they act fast against a market that has absolutely no consideration for them. For all their rough exterior, they maintain strict discipline about how they approach their trading day and what they do during market hours.

The discipline begins with a plan for how to start the day, including reviews of news events and trading patterns. It includes keeping track of trades made during the day, to help the trader figure out what works and why. And it depends on cutting losses as they occur, reaping all profits that appear, and refining a set of trading rules so that tomorrow will be even better. No, it's not as much fun as just jumping in and placing orders, but it's more likely to lead to success.

Not everyone can be a day trader, nor should everyone try it. In this section I cover some of the traits that make up the best of them.

Independence

For the most part, day traders work by themselves. Although some cities have offices for traders, known as *trading arcades*, the number of these places has been declining over the years because the cost of setting up at home has gone down dramatically. Computers and monitors are relatively inexpensive, high-speed Internet connectivity is easier to get, and many brokerage firms cater to the needs of traders who are working by themselves.

So that leaves the day trader at home, alone, stuck in a room with nothing but the computer screen for company. It can be boring, and it can make it hard to concentrate. Some people can't handle it.

But other traders thrive on being alone all day, because it brings out their best qualities. They know that their trading depends on them alone, not on anyone else. The trader has sole responsibility when something goes wrong, but he also gets to keep all the spoils. He can make his own decisions about what works and what doesn't, with no pesky boss or annoying corporate drone telling him what he needs to do today.

If the idea of being in charge of your own business and your own trading account is exciting, then day trading might be a good career option for you.

TIP

And what if you want to trade but don't want to be working by yourself? Consider going to work for a brokerage firm, a hedge fund, a mutual fund, or a commodities company. These businesses need traders to manage their own money, and they usually have large numbers of people working together on their trading desks to share ideas, cheer each other on, and give each other support when things go wrong.

REMEMBER

No matter how independent you are, your trading will benefit if you have friends and family to offer you support and encouragement. That network will help you better manage the emotional aspects of trading. Besides, it's more fun to celebrate your success with someone else!

Quick-wittedness

Day trading is a game of minutes. An hour may as well be a decade when the markets are moving fast. And that means a day trader can't be deliberative or panicky. When it's time to buy or sell, it's time to buy or sell, and that's all there is to it.

Many investors prefer to spend hours doing a careful study of a security and markets before committing money. Some of these people are enormously successful. Warren Buffett, the CEO of Berkshire Hathaway, amassed $37 billion from his careful investing style, money that he is giving to charity. But Buffett and people like him are not traders.

Traders have to have enough trust in their system and enough experience in the markets that they can act quickly when they see a buy or sell opportunity.

Many brokerage firms offer their clients demonstration accounts or backtesting services that allow traders to work with their system before committing actual dollars, helping them learn to recognize market patterns that signal potential profits.

A trader with a great system who isn't quick on the mouse button has another option: automating trades. Many brokerage firms offer software that will execute trades automatically whenever certain market conditions occur. For many traders, it's a perfect way to take the emotion out of a trading strategy. Others dislike automatic trading, because it takes some of the fun out of it. And let's face it, successful traders find the whole process to be a good time.

Decisiveness

Day traders have to move quickly, so they also have to be able to make decisions quickly. There's no waiting until tomorrow to see how the charts play out before committing capital. If the trader sees an opportunity, she has to go with it. Now.

But what if it's a bad decision? Well, of course some decisions are going to be bad. That's the risk of making any kind of an investment, and without risk, there is no return. Anyone playing around in the markets has to accept that.

But two good day trading practices help limit the effects of making a bad decision. The first is the use of stop and limit orders, which automatically close out losing positions. The second is closing out all positions at the end of every day, which lets traders start fresh the next day.

If you have some downside protection in place, then it's psychologically easier to go ahead and make the decisions you need to make in order to make a profit. And if you are one of those people who has a hard time making a decision, day trading probably isn't right for you.

What Day Trading Is Not

There is much mythology about day trading: Day traders lose money. Day traders make money. Day traders are insane. Day traders are cold and rational. Day trading is easy. Day trading is a direct path to alcoholism and ruin.

I'm going to bust a few day trading myths. Someone has to do it, right? There's both good news and bad news in this section, so read it through to get some perspective on what, exactly, the day trader can expect from this new endeavor.

It's not investing . . .

Day traders never hold a position for more than a day. Swing traders hold positions for a few days, maybe even a few weeks, but rarely longer than that. Investors hold their stakes for the long term, with some looking to hang onto their securities for decades and maybe even hand them down to their children.

Day trading is most definitely not investing. It's an important function to the capital markets because it forces the price changes that bring the supply and demand of the market into balance, but it doesn't create new sources of funding for companies and governments. It doesn't generate long-term growth.

Many day traders withdraw their trading capital on a regular basis to put into investments, helping them build a long-term portfolio for their retirement or for other ventures they might want to take on. There's a good chance the trader will have someone else manage this money, because investing and trading have different mindsets.

But it's not gambling . . .

One of the biggest knocks on day trading is that it's just another form of gambling. And as everyone knows, or should know: In gambling, the odds always favor the house.

In day trading, the odds are even in many markets. The options and futures markets, for example, are zero-sum markets with as many winners as losers, but those markets also include people looking to hedge risk and who thus have lower profit expectations than do day traders.

The stock market has the potential for more winning trades than losing trades, especially over the long run, so it's not a zero-sum market. The odds are ever-so-slightly in the trader's favor.

And in all markets, the prepared and disciplined trader can do better than the frantic, naïve trader. That's not the case when gambling, because no matter how prepared the gambler is, the casino has the upper hand.

WARNING!

People with gambling problems sometimes turn to day trading as a socially acceptable way to feed their addiction. If you know you have a gambling problem or suspect you are at risk, it's probably not a good idea to take up day trading. Day traders who are closet gamblers tend to make bad trades and have trouble setting limits and closing out at the end of the day. They turn the odds against them. Chapter 4 has some information on the line between day trading and gambling.

It's hardly guaranteed . . .

Given the participation of day traders in securities markets, researchers are always trying to figure out whether they make money. And the answers aren't good. Here I review some of the literature to show you the current state of day trading success rates. Note that they are low. Few people who take this up succeed, in part because few people who take this up are prepared. And even many of the prepared traders fail.

Much of the research covers performance in the late 1990s, when day trading became wildly popular. It grew along with the commercial Internet, and it fell out of favor when the Internet bubble burst.

REMEMBER

Day trading is difficult, but it is not impossible. You can improve your chances of success by taking the time to prepare and by having enough money to fund your initial trading account. During the first year, you'll want to handle trading losses and still be able to pay your rent and buy your groceries. Knowing that the basics of your life are taken care of will give you more confidence, and that will help your performance.

"Do Day Traders Make Money? Evidence from Taiwan"

This paper, written in 2004 by Brad Barber, Yi-Tsung Lee, Yu-Jane Liu, and Terrance Odean (and available at `http://faculty.haas.berkeley.edu/odean/papers/Day%20Traders/Day%20Trade%20040330.pdf`) found that only 20 percent of day traders in Taiwan tracked between 1995 and 1999 made money in any six-month period, after considering transaction costs. Median profits, net of costs, were U.S. $4,200 for any six-month period, although the best traders showed semi-annual profits of $33,000. The study also found that those who placed the most trades made the most money, possibly because they are the most experienced traders in the group.

"Report of the Day Trading Project Group"

In 1999, the North American Securities Administrators Association, which represents state and provincial securities regulators in the United States, Canada, and Mexico, researched day trading so that its members could provide appropriate oversight. The report, which you can see at `www.nasaa.org/content/Files/NASAA_Day_Trading_Report.pdf`, did not include performance data. However, it cited several cases where brokerage firms were sanctioned by regulators for misrepresenting their clients' performance numbers, including one firm that had no clients with profits.

"Trading Profits of SOES Bandits"

Paul Schultz and Jeffrey Harris looked into the profits made by the so-called SOES bandits, day traders who took advantage of loopholes that existed in NASDAQ's Small Order Entry System in the 1990s. These people were the first day traders. Did they make money? The authors looked at a few weeks of trade data from two different firms. What they found was that about a third of all round-trip trades (buying and then later selling the same security) lost money before commissions. Only a quarter of the round-trip trades had a profit of $250 or more before commissions. The 69 traders in the study made anywhere from one to 312 round-trip trades per week. They had an average weekly profit after commission of $1,690; however, almost half of the traders, 34 of them, lost money in an average week.

You can see the abstract at `http://papers.ssrn.com/sol3/papers.cfm?abstract_id=137949`. The full article is available through many libraries.

But it's not exactly dangerous . . .

Yes, a lot of day traders lose money, and some lose everything that they start out with. Many others don't lose all of their trading capital; they just decide that there are better uses of their time and better ways to make money.

A responsible trader works with *risk capital*, which is money that she can afford to lose. She uses stop and limit orders to minimize her losses, and she always closes out at the end of the day. She understands the risks and rewards of trading, and that keeps her sane.

REMEMBER

Many day trading strategies rely on *leverage*, which is the use of borrowed money to increase potential returns. That carries the risk of the trader losing more money than is in his account. However, the brokerage firm doesn't want that to happen, so it will probably close a leveraged account that's in danger of going under. That's good, because it limits your potential loss.

It's not easy . . .

Along with the relatively low rate of success, day trading is really stressful. It takes a lot of energy to concentrate on the markets, knowing that real money is at stake. The profit amounts on any one trade are likely to be small, which means the trader has to be persistent and keep placing trades until the end of the day.

Some traders can't handle the stress. Some get bored. Some get frustrated. And some can't believe that they can make a living doing something that they love.

But then, neither are a lot of other worthwhile activities

Day trading is tough, but many day traders can't imagine doing anything else. The simple fact is that a lot of occupations are difficult ways to make a living, and yet they are right for some people. Every career has its advantages and disadvantages, and day trading is no different.

When you finish this book, you should have a good sense of whether or not day trading is right for you. If you realize that it's the career you have been searching for, I hope it leaves you with good ideas for how to get set up and learn more so that you are successful.

And if you find that maybe day trading isn't right for you, I hope you get some ideas that can help you manage your long-term investments better. After all, the attention to price movements, timing, and risk that is critical to a day trader's success can help any investor improve their returns. What's not to like about that?

Putting day trading success rates in perspective

When I was doing research for this book, I talked to one very successful trader who told me two things. First, he was suspicious of all the books and training programs on day trading, because he didn't think that they really helped people learn to trade. Despite that, he liked that they existed, because trading had proven to be a great way for him to make a good living and support his family, and he thought it would be great if those people who are cut out for trading discovered the business.

Yes, most day traders fail — about 80 percent in the first year, as I noted earlier. But so do a large percentage of people who start new businesses or enter other occupations. That's why I've combed through several different reports and databases to show how well people do in other fields. (My sources are *Realty Times*; Barber, Lee, Liu, and Odean; American College of Sports

Medicine; ACT; Ohio State University; and the National Center for Education Statistics.)

Field	*First Year Failure Rate (%)*
Real estate sales	86
Day trading	80
Training for a marathon	70
College	33
Restaurants	26
Teaching	13

If you understand the risks and keep them in perspective, you'll be better able to handle the slings and arrows of misfortune on the way to your goal.