

## PART I

# Survival Basics

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## CHAPTER 1

# It's a Jungle Out There!

**I**t doesn't matter what country you live in, or what business or company you work in, or what financial market you invest in—it's a jungle out there! And by that I mean to survive financially you will need to identify and focus on your top priorities with precision and be wary of possible adversaries, competitors, and obstacles that exist in each respective environment.

Around the world in each country, there are political developments that to one degree or another affect your livelihood for better or worse. In every business or company there are individuals who may exploit your weaknesses to further their own survival or prosperity. And of course in every financial market there are “sharks,” as I like to refer to them, who will gladly eat you alive if they can so that you are on the losing side of a trade or investment and they are on the winning side.

The only law of the jungle is survival, and that is the focus of this book. With your trading and investing you will of course be following the rules of law in your country and whatever your personal ethics are. But within that framework you need to be diligent and be absolutely determined to survive and prosper. In this day and age, you need to be more involved and aware than ever to advance your personal financial prosperity, and there are many effective ways to do so. We cover these techniques in the coming chapters.

**BRAWN, BRAINS, AND TECHNOLOGY**

Historically when talking about survival of the fittest, it comes down to the strongest, biggest, and most intelligent creatures that are at the top of the food chain and that outlive the others. For example, in the jungle the lion is the king of the beasts because of his strength and size. But, in contrast, man is king of the planet because he has used his brain to ultimately outsmart all other living creatures.

The intellectual superiority of the human race is really what adds technology and strategy to the mix. It's not their physical brawn, but instead it is their brains that have elevated the human race to this current position of power. Consider the invention of fire on demand, the wheel, weaponry, transportation, and computers. Once a given invention is introduced, again it reverts back to the prevailing creature that is most able to put the technology to effective use with either brawn or brains. And it comes down to which individuals have *access* to new technology as well. In under-developed regions computers are not readily available, where as the more developed regions have greater access to technology and as a result have a greater opportunity to survive and dominate. As Bill Gates, Microsoft's creator and the world's richest man, has so accurately said, technology and computers will determine which modern cultures will survive and excel.

So really strength and intelligence and access to technological opportunity are equally important in the game of modern day survival, and individual circumstances determine which is needed most at any given time or place. (See Table 1.1.)

The paradox around brawn versus brains makes me think about a program that appeared on the History Channel. It was about the Vikings in Europe during a global climate change. The strength and physical size of the legendary Viking warriors, which were exceptional compared to the attributes of some other cultures during the same time period, were not enough to ensure their survival. What sadly happened was that the Viking

**TABLE 1.1** Survival in the Financial Arena Depends on Using All of Your Available Assets and Resources, Including Brawn, Brains, and Technology

Brawn	Brains	Technology
Confidence	Experience	Computers
Emotional strength	High IQ	Software
Persistence and focus	Education	News feeds
Financial strength	Street smarts	Fast order execution
Stamina and endurance	Strategic skills	Live market data

culture became extinct because they did not adapt to the changing climate, which was becoming much colder in their region. Strategically they did not move their villages south and were unable to develop enough technology to obtain food in the new colder climate that offered declining crops and less wildlife to feed them.

There were other cultures in that region during the end of the Viking era that were less impressive in physical size and strength, but they fared better than the Vikings due to their ability to adapt to the changing environment around them. They used their reasoning and intelligence to develop primitive but effective techniques for obtaining food and shelter and to move to different locations to escape the challenges that they had faced in the changing climate of their former homes. They were able to identify a changing environment and adapt in order to survive.

This example shows that it is not imperative that you be the biggest and strongest to survive and prosper. It is imperative, though, that you use every asset at your disposal to continually improve and protect your financial ground. You may in fact be more nimble as a smaller investor or trader than some of the bigger financial giants and Vikings that have fallen in recent times.

This is due to the fact that you have less red tape and political quagmires to navigate through than the huge institutions. You can take immediate action at a moment's notice and you need no sign-off or approval from a committee of bureaucrats. The bottom line is you need to be quick on your feet and to identify changing circumstances and effectively adapt to them.

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## **TECHNOLOGICAL AND INNOVATION TIME LINE**

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Technology and innovation throughout the ages have changed the course of history. Table 1.2 illustrates a time line of developments that have impacted the way humans live their lives. These innovations and discoveries have also enabled humans to survive and prosper in a constantly evolving world.

Necessity is the mother of invention, as well as the mother of technology and innovation. That is how all good ideas are born; they are in answer to a need. And technology is often developed in answer to a need for military and transportation products first, and then, once developed, these products are applied to other everyday endeavors.

You can see how some of the more modern innovations such as the computer, Internet access, and search engines have changed the way that traders conduct business. Now information and data are more accessible than ever before to the average individual. Technological innovations have

**TABLE 1.2**

This Time Line of Technological Developments throughout History Illustrates the Impact That Technology and Innovation Have Had on Our Survival and Prosperity

Year	Technological Innovation or Discovery
500,000 B.C.	Fire tamed by Homo erectus
20,000	Invention of the bow and arrow
3500	First wheeled carts used in Mesopotamia and Central Europe
3000	Abacus invented by the Chinese
700	First purpose-made sundials appear
650	Standardized coins used by the Greeks
400	Greeks invent the catapult, the first artillery weapon
1180 A.D.	Windmills introduced in Europe
1440	Printing press invented by Johannes Gutenberg
1492	Columbus discovers the New World and proves the world is not flat
1800	Electric battery invented by Alessandro Volta
1821	Difference engine, first primitive computer, invented by Charles Babbage
1876	Telephone invented by Alexander Graham Bell
1880	Lightbulb invented by Thomas Edison
1888	Kodak camera invented by George Eastman
1889	Automobile invented by Karl Benz
1895	Wireless telegraph (radio) invented by Guglielmo Marconi
1903	Airplane invented by the Wright brothers
1913	Mass production developed by Henry Ford
1925	Television invented by John Logie Baird
1927	Charles Lindbergh makes nonstop solo trans-Atlantic flight from New York to Paris
1936	Multiplane animation camera invented by Disney studios used to produce animated cartoons
1940	First McDonald's fast-food restaurant opened by Ray Kroc
1958	U.S. Defense Advanced Research Projects Agency (DARPA) created (agency that began the Internet)
1962	First Wal-Mart discount department store opened by Sam Walton
1966	Handheld calculator invented by Jack Kilby
1969	U.S. NASA Apollo 11 mission lands the first two men on the moon
1970	First Intel i1103 computer chip released
1975	Charles Schwab starts offering discount brokerage services
1984	Microsoft Windows operating system released by Bill Gates
1984	First Macintosh computer and first mouse introduced by Apple Computer, Inc., which was founded by Steve Jobs and Steve Wozniak
1991	World Wide Web invented by Tim Berners-Lee
1998	Google Internet search engine founded by Sergey Brin and Larry Page
2004	Facebook social networking site launched by Mark Zuckerberg

leveled the playing field. We as traders must apply the latest available technology in our day-to-day operations. We must also be aware of the constantly changing and evolving technological advances, since our survival depends on it. You want to be on the cutting edge whenever possible regarding technology.

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### **DON'T BRING A KNIFE TO A GUNFIGHT**

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As we saw in Table 1.2, technology has been developing and changing the world since the beginning of time. Anyone with a computer today knows that the minute you open the box of your brand-new super-spectacular computer, it is already outdated. It seems every time I open the box of the latest and greatest new multiple-core computer of mine, an e-mail arrives in my inbox moments later for another with twice the speed and functionality; and such is life.

With this understanding, remember that when entering the financial markets it is important to obtain the best technology you can afford at the time, as this will improve your odds for success. If your competitors in the market are using technical analysis and live streaming data from the markets, you will want to be similarly equipped. And, if they have access to up-to-the-minute news and fundamental information, you will want that information as well if your approach requires it.

Don't bring a knife to a gunfight, and don't bring antique technology and information to the markets when you are trading and investing. Get as up-to-date as you can so that it's a fair fight.

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### **RIGHT IN MY OWN BACKYARD**

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Night after night I'm reminded of the reality of nature and the struggle of all living things to survive. We live on a hilltop overlooking a canyon here in southern California, and there are acres and acres of wide-open spaces all around us. When we first moved here in 1997 from New York City, which is the ultimate concrete jungle, the sounds of the night in my own backyard here in San Diego were new and fascinating to me.

The variety of wildlife you can see right out there beyond the fence range from deer, coyotes, bobcats, and raccoons to quail, owls, bats, and rattlesnakes—hardly the type of wildlife I'd been used to in the big city. The most you would see in New York City might be some pigeons, squirrels, or ducks in Central Park. Here on the canyon, it's like getting a front-row seat

for the National Geographic channel and all the inner workings of our ecosystem. And the brains and brawn issue comes up when you can see that each species has certain skills, strengths, and weaknesses.

All these animals coexist and live in balance as they have done for hundreds of years. And for those of us, like me, who have lived in mostly residential areas, it is rare that we see up close the brutal realities of nature and what maintains the balance. There's a food chain; some of my backyard animals are herbivores, some carnivores, and others omnivores. Just the other day there was a blue jay on my fence that was chomping on a beautiful monarch butterfly. And then there is this giant flying egret that visits our pond every so often to feast on our goldfish, much to my children's dismay.

In one sense it seems harsh, but in another way it's just nature—very much like when the coyotes use their cunning and shrewd strategies to trap a much larger deer down there in that canyon. You can hear the “yip-yip” howls of the coyotes as they work themselves into a frenzy, until there is total silence and you know they are feasting on their latest kill.

The markets are no different; in fact, they are exactly the same. It is the cycle of life—there are winners and losers, and that is the reality. Maybe it is not exactly life and death in the markets in a physical sense, but it can be your financial life and death. To help protect you in the jungle of the financial markets, we are going to educate you step-by-step about the brawn, brains, and technology you need in order to compete with the kings of the financial jungle and to help you come out ahead.