# 20 Rules Followed by Professional Traders

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*“Reading is not for dabblers, the dreamers, or the desperate. It requires, above all, one steadfast trait of dedication. So if you are going to trade, trade like you mean it”*
*- Rod Casilli*

# Prologue

Booking reliable profits in financial markets is harder than it looks at first glance. In fact, unofficial estimates suggest that more than 80% of would-be traders eventually fail, wash out, and turn to safer hobbies. But the brokerage industry rarely publishes client failure rates because they're likely concerned the truth will scare off new accounts. In reality, the washout rate could be much higher than 80%.

Indeed, success in trading is difficult and the consistently profitable traders share specific rare characteristics. These 20 rules are tips that long-time pros use to stay in the winner’s circle.

The Road to Long-Term Profitability
Long-term profitability requires two related skill sets. The first is to identify a set of strategies that make more money than they lose and then to use the strategies as part of a trading plan. Second, the strategies must perform well while the market experiences both bull and bear impulses. In other words, while many traders know how to make money in specific markets, like a strong uptrend, they fail in the long run because their strategies don't adapt to inevitable changes in market conditions.

## KEY TAKEAWAYS

Profitable trading is difficult and successful traders share specific rare characteristics.
It is estimated that more than 80% of traders fail and quit.
One key to success is to identify strategies that win more money than they lose.
Many traders fail because strategies fail to adapt to changing market conditions.
Classic rules from pro traders can help keep a sharp focus on profitability.
Can you break away from the pack and join the professional minority with an approach that increases odds for long-term prosperity? Can you separate from the herd of wannabe traders and achieve trading success? Start with a clear and concise plan with proven strategies and then leverage the 20 rules that follow.

### 1. Stick to Your Discipline

Discipline can’t be taught in a seminar or found in expensive trading software. Traders spend thousands of dollars trying to compensate for their lack of self-control but few realize that a long look in the mirror accomplishes the same task at a much lower price. The important lesson is that, once a trader has confidence in their trading plan, they must have the discipline to stay the course, even when there are the inevitable losing streaks.

### 2. Lose the Crowd

Long-term profitability requires positioning ahead of or behind the crowd, but never in the crowd because that’s where predatory strategies target. Stay away from stock boards and chat rooms, where people are less than serious and many of them have ulterior motives.

### 3. Engage Your Trading Plan

Update your trading plan weekly or monthly to include new ideas and eliminate bad ones. Go back and read the plan whenever you fall in a hole and are looking for a way to get out.

4. Don’t Cut Corners
Your competition spends hundreds of hours perfecting strategies and you’re in for a rude awakening if you expect to throw a few darts and walk away with a profit. The only way to achieve long-term success is with hard work and discipline.

5. Avoid the Obvious
Profits rarely come from following the majority or the crowd. When you see a perfect trade setup, it’s likely that everyone else sees it as well, planting you in the crowd, and setting you up for failure.

6. Don’t Break Your Rules
You create trading rules to get you out of trouble when positions go badly. If you don’t allow them to do their job, you’ve lost your discipline and opened the door to even greater losses.

7. Avoid Market Gurus
It’s your money at stake, not theirs. Keep in mind that the guru might be talking up their own positions, hoping the excited chatter will increase their profits, not yours.

8. Use Your Intuition
Trading uses the mathematical and artistic sides of your brain so you need to cultivate both to succeed in the long run. Once you're comfortable with math, you might want to try to enhance results with meditation, a few yoga postures, or a quiet walk in the park.

9. Don’t Fall in Love
If you're too in love with your trading vehicle or investment, you give way to flawed decision-making. It’s your job to capitalize on inefficiency, making money while everyone else is leaning the wrong way.

10. Organize Your Personal Life

Whatever is wrong in your life will eventually carry over into your trading performance. This is especially dangerous if you haven’t made peace with money, wealth, and the magnetic polarity of abundance and scarcity. Keep your trading needs separate from your personal needs, and take care of both.

11. Don’t Try to Get Even
Drawdowns are a natural part of the trader’s life cycle. Accept them gracefully and stick to the time-tested strategies you know will eventually get your performance back on track. Don't try to make up for a losing trade by trading more. Revenge trading is a recipe for disaster.

12. Watch for Warnings
Big losses rarely occur without multiple technical warnings. Traders routinely ignore those signals and allow hope to replace thoughtful discipline, setting themselves up for pain. In short, keep an eye out for early signs that market conditions are changing and creating risks to your positions.

13. Tools Don't Think
Some traders try to make up for insufficient skills with expensive software, prepackaged with all sorts of proprietary buy and sell signals. These tools can interfere with valuable experience when you think the software is smarter than you are. Use tools that fit well with your trading plan, but remember that, ultimately, you are the one calling the shots.

14. Use Your Head
It’s natural for traders to emulate their financial heroes, but it’s also a perfect way to lose money. Learn what you can from others, then back off and establish your own market identity, based on your unique skills and risk tolerance.

15. Forget the Holy Grail
Losing traders fantasize about the secret formula that will magically improve their results. In reality, there are no secrets because the road to success always passes through careful choice, effective risk management, and skilled profit-taking.

16. Ditch the Paycheck Mentality

We’re taught to grind through the work week for a paycheck. This pay-for-effort reward mentality is at odds with the natural flow of trading wins and losses during the course of a year. In fact, statistics indicate that most annual profits are booked on just a handful of trading days.

252
The number of actual trading days during a typical calendar year, as most markets are closed for holidays and weekends.

17. Don’t Count Your Chickens
It is okay to feel good about a trade that’s going your way, but the money isn’t yours until you close out or cover the position. Lock in what you can as early as you can, with trailing stops or partial profits, so the hidden hands of the market can't pickpocket your gains at the last minute.

18. Embrace Simplicity
Focus on price action, understanding that everything else is secondary. Go ahead and build complex technical indicators, while keeping in mind that their primary function is to confirm or refute what your eye already sees.

19. Make Peace With Losses
Trading is one of the few professions where losing money every day is a natural path to success. Every trading loss comes with an important market lesson if you’re open to the message. Also, know when to quit and take a break from trading. Accept the losses, take time to regroup, and then come back to the market with a new perspective.

20. Beware of Reinforcement
Active trading releases adrenaline and endorphins. These chemicals can produce feelings of euphoria even when you’re losing money. In turn, this encourages addictive personalities to take bad positions, just to get the rush. If you're trading to achieve a rush and excitement, you are probably trading for the wrong reasons.

## The Bottom Line

Most traders fail to tap their full potential, eventually cashing in their chips and finding more traditional ways to make money. Become a proud member of the professional minority by following classic rules designed to keep a razor-sharp focus on profitability.