Why 90% of All Traders Lose & How To Be Part of the 10% That WIN!

Why do traders lose? The statistics show that 90% of all traders lose money.

It's an age old question and while there is no magic formula and no way that anyone can guarantee that you won't lose money, there are 5 fundamental things that you can do to become part of the 10% THAT ARE CONSISTENTLY PROFITABLE!

How can it be done….

1. **DEVELOP A CLEAR AND CONCISE METHOD**

   First of all, if your goal is to become a consistently successful trader, you must have a clear and concise method of trading.

   In order to have that, you must have a clear and precise way of looking at and reading the markets. Guessing or going by gut instinct might work occasionally, but if you don't have a specific method, then you don't have a way to know what constitutes a buy or sell signal, and aren't able to correctly identify the trend.

   The way to go about this is to write it down. You need to define in writing what your analytical tools are and how you use them. It really doesn't matter what chards you use as long as you actually take the effort to define it.

   In other words, for example:

   - ✓ **What Constitutes a Buy – or when will your strategy allow you to enter a trade in a long position?**

- ✓ **What Constitutes a Sell – or when will your strategy allow you to enter a trade in a short position?**
- ✓ **What Constitutes a Stop – or what are your rules for placing your stop loss orders?**
- ✓ **Instructions on exiting a position – how many pips or what is your cash target for the trade you are contemplating?**
- ✓ **When to Use Limiting Orders – or will you use a limit order to automatically exit you from your trade?**
- ✓ **When to Manually Manage your Trade – what are your rules for moving your stop loss to lock in profits and exiting the trade?**

Clearly define your methods and define it by writing it down, and keep it simple! Don't make it too complicated…if you can't write it on the back of your hand, it's probably too complicated.

2. **YOU MUST HAVE THE DISCIPLINE TO FOLLOW THAT METHOD**

Once you have clearly and concisely defined your methodology, you absolutely must have the discipline to follow through with that method.

If you view a price chart differently than you did 2 months ago then you either haven't developed your method, or you lack the discipline to follow it.

The formula for success is to consistently follow and apply a proven method.

3. **HAVE REALISTIC EXPECTIONS**

Don't be too greedy! We've all seen the ads that may get our blood pumping with promises of becoming wealthy overnight whilst we sleep. Or even investing a few bucks in stock and making a million in a week, what usually sounds too good to be true usually is.

Now it is possible to experience above average returns or some trades, although it may be difficult to do without above average risk.

The goal for every trader, especially in the first year is not to lose money! Any per cent return you see above that is icing on the cake.

In other words, don't allow yourself to get greedy! This is the downfall of many traders. They start to feel overly confident and start taking higher risks and end up losing all their capital!

4. **BE PATIENT**

One of the reasons that most of us get into trading and the Forex market is because it's exciting. I mean let's face it, trading is a rush, and any time money is involved, it tends to get our blood pumping.

As a result, you can get tempted to start taking shortcuts on your methods – or you'll start making trades of lesser and lesser quality, seriously adding to your levels of risk and inherently over trading!

I have found that by reminding myself that I have no reason to worry about missing that next great opportunity, because there is another one right around the corner… guaranteed: works. If you are not as close to 100% sure of the trade you would like to enter, wait for the next one and cherry pick your trades according to your trading rules and strategy.

5. **MANAGE YOUR RISK BY MANAGING YOUR MONEY**

I could seriously write a whole book on the importance of managing your money. There are so many factors in managing your money…such as risk/reward analysis, probability of success and failure, and so much more.

With that in mind, I am going to address the issue of money management with a focus on risk on the entire portfolio size and not each individual transaction. You'll see what I mean.

I believe that many traders tend to be over aggressive in their trades. A good rule of thumb is to never risk any higher than 1-3% of your portfolio. If you have a small trading account, then trade small. However, if your trading bank is extremely low, you may have to look at trading 10% to enable you to find a trade.

The bottom line to becoming a consistently successful trader is longevity! Keep your risks small and you'll be able the weather the rough spots. If you're risking 25% of your portfolio on each trade, then it will only take 4 consecutive losses for you to be completely out of business.

Although it is my belief that making money in the foreign exchange market is easier than any of the other trading markets, it isn't easily done without your eyes wide open.

We can guarantee if you practice the above 5 steps, you won't be caught in the 90% of losing traders.

(This was donated by one of our most "consistently in profit" traders)

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