

# TOP 5 MISTAKES ALL INVESTORS NEED TO AVOID

## ... AND THE SOLUTIONS

### 1. Emotional trading

Perhaps the single biggest destroyer of a stock market portfolio. Emotions can be manipulated. If you follow your gut, you will buy and sell at all the wrong times. Market makers are counting on people trading with their heart and not their mind.

Solution: Simple. Get a trading system and stick to it. Better yet, write the rules for buying and selling the stock beforehand and share it with a confidant to ensure you adhere to it.

### 2. Buying stocks on the way down

Investors like to think they are prophets able to foretell how far a stock will move in any direction. Bad earnings come out and maybe the stock drops 10%. "Ah ha! A bottom is formed. I'll buy!" But what about all the other emotional traders that are being manipulated right now? Never try to grab a falling knife - you'll cut yourself. Let the knife fall to the floor and clatter first. Wait for the bottom to be formed and signal that the stock is recovering. This will take time and knowledge. Just because a stock dropped doesn't make it a good deal.

### 3. No clear rules for cutting losses short.

This can be a problem of rule #1 or it can be that the system is so shoddy that it doesn't have rules for cutting losses short. If a trade goes south - when will you exit gracefully? Will you take a 10% loss? 20%? Does it become a grudge match after that and are you now willing to ride the stock into the ground? Have concrete rules set in play. It could be as simple as "If it goes 7 or 8% below my buy price - I sell no matter what. Sure it may rebound - and I may have to re-buy at a 3% premium - but I will have saved my entire portfolio in the long run."

One day you will get a stock that will tank - or you'll be invested during a bust. Get out and wait. Don't lose your fortune like so many others in the dot-com bust.

### 4. No clear rules for profit taking

The stock goes from \$5 to \$10. The investor now thinks it could go to \$20 so he holds on all the way back down to \$5. Too bad!

Or he sells too soon. He rides the stock from \$5.00 to \$5.50 and it goes to \$10 without him on board.

A good stock system should allow you to ride the profits. It won't find you the exact top of the stock - but should at least help you find a spot to profit-take about 10 - 20% from the absolute top. Riding a \$5 stock up to \$8 or \$9 would be acceptable where taking only 10% profit in this case would not.

### 5. Day-trading for beginners

I am not a beginner, but I would never day-trade. I know the lure is there for a quick buck - but more often its a quick loss. You can double your investment in a month using other strategies that are far less risky than watching a stock in real-time and trying to guess the second-by-second emotional reactions of people. Its far easier to tell what a stock may do over weeks, months, and a year. But beyond the risk factor - I like to have a life. I screen for exploding growth stocks, I use technical analysis tools to look for a breakout, and I use options to give me 10x - 20x the buying power over a 3 to 6 month period. Then I go out and enjoy life and let the homework pay my way.

Sincerely,  
Kurtis Hemmerling

*Note to Reader: Kurtis Hemmerling has authored over 7 different stock systems to date that range from finding stock reversals to exploding growth stocks. He has helped hundreds of investors to lower their risk and have sizable gains through such methods outlined above and systems such as Trader's Guide to Options. He continues to forge ahead breaking new ground in analysis techniques and overall systems that are easy to implement and sound in theory.*