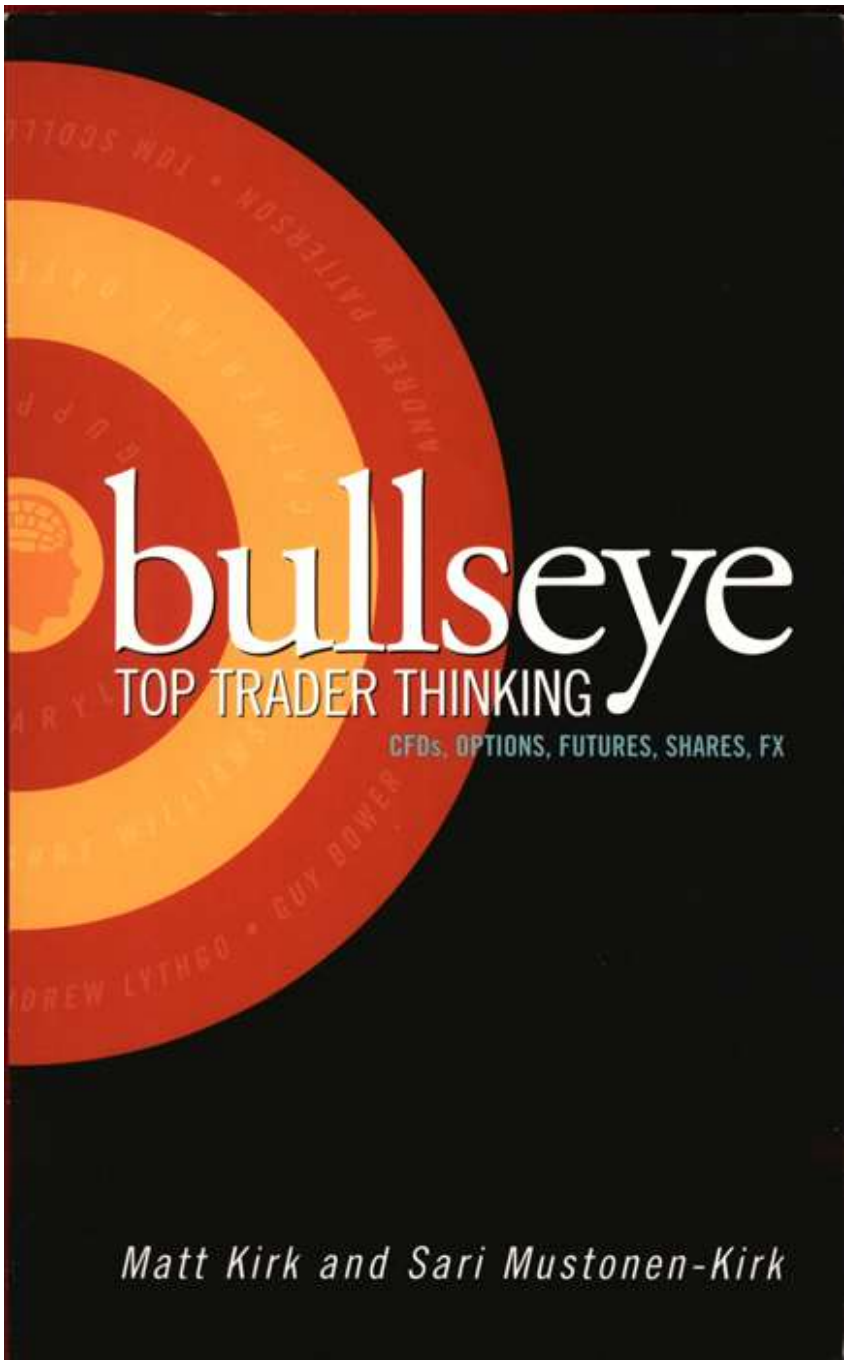
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TOP TRADER THINKING
CFDs, OPTIONS, FUTURES, SHARES, FX
Matt Kirk and Sari Mustonen-Kirk

*This is an excerpt from the book Bullseye: Top Trading Thinking. For the complete book visit:*

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# bullseye

## TOP TRADER THINKING

CFDs, OPTIONS, FUTURES, SHARES, FX

*Matt Kirk and Sari Mustonen-Kirk*

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Chapter 2

# I wanna be a trader! — the power of purpose

*He who has a why to live can bear with almost any how.*

Friedrich Nietzsche — philosopher

Like a siren song to sailors, each year the world's financial markets lure thousands of new hopefuls to try their hand at making it big. People dream the dream and the advertisers spur them along. 'If a taxidriver can rise to become one of the best traders in the world then maybe so can I,' they reason. Have you ever wondered how the 'super-anyones' achieve greatness and enjoy such success in their chosen fields? Is it because they're different, gifted, harder working or lucky? Maybe they have inside information, friends in high places or quite simply they're just a natural at something?

We believe 'super-people' ensure all steps are taken and not just the easy or quick ones. They focus on all elements of greatness related to what they set out to master. So why do budding traders think they'll be profitable by just focusing on charts, fundamentals, money management or tips? Traders are human; therefore, there's a number of vitally important steps required to make the brain, body and trading account all fire up at once, thereby enhancing their overall odds of success in something as highly specialised as futures, shares or foreign exchange speculation.

Aside from the obvious reasons, why become a trader? Why take the plunge and accept responsibility for your own future? Why take on all the extra work? What is the purpose? Sure, most people can spout out a few quick answers to those questions but have you really thought those things through?

In our seminars we often ask traders three questions:

Do you know why you trade?

Do you also know your purpose for trading?

Are you making the money you want from your trading?

The first question regarding why, generally sees around 30 per cent of the audience raise their hands. When we add in purpose, over half the hands go back down. Not surprisingly, the final question tends to see just 1 or 2 per cent of hands still in the air.

In any pursuit you must know why you've chosen that path and you must clearly understand the purpose behind it. You need to be able to clearly see the light at the end of the tunnel so to speak, no matter whether the situation is good or bad. The light you need to see is a light of, first and foremost, money and profits. You need to have a prize for your efforts — for poring over charts, getting beaten up initially before you learn how to trade in a way that suits you best, as well as learning how to roll with the inevitable and regular punches.

So why do you want to be a trader? There are many, many answers to this question and you need to find your own before embarking on, or continuing, trading. Reasons for trading are both conscious and subconscious. They can be financial, emotional, psychological, egotistical, situational or a combination of all of these. Let's now turn to perhaps the three most cited reasons for taking up trading or investing.

**1. Trading For money**

Make money pure and simple — Larry Williams

No-one goes into this field intending to lose money. The amount of time, capital and brain space required to trade is significant, so making money must be at the top of the list for wanting to trade. There's nothing wrong with having the desire for more money — it affords you the opportunity to lead a potentially more balanced, fulfilled and happy lifestyle. Money can allow greater freedom, more time with family and friends, as well as general peace of mind due to feeling you are successful and good at something, an innate human need. It allows you more 'me' time, and everyone could do with that. Making money may be your 'why' for trading and the underlying purpose might be purely selfish (I want a flash lifestyle) or totally altruistic (I want to help make the world a better place).

**2. Trading for freedom**

I don't like having to be at work on time. I hate the politics of work. I hate people in charge who know less than I do and I hate commuting. It's one of the greatest privileges to work from home and have no boss — Catherine Davey

Many people become sick of working for a boss or being in a job they feel is beneath them. Having your own trading business can allow you the freedom and flexibility you desire. It's also a business that doesn't require staff, leased office space, business cards, travelling to and from work or, in the case of position trading, no set hours.

Having said that, you must see yourself as, and act like, the chief dealer of your own private trading fund. A well-known business consultant and seminar speaker in the US, Brian Tracy, uses a great trick to get his audiences to see their lives and varying roles in different and more empowering ways. He starts with a list of occupations and asks for people to raise their hands when their occupation is read out. Numbers for each occupation vary widely. Just as people are beginning to wonder where he's going with this line of questioning he asks all people who work for themselves to raise their hands. A few hands go up and he asks the question again; a few more hands are raised until he finally asks yet again. Most of the audience have cottoned on to his brilliant but simple point by now. We are all, each and every one of us, working for ourselves.

You have the choice of where and how to apply your energies and for what return. Like Brian, we are now asking you to think of yourself that way. Think and act like the managing director of your trading business. Think and trade like the chief dealer of a very important managed fund — yours! Have a trading mandate with rules you stick to. Develop a winning trading system and use it. Get the required capital to properly operate your fund. Don't guess, punt or gamble. You have an accounting area, charting analysis department, banking, research and development section — changes the slant, doesn't it? Would you hire *you* to trade your money? Be sure to impress the boss (you) with professionalism and dedication so at the end of each quarter you can hold your own, one person, private party and maybe even give yourself a little bonus for exemplary work.

**3. Trading For personal challenge**

The better I have become the more motivated I am to get even better. With motivation has come an enhanced drive to succeed, increased discipline, greater enjoyment — Tom Scollon

Motivation is fuelled by passion and passion comes from doing something you love. Many traders are attracted to the complexity of the trading puzzle: mastering their understanding of markets and products and developing and refining their systems. To keep the brain fit it needs exercise, and trading will more than challenge you and exercise that all-important muscle. People come and go from the markets for many different reasons, but they stay and become top traders for the combination of challenge, freedom and money that trading your own account affords.

**Knowing why**

Imagine you're in training to be an Olympic swimmer. Your personal why and purpose need to be crystal clear and motivating enough to get you out of bed, and to the pool for training before the sun comes up. Imagine how much discipline and commitment are required when it's winter and a warm bed is a lot more appealing than being pushed on by your coach in a 50-metre body of chlorinated water. Day after day, month after month, year after year.

There are no overnight successes — plenty of one-hit wonders, yes, but not many who last and stay at the top of their game for the long term.

In the classic book on purpose, *Man's Search for Meaning,* Viktor Frankl recounts his experience as a prisoner in the Second World War. A psychiatrist when captured, he decided to document his time as a POW All prisoners were subjected to the same atrocities and he soon found that the main difference between those who perished and those who survived the camps was ... you guessed it, purpose. Freedom and life was the reward for many of those who made the choice to build on their hopes and dreams for when they were released. These same prisoners talked about being reunited with loved ones, focused on what they would do when they no longer were at the hands of the guards and actually saw themselves as free men and women in the future. Their purpose was to succeed in living — perhaps success (living) was the best revenge. Alternatively, many of those who lost all hope, who allowed their dreams and visions of family to be extinguished simply lay down and died. They had nothing to live for. Frankl's own purpose was to keep his notes and diaries from being discovered and confiscated by the guards so he could be free to let the world know of his findings into this aspect of the human psyche.

Money, challenge and freedom are the most often cited 'why' for a lot of traders but have you stopped to consider the purpose behind your 'why? Many top traders have other interests outside trading that they spend some of their profits on. For example, one very well known US trader owns a baseball team because he loves the game and wants to see his team stay in the competition. Another built his own golf course so he and his friends could play any time at their leisure. An investor and educator we know in Sydney uses some of his profits to help less fortunate children in other countries. Many more have built substantial real estate portfolios to diversify their funds across more hard assets as opposed to having all their eggs in one basket.

Closer to home, Sari took a particular assignment in her corporate advisory business to save up for a deposit on a piece of land she'd had her eye on. We're now dirt-farmers with almost 100 acres of land. She had her 'why' for making money and now our purpose for the land is to eventually construct our own eco-resort for education on trading and personal development. When you can articulate your 'why' and you understand the real purpose behind it, you become virtually unstoppable.

**Motivation — the combination of vision and goals**

*Motivation means being willing to spend five hours a week looking for a better solution when others spend five minutes.*

*Motivation means looking for further alternatives when everyone else is satisfied with the obvious ones.*

*Motivation means having the curiosity to look for explanations.*

*Motivation means trying things out and tinkering about in search for new ideas.*

Edward de Bono
Father of lateral thinking'

We asked our panel about the motivating forces behind their decisions to trade.

**Sari: Throughout *Bullseye* we discuss the importance of understanding personal motivation relative to creating a sustainable course of action. What was your original motivation to trade or invest in financial markets?**

*Larry: To get rich.*

*Andrew L: I have a risk-taking persona and, coupled with a job on the Sydney futures exchange, it was a natural progression.*

*Guy: To make money to buy cars and motorbikes. It's really that simple.*

*Catherine: I think I was a product of a lot of traders of my generation — the film Wall Street. Even though the film was a narrative on greed becoming a trader's undoing, I liked the idea of fast money. To some extent that still fuels my trading. However, I get a much bigger kick out of the insights I have and how I apply them to the market rather than just making money per se. I think of it like this — if someone offered me the winning ticket in a $10 million lottery or a $10 million profit from my trading efforts, there's no question I would want the trading achievement. I believe it is one of the most challenging careers a human being can undertake. Sustained success in trading is a wonderful sense of achievement.*

*Andrew P: Definitely to make a profit!*

*Tom: To grow wealth ... ego ... 1 was a very successful MD of a company and had felt a bit like I was 'walking on water', earning good money and throwing money at the markets. I was a young man on the move with many balls in the air, the markets were just another game. I knew little about the markets in hindsight.*

*Daryl: To get the best return possible on capital with an effective management of risk. Only the market allows you to precisely define risk because you have total control over the time and point of both entry and exit.*

What motivated you to become involved with trading or investing?

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Knowing why you got into the game is one thing but, as with everything else, things can and do change. Let's return to our panel for a moment to continue the motivation discussion to see whether things have changed for them since they started.

**Sari: How, if at all, has your motivation changed over the years?**

*Larry: It has not .... The challenge of being the best trader ever has entered into the equation, but still I do this to make money.*

*Andrew L: I have retired from trading in the last 12 months. I now have a young family and the no-responsibility single lifestyle, which lent itself to trading, no longer exists. As soon as you start thinking of consequences it is time to give it away.*

*Guy: My motivation has not changed but my approach to risk management has. Things like diversification mean a whole lot more. My views on how to make money out of the market have also changed. So the motivation has not changed, but the direction that motivation is taking me has.*

*Catherine: I've come to appreciate the creative process involved in trading. In my role as a technical analyst for InvestorWeb, I started observing patterns and events in the markets that weren't necessarily written about in the charting textbooks. I think the process of becoming a good trader is the ultimate solo journey and involves re-inventing the wheel — your own particular kind of wheel. Once you realise how much of the power to succeed is within, trading becomes a lot more interesting and you are automatically motivated.*

*Andrew P: I'm much more motivated these days to trade. I think once you really start to trade seriously it gets into your blood and you become quite passionate about it. I love the fact that you literally take a position in the market based on all the information you have available to you. When you're right it's extremely satisfying. When you're wrong, you just have to accept that you're not going to be right all the time ... though you do want to be right more often than you're wrong!*

*Tom: The better I have become the more motivated I am to get even better — with motivation comes an enhanced drive to succeed, increased discipline and greater enjoyment. The better I have become, the less I need to talk about the markets.*

*Daryl: Involvement in the market has become much more enjoyable and satisfying as the returns are much more than just return on capital. Trading provides a lifestyle, which includes travelling and working with other traders and with those who would like to become traders. Trading is now part of a broader range of business activities related to financial market participation and education.*

Has your motivation changed from when you first heard about or started trading to now? If it has changed, how has it?

**Sari: What is your motivation to keep doing it now?**

*Larry: Make money, pure and simple.*

*Andrew L: I no longer trade my own funds. I have a young family and other responsibilities that require my attention.*

*Guy: I live and breathe the markets. I find working in the markets quite stimulating and exciting. To be honest, I cannot remember a time when I questioned my motivation. This is just what I do.*

*Catherine: I think the current events in the market are historic. This will probably be the best bull market in shares and commodities I will experience in my investing lifetime. It's like reading one of those huge engrossing saga-type novels — it's impossible to put down. And the good thing about being a trader rather than an investor is that when it's all over, there's the potential for even more significant returns on the down side.*

*Andrew P: Just the thrill of it all. I guess I'm like anyone who really enjoys something they do — be it a sporting pastime or some other recreational event. They do it because they enjoy it and because it gives them a sense of personal satisfaction. I also like the fact that you make money at the same time. I relate to that saying that the ultimate activity is to be paid to do something you enjoy.*

*Tom: Sport; the fun; winning; doing it even better.*

*Daryl: To get the best possible return on capital and to assist as many people as possible to achieve some independence. Trading is a liberating influence for people who have aspirations. This is one of the reasons I work in Asia and China. I have some pride in my role in helping ordinary people understand the processes of trading. I continue to do this because I reject the idea that there is a club of professionals to whom we ought to defer because they understand things that are beyond our ken [understanding]. I have little time for those professionals who use language to obscure rather than to illuminate and assist. You might not want to trade yourself, but you should have the knowledge and the skills to understand whether your selected fund manager or adviser is actually doing a reasonable job. The market provides an equal opportunity for us all to take a small amount of capital and turn it into [a] larger amount of capital.*

What motivates you to keep trading (or want to start trading)?

**The value of values**

To unearth your 'why' and purpose for trading you need to take a step back and look at it from a deeper perspective. Given everyone is an individual and driven by their own values, the key to developing a powerfully motivating, on-track and sustainable purpose is understanding that you will inevitably act in the direction of what you value most.

Our panellists shared what they value most and there's a space below for you to do the same.

**Sari: What are your top personal values? Why are these values so deeply important to you?**

*Larry: Individual liberty, my family and my life. The individual should reign supreme over governments and groups. It is our life to live and we should be free to do so.*

*Andrew L: Honesty, equality for all people regardless of colour and creed and friendship. I simply have an ideal that all people are created equal and we should work at maintaining that ethic.*

*Guy: I have several values that I live by. I live consciously and remain fully aware of the present moment. Being conscious of what is around you means, among other things, you can get the most out of all situations. I maintain a level of integrity — I know my principles and live by them. Maintaining integrity to me means sleeping well at night. This is one value that takes less effort to live by than not. I have dealt with people in business who do not have that level of integrity and, to be honest, this is a problem that will never go away. Finally, I believe in taking responsibility for everything I do. I am responsible for everything that happens around me in business and elsewhere.*

*Catherine: I think this is tough because I have a list that I aspire to and one that's probably the truth. I think the reality is the following. Freedom. I have a very strong desire for personal freedom. I don't like commitments or responsibilities. Trading for myself is the ultimate freedom. Security. I need to have a certain level of financial security to feel good about myself. Love. Money doesn't replace the people in your life.*

*Andrew P: Contentment, personal fulfilment, integrity. They provide a benchmark against which your life can be measured.*

*Tom: Family. Apart from continuing the genes, family ensures we are social beings — it means we focus on relationships rather than ourselves — we also focus on the future. Freedom. Creating freedom for yourself enables you to achieve to your optimum. And*

*honesty. It is important to be equally honest with oneself and with others. Without honesty you cannot know yourself, your strengths and weaknesses. And without knowing these we cannot achieve our full potential.*

*Daryl: The right of people to be treated with dignity as individuals. The right of people to achieve to the full extent of their capability and not be blocked in this by vested interests. And the absolute accountability of authority through the vigorous application of analytical questioning. The suppression of independent thinking and the unquestioning obedience to authority have been the most significant factors in delaying the progress of the human race. Free thought precedes free will and free will makes us human.*

What are your top values and why are they important to you?

**Sari: How (if at all) do your values affect your trading or investing style?**

*Larry: Not sure they do.*

*Andrew L: Not a great deal. It is a cutthroat industry but I always prided myself in terms of my honesty as a floor trader.*

*Guy: I don't think integrity plays a role in trading. In business yes, but (personal) trading no. The values of consciousness and responsibility are very important in trading or in personal success at any level.*

*Catherine: I wouldn't be trading if I wasn't so passionate about my personal freedom. This desire for no obligations means I like to keep my trading simple. The desire for security means I am more resistant to taking big losses. Love for me is about trying to have and do everything possible in my life that I love. I love trading but losing money can feel like personal rejection. In fact, sometimes losing a lot of money feels worse than a broken heart.*

*Andrew P: I'm not sure that they affect my trading style that much.*

*Tom: Honesty: means I hide nothing from myself and I can thus measure performance objectively. Freedom: means I can perform at my best. I achieve for its intrinsic value and not to put bread on the table. Family: inspires me to make the absolute best of my opportunity on this planet and to pass on a legacy for the future.*

*Daryl: Independent analytical thinking is the foundation of my trading style.*

How do your values affect your trading style?

To help you uncover your personal ‘why’ for trading, visualise the future, as if you were already in it. This can be an illuminating experience.

Take a moment now to take a few deep breaths. Relax. Breathe in for a count of three, hold for a count of three, and breathe out for a count of three.

Now, imagine you had absolutely no limitations or barriers, and had every resource and assistance at hand. Imagine that you are waking up in this new life with absolutely nothing to stop you from living it exactly the way that makes you happiest. You do not have to consider the needs of others in this exercise. This is entirely about you as a top trader!

**Your ideal trading day**

Think about how you would feel if today you were living your ideal day as a top trader. Where and when would you wake up? What would you do? Who would be there? How would you end your perfect day? Describe your best day and what makes it so special. Don’t hold back. No-one’s looking. This is your private planner — dream your best and brightest day.

**Your perfect trading year**

Now imagine you have just had the best trading year of your life. A reporter asks you to describe the last 12 months and what made it such a spectacular and memorable year. What do you say?

How do your ideal day and year answers fit in with your dreams of being a trader? Consider the type of trading that you are thinking about undertaking and whether it is a true fit with how you'd really like to spend your time. Record your thoughts here.

*This is an excerpt from the book Bullseye: Top Trading Thinking. For the complete book visit:*

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