



MARKET MASTERY

Van K. Tharp, Ph.D.



In This Issue

- ◆ Doing a Spring Cleaning on Yourself As a Trader, By Van K. Tharp, Ph.D.
- ◆ Doing a Psychological Assessment of Yourself; Ten Important Questions to Ask, By Van K. Tharp, Ph.D.
- ◆ Twenty Four Things You Can Do Now to Move Toward Peak Performance Health, 9
- ◆ Developing a Business Plan, By Van K. Tharp, Ph.D., — Pgs 10-13
- ◆ The Importance of Vision and Goals to Your Business Plan 4
- ◆ On Attaining Happiness: A Psychological Exercise That Could Improve Your Trading Experience 8

Doing a Spring Cleaning on Yourself As a Trader

By

Van K. Tharp, Ph.D.

One of the best things you can do for yourself as a trader is a Spring cleaning of yourself. This should take on three forms. I have an article in this issue of *Market Mastery* on each of the ways you can do spring cleaning.

The first way, and the most important way, is to work on the core of your trading—you. This means your beliefs, attitudes, mental states, and habitual patterns—working on anything that holds you back from being your best as a trader.

Now this first area is really a lifetime worth of work, but most people do very little in terms of self-work in their lifetime. This Spring you could possibly do more work than most people do in a lifetime. This is covered in the article, *Doing A Psychological Assessment of Yourself; Ten Important Questions to Ask.*” It includes ten questions that you can ask yourself and numerous steps that you can take to do the work.

The second key area that you can work on is your health. I’ve been working with my good friend Bruce DuVe for about three years on this critical area. I did everything he said for about nine months and then found myself falling back. However, as a result of my experiences working with Bruce, I’m more than convinced that good health is the core basis for good psychology and for furthering your spiritual development. As a result, I’m reprinting the a segment from the interview I did with him in which he recommends 25 steps that you can do now to improve your health.

The third key area that you can work on in your Spring cleanup is your discipline. As a result, I’ve included an article that recaps the steps you need to develop rock-solid discipline during the next 9-12 months.

I said nine months first, because I recommend that you repeat everything at the beginning of next year. That’s because your discipline is not something you do once and then forget about. It’s something you need to do every year to form a solid foundation and then you need to use that foundation to do daily steps. We’ll cover both the yearly tasks and the daily steps in the article on discipline.

Lastly, the fourth area that you can work on in your Spring cleanup is your trading business plan. A trading business plan is the core of your success in trading and you need to spend the time to do one if you haven’t done so already. Your plan should include your discipline plan, your trading beliefs, your assessment of the big picture, at least three strategies that fit the big picture, a detailed trading plan for each strategy, and a worst case contingency plan. We’ll cover all of these areas in a fourth article in this special issue of *Market Mastery*.

Your Spring cleanup will be a lot of work, because each of the four areas is a lot of work. But no one ever said that “good things” don’t require a little work – well, a lot of work. So now is the time to roll up your sleeves and get started.



Volume 12, Number 1

PUTTING PEAK PERFORMANCE TO WORK FOR YOU

Doing a Psychological Assessment of Yourself

Ten Important Questions to Ask

By

Van K. Tharp, Ph.D.

In many of our programs, including the Supertrader Program, I give my clients a long questionnaire to do an evaluation of themselves. Some of the feedback that I get is that taking the test is like doing a Ph.D. program. As a result, I won't be quite as hard on you. However, I consider that answering the ten questions that I present below to be a minimum starting point for doing a thorough Spring cleaning of yourself. So read over the questions and plan to spend at least an hour on each question – a day is even better. And then, once you've done that, I'll give you a number of steps that you can take to improve yourself.

Question 1:

What are seven key psychological areas that you need to work on or are currently working on? Don't say none, because that answer really suggests that you are totally unaware of what is going on with you.

We basically live in a society in which we are programmed to feel separate and alone from everyone else, programmed to follow the rules of the games that others invent for us to play. The net result is most people do the exact opposite of what is necessary for success. As you become aware of this, you'll also become aware of all your patterns, beliefs, and emotions that you need to work on or clear to become more successful as a trader.

Here are some examples that might fit some of you:

- I really have a fear problem that enters into my trading. I want to make trades but I'm afraid to pull the trigger. And that fear seems to come up in other areas too, I guess I'm really afraid of failure.
- I have some internal conflict when it comes to working on myself. On one hand, I want to, but on the other hand, I'd rather do other things. Working on myself feels like having a tooth pulled. For some reason, I just don't want to do it.
- I really don't like to be alone. When I do all of the things that are important to trading success, like the psychological cleanup, I have to go inside and search and that really disturbs me. Also when I try to meditate, things come up that I'm afraid of. (And, of course, if you had this response – I'd want you to at least find out what's trying to come up that you are so afraid of).
- I don't have any discipline. Sometimes I just decide to trade. I make almost random trades or take recommendations that I've been given, but just certain select ones that appeal to me. And the net result is that those trades never seem to work out. (Note, this is also an incomplete answer. What is the selection process? What happens to those trades? Do you cut losses and let profits run? Are

you compelled by some emotion to trade?).

- My mother continually criticizes me. My mother gave me everything when I was growing up, and I'm very grateful to her. But she's always telling me what I do wrong. In fact, it upsets me to be around her. Yet at the same time, I feel that I must support her. I need to find out why her criticism bothers me so much and what I can do about it.

Those five statements are just examples of what might come up for you. But whatever you find...look thoroughly. What's really going on? What are the emotions you don't want to feel? What are the hidden beliefs? What is the internal conflict where part of you wants certain things and another part wants something else? Who are the parts and what are they trying to do for you?

Question 2:

Do you believe that you are responsible for everything that happens to you? Please explain your answer. Now, search your mind for the three worst things that you think ever happened to you. First determine how you were a victim. What happened to cause those events? And now re-answer the question. How were you being to cause the events to happen? What belief caused those events to happen? What did you do to cause those events to happen?

Continued

I consider personal responsibility to be the most important trait that a good trader (or a successful person, for that matter) can have. Most people believe that they are victims in life and things are always happening to them. For example, most investors believe that they were victims of the 2000-2002 stock market crash. They believe they were victims of corrupt analysts, corrupt CEOs, corrupt brokers, and a corrupt system. I've even seen billboards saying, "Did you lose over \$100,000 in the stock market? We can help you get the money back." And, of course, the billboard is sponsored by an attorney. People who believe that they are victims, of the stock market crash, or of anything else for that matter, tend to repeat the same mistake over and over again. On the other hand, if you ask, "How did I create that?" then you can begin to uncover the mistakes you made. For example, if you lost money in the stock market crash, you probably didn't do any of the things recommended in this Spring cleanup.

And, by the way, what happens if another crash is right around the corner? Are you ready for it? Or are you expecting another 10 years of market mania? Can you profit big time on the downside as well as on the upside? Or are you going to repeat the same mistakes all over again?

Question 3:

What is a mental state and what mental states have come up for you repeatedly over the last five years? Here you should know that a mental state is something like fear, anger, jealousy – some emotion that you feel. And the question you should ask yourself is, "What mental states do I repeat over and over again?" If you don't know, then for the next three days, ask yourself once every half hour, "What mental states have I experienced during the last half hour?" If you are not very aware of what your mind is doing, you might find this exercise quite surprising.

Your job in this exercise is to come up with at least five mental states that you repeat over and over again – and even once a month is a repetition. If you can find more than that, great, list them all. And, once you've listed them, ask yourself, "What happened in my life to first cause this emotion to appear?" And to really do this exercise well, get at least five emotions and the root cause of each written down.

Question 4:

What was your score on the LSI test in Book Two of the Peak Performance Home Study Course? If the score was 45 or above, then describe your program for reducing stress in your life. Even if you didn't score above 45, were you high in any particularly area? If so, then describe what's going on.

Also, what was your score on the SPI test in Book Two? If that score was below 40, then describe your program for increasing your stress protection. Talk in detail about any area in which you scored less than five. What are you going to do to improve?

Question 5:

How do fear and greed affect traders? You can answer this two ways. First, there is detailed information about this topic in the Peak Performance Home Study Course. You can go through that material and summarize it in response to this question. That would probably be a good exercise for you to do. So do that first.

Next, do a survey of your own trading. How does fear and greed affect you? What typically comes up for you? What happens to you periodically? If you've kept trading journals, then go over your trading journals for the past year or so to look for how fear and greed might have entered into your trading. If you don't have any trading journals, then ask yourself, why not? Your answer may provide some good input to question 6.

Question 6:

What are your five biggest sources of internal conflict? Some of you may know the answer to this question already. If so, just list all of your sources of conflict and you don't have to limit it to five. For each source of conflict, identify the part of you that is involved (see book three of the Peak Performance Course to learn more about parts) and what it's positive intention is for you.

If you cannot think of five sources of internal conflict, then answer the following questions, and you'll probably find lots.

- What's your financial freedom number? If you don't know, why not? If you do know, what steps have you taken to move toward financial freedom? If the answer is none, why not? Do you want financial freedom? And if you don't know anything about financial freedom, then read the first section of *Safe Strategies for Financial Freedom*. And if you have that book and haven't read it yet, what has stopped you?
- Have you completed a thorough business plan for your trading yet? Yes, we have a section on that in this newsletter, but the question is, have you done it? If you've been exposed to my materials, you should know that its important. So what's stopped you?
- How many of my educational courses are sitting on the shelf at your office or home unused? You purchased them, so why haven't you started doing the work yet? Or better yet, how many of the home study programs have you gone through that recommended that you take certain actions. You read about what you should do, but you have not done them yet? Why? Why not?
- Let's say you have the Peak Performance Course, our core product.

You actually went through it once and it took you several months. (If you have it and have not done anything with it, then go back to the last question). Now, go through it and notice all the exercises you skipped. Why did you skip them? Why not do them now?

What's been your reaction to doing these questions? Have you just read them over, but not started doing them? Do you plan to do them? When do you plan to start? Why not now?

I can't imagine that answering those questions, won't give you a big start in discovering some of the internal conflict in yourself – at least, for most of you. Anyway, questions such as the ones I presented should give you a big start in determining your sources of internal conflict.

If you'd like more, then make a list of five to ten things you want to be, do, or have. If those things are not in your life now, then what stops you? What's the part of you that wants them and what is it trying to do for you? What's the part of you that stops you and what's it trying to do for you?

Question 7:

What are your key beliefs about the markets? It is important for you to remember that you can only trade your beliefs about the market. So what are the key beliefs that are guiding you?

To really understand what's guiding your trading, you should list at least fifty beliefs. However, I'll accept at least ten as a good starting point. And to help you get started, I've listed twelve of my most important beliefs about the market. Some of these are core principles that I teach everyone and some of them are just things that fit me. Also I just came up with twelve off the top of my head. You'll probably need to discover at least fifty beliefs to thoroughly cover the key principles that guide your trading.

1. Cut your losses short and let your profits run!!!!!!
2. Risk, as it relates to how much you can lose in a trade, is much more important than risk as it related to how much volatility you can have. Both are related though.
3. You must understand the R-multiple distribution of your trading system and the average R it produces (expectancy) and the variability of that distribution (i.e., how volatile it is).
4. You must know the objectives you wish to accomplish. What would you like to accomplish and what can you tolerate in terms of drawdowns? In my case, I'd like to make 10% per month in my trading. I frequently make 5-10% a day, and I'm willing to tolerate drawdowns as much as 10% per day. You might think that's a bit risky, but I will thoroughly investigate my trading performance if I have any losing months and I've only had once since last August.
5. To achieve your objectives, you must understand and use position sizing to your advantage.
6. Fill your portfolio with a core position that you might adjust weekly or monthly. However, then find efficient stocks and use leverage with those stocks to achieve peak performance. (Again, remember that these are my beliefs and they might not fit you.)
7. When I have a large down day, thoroughly investigate what happened and how I might have caused it or made any mistakes.
8. Keep a trading diary on every trade.
9. Follow the ten tasks of trading.
10. When I cannot be actively trading, remove all speculative

positions.

11. Understand the risk reward of each trade before you enter it. For example, your potential reward should be at least three times your potential risk.
12. Keep stop loss levels with my core positions and actively monitor the market for my speculative positions. (Again, this one is my personal preference.)

I want to caution you again that these 12 beliefs are my personal beliefs. Your beliefs might be different. However, certain beliefs are universal for good trading. These include beliefs 1-3, the first part of 4 (knowing your objectives), and 8-11. The rest are a bit personal for me, especially my objectives.

Question 8.

What are your key beliefs about yourself and the universe? These form the basis for who you are, so they are important to really understand yourself. Here I recommend you list 10-12 core beliefs about yourself and your universe, but fifty would be much better. And once again, I've listed ten beliefs of mine as examples, to show you what I mean.

1. I create my own results and if I don't get the results I want, then look to myself as the source of those results.
2. I am a spiritual being who is working on realizing his potential. However, I have many things to work on and it's a never-ending journey as long as I'm in the universe that is governed by time.
3. There are many paths on this journey.
4. It's important to follow my bliss. If it doesn't give me joy, then it's telling me that I'm going in the wrong direction.

Continued

5. What I do with my body relates directly to what my mind experiences – this includes what I eat.
6. God is my source and the source for everyone else. This means we all have unlimited potential.
7. Since we are all one, what I give to others is given to myself.
8. My purpose is to help others awaken (i.e., what this article is about). And by doing so, I'll help transform the world.
9. The best way to transform the world (i.e., what I see and perceive) is to transform myself.
10. What I believe is a filter to my reality – it's not REALITY itself. Therefore, I need to periodically assess my beliefs and see if they are useful.

Your beliefs are very personal, and they really are the filters of your experience. So isn't it a good idea to discover them for yourself?

Question 9:

List your top values. I think this is a way of telling you to do the value elicitation exercise in book three of the Peak Performance Course. This is perhaps the most important exercise that you can do in your life, because your values totally shape who you are. So why not take a look at how you are programming yourself. What's important to you?

In addition, you might want to also do a negative value elicitation. For example, some people are more prone to move away from certain values. Their life is motivated by avoidance of what they don't want than by moving toward what they do want. And if this is you, then I'd suggest that you start looking at what drives you on the negative side. This means looking at your negative values. What do you most want to avoid? And since we all have both approach and avoidance tendencies, perhaps it's important for all of you to do both a positive and

negative value elicitation exercise. Which probably gives all of you a lot more to do with this exercise.

Question 10:

How much coffee do you consume each day? How much alcohol do you consume each day? How many cigarettes/cigars do you smoke each day? Do you have a problem with drugs – even prescription drugs? How many soft drinks do you consume each day? How much bread or pasta or wheat products do you consume each day? And how about sugar? How much sugar do you consume each day?

This question is really getting you ready for another part of this newsletter – the reprint of the 25 things you can do now to improve your health.

Now that you've done a self-assessment, what's next?

So what's the next step for you now that you've done a self-assessment? First, take a look at your self-assessment and make a list of the top ten things you need to work on to improve yourself. And once you have your list, prioritize it. What's most important for you? What's the second most important change you need to make and so on?

Now decide upon the best course of action to do the work. Perhaps you have the Peak Performance home study course and you can just look up the techniques you need to make the changes you want. If that's the case, go ahead and do that and then make the changes. If you don't have the Peak Performance Course, then I strongly recommend you get it.

Here are my topic suggestions for helping you through the changes you want:

1. The Peak Performance Course contains many techniques for making change. If you already have it, I'd suggest that you review it for ideas. You'd be surprised what you might find.

2. This solution won't get you specific changes as you want them, but it will change your life if you at least do the first 75 exercises. What I'd suggest that you do is the workbook from *A Course In Miracles*. These consist of 365 exercises that you do – one a day for a year – although few people get through it in a year. The exercises are some of the most sophisticated exercises I've seen. And they will change your life. It took me four years to finish that course, but by the end of it, I was on a totally different path and I had my own business. Incidentally, the exercises have a strong religious tone. However, don't let that put you off. You don't have to believe any of it for it to make a difference – you just have to do the exercises.

3. Another book that's very useful for self-improvement is a book by Leslie Temple Thurston called *Marriage of Spirit*. There are many exercises in this book which are also life changing. Incidentally, the Van Tharp Institute sells both *A Course in Miracles* and *Marriage of Spirit*.

4. My fourth suggestion for improvement is to take the Peak Performance 101 Workshop. This workshop, conducted entirely by me, will help you get through many major roadblocks and you'll return with an entire arsenal of tools to work on yourself. It is our core workshop.

5. One last suggestion would be to do transformational consulting with Dr. Carol Adams, which we offer through the Van Tharp Institute. I completed her program myself and I've found this work to be very useful and I think you will feel the same way.



Twenty-Four Things You Can Do Now to Move Toward Peak Performance Health

(Reprinted From An Interview with Bruce DuVe)

ONE

1) Buy yourself a dairy or journal and record everything you consume on a daily basis. You may want to record your normal diet for a week or so before undertaking any of the steps below. But commit to recording your daily consumption (everything you eat and drink) for at least six months. I (VT) find this to be a major part of doing the steps below.

TWO

2) Develop a plan for yourself, and include in that plan a daily routine for your diet. Add as many of the suggestions listed below as you can. However, if it seems too extreme for you, then just add one new item each week. Just as planning is important to successful trading, planning is also important to your health – especially in our modern culture where everything is stacked against you succeeding.

THREE

3) Begin each day with a breakfast of organic oatmeal. This should be soaked in filtered (or bottled) water overnight and then brought to a slow boil. Serve it plain with nothing else on it except organic flax seed (about two tablespoons). If you can do this single item, you will be taking a major step in the right direction. One bowl of organic oatmeal is worth 30 bowls

of non-organic oatmeal in terms of beneficial effect.

FOUR

4) Drink eight 8-oz. glasses of water each day. This water should be filtered water or bottled water. Avoid tap water because it is full of chemicals that are designed to kill bacteria and thus are poisonous for you as well.

FIVE

5) Don't drink anything when you eat your food. Your stomach acid is already highly diluted and if you add water to it (or any other liquid for that matter), you make digestion much harder. Instead, drink a glass of water about a half hour prior to your meal and then don't drink anything else for at least an hour and a half after you finish the meal.

SIX

6) Give up all vegetable oils except for flax seed oil and (occasionally, olive oil). Vegetable oils (e.g., soybean oil) are prevalent everywhere. They are in ice cream, margarine, cooking oils (they are particularly deadly here), mayonnaise, and many salad dressings. If you can totally give these up, then you will be taking a major step toward improving your health. These are a major factor in increasing the incidence of the killer diseases that plague modern

man today. Instead, substitute flax seed oil, taking 2-5 tablespoons daily. You can also combine it with high quality balsamic vinaigrette for a great salad dressing.

SEVEN

7) Give up all wheat based products. This includes all breads, pastas, pastries, etc. And, no, you cannot eat whole wheat bread or rye bread as a substitute. Even the gluten free bread that you can purchase at health food stores is a no-no.

EIGHT

8) Avoid all dairy products except Kefir and an occasional piece of cheese.

NINE

9) Avoid all excitotoxins and preservatives. Excitotoxins include MSG and sugar substitutes, while preservatives include numerous poisons that are designed to kill or organisms that might eat your food before you can. Unfortunately, they are also poisonous for you.

TEN

10) Avoid all antibiotics if at all possible. There are many good substitutes for antibiotics that are much less dangerous. For example:

- You can take a tablespoon

Continued

of Epsom salts with a small glass of water. This tastes awful, so be prepared to drink it quickly. It also has a slight laxative effect. Doing so tends to take minerals out of the system, so avoid this remedy unless necessary.

- Take a clove of garlic, mash it, and put it in water. Take the brew and put it in a blender on the highest setting for about 30 seconds and then drink it.
- Put 40 drops of Echinacea concentrate and 20 drops of Cayenne concentrate in $\frac{1}{4}$ glass of water. These concentrates are available from www.healmarketplace.com. This concoction will be very hot and it will make your throat burn. However, my experience of this is that it gets rid of sore throats almost instantly and they typically don't come back.

If you can give up items 1 through 10, you have taken a major step forward toward improving your health and you've probably put yourself in the top 5-10% of people in affluent countries in terms of your health. Rate yourself on how many of these ten items you can commit to doing now _____ (fill in a number from one to ten).

For those of you who want to move into the top 1%, you also need to give up your addictions. The next five items represent the major addictions you might have. You'll know they are addictions by how hard it will be for you to give them up and the severity of the reaction your body produces when you do give them up.

ELEVEN

11) Give up all alcohol. Yes, even give up that occasional glass of red wine. It's both a narcotic and a refined carbohydrate and it does much more harm than good.

TWELVE

12) Give up all caffeine substances. These include coffee, tea, colas, chocolate, and even certain over the counter drugs that have caffeine in them. Give them all up. If you are addicted to these, you'll probably go through severe headaches upon withdrawal. When these occur, stay off the caffeine. The headaches will probably go away in a few days. However, the severity of the headaches will simply reveal how dependent you are on caffeine and how damaging it is for you.

THIRTEEN

13) Give up all tobacco products. Incidentally, most of the other addictions in items 11 through 15 will tolerate a slight relapse. That is, you might have them once or twice without getting hooked again. However, with tobacco, after one relapse you are typically hooked again.

FOURTEEN

14) Give up all recreational drug use. This one is probably obvious, but we thought we'd include it anyway.

FIFTEEN

15) And, lastly, give up what may be your strongest addiction, sugar and sugar substitutes. These include all types of sugar, honey, and even fructose (fruit sugar) except in raw fruits. A lot of health foods are simply ways to put sugar in your body through fructose. Sugar substitutes are even worse, so give them up too. And if you have a strong reaction to doing this one, it just shows how addicted you really are.

So how do you rate on these items. Can you give up all five and move into the top 1%? And for those of you who can, there are also some ma-

for lifestyle changes we'd suggest in terms of what you should eat and how you ought to prepare the food.

SIXTEEN

16) The only grains you should consume are oats (see item 1), millet, brown or wild rice, and quinoa. If possible, stick to organic forms of these products.

SEVENTEEN

17) When possible stick to organically produced fruits and vegetables that are freshly picked and that were ripe (i.e., full of minerals) when they were picked. You'll generally know this because they will be very sweet and smell very good. On my last trip to Ireland (VT), I bought some oranges in a local shop. I cannot remember ever having such a sour orange and two of them were thrown away. Apparently, they were picked when they were very green, shipped to Ireland, and then artificially made to look ripe. Avoid these fruits as they are totally useless in terms of providing you with the minerals you need.

EIGHTEEN

18) Take good quality, plant sources vitamins. Those produced by Nutralite, and sold by Quixtar are among the best. Take the Nutrilite Double X supplements (one each twice a day), the Nutriedge supplements (three times each day before meals), the vitamin B supplements three times a day; and finally the chromium, the vitamin E and lichen supplements once each day.

NINETEEN

19) When you cook food, avoid frying or baking in an oven or micro waving food. Instead, consider steaming the food or pressure cooking it.

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TWENTY

20) Avoid food combining as much as possible. Make your meals simple and generally stick to one type of food. For example, avoid mixing a) proteins and carbohydrates; or b) several types of proteins; c) only eat fresh fruit by itself.

TWENTY ONE

21) The less food you eat the better. People who eat small amounts of food tend to live much longer than those who eat large quantities. Thus, stick to eating small amounts of food. If you eat your food very slowly and chew each bite, you'll find that this task is quite easy. For example, I (VT) used to love desserts. And one piece of pie or cake was never enough. Enough was usually "how much could I eat without getting sick." However, when I was on Bruce's programs I would occasionally have a bite of dessert that was so small that it didn't really even qualify as a bite. However, I found that I could savor it for a long time (i.e., about as long as it used to take to eat a whole piece of cake). I thoroughly enjoyed it. And when I finished I still wanted more (but didn't have it). But how was that any different from eating a whole piece of cake and wanting more. It was much more healthy, but the psychological effects were the same.

TWENTY TWO

22) If you have an occasional lapse in following your plan, don't get down on yourself. It's about the same as taking a bad trade. It'll will happen from time to time. Just note the lapse in your journal and resolve to do better in the next week.

TWENTY THREE

23) Notice what comes up for you psychologically with each of these items. Notice how you react

to reading them and how you react to actually do them. What comes up for you? What beliefs come up? Write these down in your journal and notice your patterns.

TWENTY FOUR

24) Consider some psychological work to deal with the issues that come up for you. We deal with psychological issues in two IITM courses, Peak Performance 101 and Peak Performance 202. We recommend that you take those courses.



To learn more about business planning for traders and investors, the Van Tharp Institute recommends these related educational resources:

- Business Planning for Traders and Investors CD Series.

In this comprehensive CD series, you'll learn all you need to know about setting up a viable business plan for your trading. Van Tharp interviews a variety of special guests and provides you with weekly exercises designed to assist you in preparing your plan as the series progresses.

- Financial Freedom through Electronic Day Trading
- 17 Steps to Becoming a Great Trader Workshop
- Seven Principles of Great Trading Audio CD

Developing a Business Plan

By

Van K. Tharp, Ph.D.

There is so much that you need to remind yourself about peak performance trading that I recommend that you develop a thorough business plan as part of your spring cleaning. And even if you are trading well, I still recommend developing a planning tool. Those who are doing well will just have a little less work to do.

In my opinion, your business plan should cover all of the following areas.

- Your vision.
- Your purpose.
- Your objectives.
- A thorough self-assessment of your strengths and weakness based upon real trading logs that you collect (if you haven't done so already).
- A thorough assessment of the big picture and the fundamentals that might be behind any trend.
- A complete understanding of your beliefs about the market.
- Procedures for getting empowering beliefs and mental states behind you.
- A documentation of your research procedure for developing new systems and determining how to analyze their effectiveness.
- Your procedures for developing and maintaining discipline.
- Your budget and cashflow systems.

- Other necessary systems such as marketing, back office record keeping, etc.
- Your worst case contingency plan.
- System 1 – which is compatible with the big picture.
- System 2 – which is also compatible with the big picture.
- System 3 – which might come into play should the big picture change.

If you have all of those things, then you have a chance of doing well. But this means that your business plan becomes a tool for you to continually use to improve yourself and your trading.

Vision and Purpose:

One of the keys to real success in trading is commitment. Before I coach a trader, I look for commitment. Those who are not committed to do what it takes, usually commit financial suicide when they try to be full time traders. Now, I have no idea how to give people commitment. It's more like something they are born with – not something I can coach.

The key to commitment is to develop your vision and purpose. Your vision is your dream life. What do you really want to accomplish, be, and have in your life to know that you've done your best? What is your dream life? I'd write this out in detail.

And you also want the purpose behind the dream life. What are the whys in your life? This is what gives it the real motivation and commitment. Why do

you want the things you want? Write down as many whys as possible. You'll know you have it when you are so excited about your dream life that you must do something right now.

Objectives:

Most people don't think too much about their objectives, what kind of returns they want and what kind of drawdowns they are willing to accept. But you cannot develop any sort of trading system (or at least one that you'll be happy trading) without knowing these things. For example, you might decide that you want to make at least 20% and have a peak to trough drawdown of no more than 10%. That's a reasonable objective. But it's totally different from someone who says I want to make as much money as I can and not worry about drawdowns at all. Both would have entirely different objectives.

Furthermore, we can show with our simulation software, Know Your System, that different objectives call for different position sizing algorithms in order to achieve those objectives. And we can show that there are an unlimited number of possible objectives. Thus, you must give a lot of thought to this and put it into your business plan and stick to it. Once you have objectives, you know where you are going and you have a chance to get there.

A Thorough Self-Assessment:

You've got to design your business plan around your strengths and weaknesses. If you know your strengths, then you can design your plan around

that. If you know your weakness, then you can design a plan that minimizes the impact of those weaknesses and also has ways for you to improve yourself. However, when this information is missing, then the potential for disaster is huge.

I've already suggested this as part of your spring cleaning, so you should know what to ask yourself and what to think about.

Can you develop a system? Are you able to deal with adversity well – like many consecutive losses as one might have in a system? You know yourself much better than I do, so you need to list your strengths.

Knowing the Big Picture:

In my experience working with traders since 1982, I've seen many major trading fads come and go. I've seen when futures were hot or when currencies were hot or when stocks were hot like in 1999. But all of those trends come and go. And people who find trading methods that work when they are hot, go out of business when the trends disappear. My suggestion instead is that you understand the big picture and have a method that tells you what's going on. You also need various strategies that work as the big picture changes.

For example, in *Safe Strategies for Financial Freedom* we have models that tell you about the stock market, inflation, the dollar, real estate, and many other things you need to know. All you have to do is keep track of the models. When the models shift be ready to change strategies.

For example, the stock market shifted to "yellow-light" mode in April 2002. It shifted back to red light mode at the end of June. Both changes, signaled major changes in strategies. And you need to have the strategies ready and understand why.

One of the biggest reasons people get hurt is that they don't understand when the big picture changes. In fact,

they are most likely to get involved in the wrong thing when the big picture changes.

Thus, this simplest way to protect yourself is to have models that reflect the big picture and that don't change too often. But when they do change, you need to be ready to change.

Market Beliefs:

Again, I've already suggested that you do this as part of your spring cleaning. What are your beliefs about the market? What are your beliefs about yourself?

My point is that you need to list ALL of your critical market beliefs in this section. And don't be afraid to have a 10-50 page document listing your beliefs about the market if you are seasoned.

Get Empowering Mental States and Beliefs Behind You.

There are certain beliefs you need for success. Volume 3 of the course tells you how to put those beliefs in your favor. Thus, what you need to do in the next section of your business plan is determine what those mental states and beliefs are and how you'll get them to work for you. It's primarily to reinforce this critical aspect of your discipline.

Know How Each of Your Systems Work:

First, you need to know how your system works, why it works, and how it fits with the big picture. Tom Basso once said that the better you understand your system, the less testing you'll have to do with it. Second, you need to have a systems development procedure like we recommend in the system development workshop. And, third, you need to make sure that you have all of the critical parts of the system covered. These include:

- i. Objectives (see section 2)
- ii. How System Fits the Big Picture
- iii. Entry Set and Conditions
- iv. How Initial Risk (1R) is determined
- v. How to Take Profits
- vi. Position Sizing
- vii. Know Your System Report

Fourth, you need to know how to evaluate the system. We personally recommend that you collect enough R-multiples from your system (at least 50) and then get a *Know Your System* report from us. That will tell you a lot about what to expect with your system.

And, lastly, but most importantly, you need to know when your system is broken. This would occur when you exceeded a certain drawdown, a certain level of losses—measures of this sort that you need to predetermine. Again, the *Know Your System* report can help you a lot with this.

Personal Discipline

There are three aspects to personal discipline. The first involves doing the ten tasks of trading on a regular basis. These tasks allow you to program yourself at the beginning of the day, and allow you to fix mistakes, and know when you are getting in the way. So if you are doing them on a regular basis, then you are doing a lot. There are four major psychological tasks involved and you need to have checklists in place for each of them. They include:

- 1) a daily self-analysis;
- 2) a daily mental rehearsal;
- 3) a daily debriefing; and
- 4) periodic review.

Also, include a daily schedule for doing this.

Continued

Next, you need a top down approach to discipline, somewhat like we've covered in another section of this newsletter. It starts with your vision and purpose. From there you develop three to five different plans that will bring you closer to your dream life. These could be goals, but the goals are usually so big that the often involve major plans. For example, this year my four action areas were 1) to dramatically grow the business (and this one had five sub areas); 2) to develop much greater personal discipline; 3) to develop a stronger spiritual guidance; and 4) to improve my health. As you can see, none of them were simple and each required a separate plan.

The third aspect of discipline is to know the conditions under which you'll avoid trading and get out of the market. Have a list of them and be ready should one occur to make a hasty exit.

For example, if you are going through something that could be psychologically upsetting like a divorce a move, a major illness, a lawsuit or even the birth of a new child – all these things can have a major impact on your trading. You need to be ready for them.

Budget and Cash Flow Systems:

Every business has many systems and by system I mean something that is automatic that really helps people know what to do when running a business. For example, a fast food restaurant will have systems to help you greet customers and serve them within a minute. They will also have systems for preparing food, for cleaning up, for managing cash flow, for dealing with problems that arise, etc. And your business of trading needs such systems too.

The most important of those systems has to do with your cash flow and budgeting.

What is it going to cost you to run your business? What does equipment

cost you every month? What does Internet connectivity cost every month? What do you pay for data? What do you pay for education? How about subscriptions? What else is part of your regular monthly outflow... how about research time or perhaps just your salary?

All of this should give you an idea of what you need to make every month to have a profitable business. What is your hourly wage as a trader? Are you making below minimum wage? What is your salary? This should be answered (or at least well planned) in a very detailed manner in your business plan.

Customer Relationship System

(Even if Your Customer is Your Spouse).

When trading for others, you will need to get customers – thus, you'll need some sort of marketing of your business. How will you legally let people know about what you can do for them. That should be a complete plan or at least a section of your business plan.

Next, you will need to know how to keep your customers happy. How will you deal with customers who call you on a regular basis with questions about your trading? That can be a real distraction. What will you do on a regular basis to minimize the need for your customers to call you? For example, you might want to have a newsletter going out to them weekly or monthly. How will you report results to them? How will you manage things when your results are poor? And just as importantly, how will you manage things when you do well and your customers get excited and want that performance to continue. These questions should all be answered as part of your planning.

Next is your back office. How will you keep track of your customers? How will you send statements to them? How will you keep track of your performance – especially if you

have a lot of individual accounts you are managing? How will you do bookkeeping? How will you manage your data? What if you have errors in your data? What if you have errors in your trade fulfillment? These are just a few of the questions you'll need to answer with respect to your back office. You'll need to plan for this.

Worst Case Contingency Planning.

The idea behind a worst-case contingency plan is to brainstorm to think of what could happen and approach it as a creative exercise. If you do it from that perspective, there is really nothing negative about it.

The purpose behind it is to prepare yourself for what could go wrong. The market will usually find something that you are not prepared for and give you a great test of your fortitude. When this happens, and you are not prepared, you become stressed and your brain shuts down. Typically, you respond in a very primitive way, but with a lot of energy. For example, you might scream loudly. However, this does you very little good and hurts your account.

First, brainstorm everything that could go wrong. You might find that such problems fall into five broad categories. The first category would be personal emergencies. For example, one of my clients has a personal emergency and left a number of open positions to go deal with the emergency. When he returned, he came back to a financial emergency!

The second category would be disasters with the market that are not expected. Examples of that nature might include the 1987 crash – no one expected the S&P 500 to move 20% in one day, but it did. It might also include events like 9/11 when the stock market closed down for a substantial period of time.

We actually had a training for our old super trader program that was like playing war games and was designed

by someone who used to design games for one of the U.S. intelligence agencies. In that training, we had a scenario in which the World Trade Center was blown up. The reaction was: "This is so unrealistic, nothing like this would ever happen." But it did – and within about five years.

The third category should include equipment and data problems. What if something happens to your computer? What if something happens with your software – especially if you don't know its happening? What if something happens to your data? What if you get faulty data and false signals? What if something happens to your phone or your Internet service? You need backups for all of these sorts of things.

The fourth category might be major things that would cause a major problem in trading if you are not well prepared. These events include:

- 1) having a baby;
- 2) going through a divorce or a major breakup with a loved one;
- 3) moving your office or your home;
- 4) a personal or family illness;
- 5) a personal or family death; and
- 6) anything else that might be a major distractor such as a lawsuit.

These tend to occur over a long period of time and you need to plan how you'll respond to them. Sure, you can just stop trading. But perhaps there is also another way if you work it out and practice it.

The fifth category for this section would be various types of psychological problems that come up. This really fits under discipline, but here is where you plan for it and make sure it doesn't wipe you out.

The last category has to do with your broker. What kind of performance should you expect from your broker. What will you do with errors? Bad fills? A broker who questions your

judgment? All of these are items you should consider.

First make a list of everything that occurs to you in each of these categories, plus miscellaneous – anything else. Plan on having at least 100 items or your list is probably too short.

Second, once you've generated your list. Now come up with three ways to deal with each situation. So if you have 100 items on your list, you need 300 solutions.

Third, now determine which solution is the most effective one for each problem and rehearse it thoroughly until it is second nature to you. This is the real value of worst case contingency planning. The more you can rehearse globally, the less you'll have to deal with in a daily mental rehearsal.

Most people prefer to ignore this section of their plan, but it really is the most important.

And sometimes good things can be a disaster. In my company business plan, I once considered that one of the worst things that could happen would be a large order that might take me several months to fill because I didn't have enough stock. People often don't think about how "good news" could be a disaster.

Develop 3-4 Systems

It's probably good to have at least two good, non-correlated systems that fit the current big picture. If they are non-correlated, then you'll probably continue to make money.

For example, in *Safe Strategies for Financial Freedom*, two non-correlated systems that would work when the market is in red light mode are the bear market mutual fund strategy and Graham's number stocks. When the market's going down, you probably won't make much from your undervalued stocks, but your mutual fund should do well. And when the market rallies, you'll start to make money in your undervalued stocks. Thus, both strategies work well together. In fact,

you won't get many undervalued stocks until the market is way down anyway and ready for a rally.

I also recommend 1-3 other systems for when the market changes. For example, if you are an equity trader, you might do efficient stocks. Even though we are in a fairly flat market right now, there are still lots of efficient markets. For example as of Feb 15, 2005 some very efficient stocks that have made really good money include AAPL, JOE, TOL, and VOL. Now, as of April 15, they were no longer that efficient. Efficient stocks don't go up forever.

Position Sizing and Risk Control

These are the most important aspects of your system. If the system doesn't work, then you should know when to get out to protect your capital. And you should always limit your exposure to make sure you don't lose too much of your capital. These are really fundamental rules of trading well.

And on the other side of the coin, you should know how to step on the gas with position sizing should the position go in your favor. This would favor certain types of scale in position sizing. Thus, you are cutting your losses and letting your profits run through keeping (and adding to) a winning position.

For more information about business planning, I strongly recommend our business planning CD series. And as a bonus, we have some started plans in there that you can review, adapt to your own situation, and use as a template for developing a thorough plan that fits you.



The Importance of Vision and Goals to Your Business Plan

Van K. Tharp and Melita Hunt

Interview excerpted from the transcripts of the audio series, *Business Planning for Traders and Investors*

Van: Today, we're going to talk about commitment, purpose, and understanding yourself. I think those are some of the real keys to beginning any business plan. This is what gets you started, the basis for everything.

One of the key studies was one done at Yale University about 30 years ago. They surveyed the graduating class and discovered that only 3% of the graduates had written goals. Think about that.

How many people do have written goals? Do you have written goals? Maybe you do, because you're thinking about writing a business plan, but most people don't.

What they discovered ten years later, when they surveyed the same group of people, was that the 3% who had written goals had a net worth equivalent to the other 97% combined. I think most of you have similar experiences.

When you actually commit yourself to writing down your goals, quite often you achieve them. I know you've had that experience, Mel.

Melita: Absolutely. I've pretty much lived my life from that place. My visions really dictate what it is that I want to accomplish.

I have goals written down everywhere. You don't have to be too serious with them. You can even play with them. I've got 100 goals of things that I want to do before I die, and I have goals that I follow every week.

It gives you clarity. Having that commitment, goals, and something to work towards is really important.

It's surprising that it even applies to the ones you put away. You can write things down and put them away, then

pick them up and say, "Wow! Look at that!" It's just the fact that it's been put down on paper.

We dream it and it's there conceptually, but when we put it on paper it really makes it real. Somehow, the universe just supports us and really makes that happen. The goals really come into alignment.

Van: There's another aspect that makes it even more significant. If you have those goals, you are just so committed to them that you'll just do anything to get it. You just have an absolute burning desire that no matter what, you're going to accomplish that goal.

Well, there's almost nothing you can't accomplish when you have the desire. It's really amazing how that works.

Melita: It's not easy. Sometimes it's embarrassing. People aren't supportive. They say, "Are you crazy? Are you mad?" You just have to have that commitment. You have to say, "Do you know what? I know I can make this work, and I'll do whatever it takes."

Van: This is the key to your business plan. Have a big vision. Big visions move people. You need to get the vision that's powerful enough to move you.

That's the key. You've got to get the reasons behind it. Those reasons really give it power. Big visions will cause you to change your direction. They're the motivating force behind everything in the business plan.

I don't think most people realize it but that's, in my opinion, one of the real keys to success in trading or any other form of business.

Melita: "What am I doing this for?" So many people call in to the company about technical stuff. People say, "Tell me what to do to trade. Tell me what systems to follow. Tell me how to do this."

We're always saying, "What is it that you really want? What is it that you want to accomplish? What are the goals that you have? What are you committed to? What do you want this for?"

A lot of people haven't taken the time to sit down and say, "What do I want to do this for? What does this really mean to me?" You need to know what juices you.

What is it that makes you want to do all of this work, this effort, in order to do what you need to do to be a top trader or investor?

Van: I recommend a series of questions. This will help you create that vision that will give you the stepping stone, the core foundation of your business plan.

- What do I want to create?
- What am I going to create with my life?
- What do I stand for?
- What do I want my legacy to be?
- What do I want to accomplish?
- What do I want to give back to the world?
- Most importantly, because it tends to be the secret to all the rest of the questions, what gives me joy?



On Attaining Happiness:

A Psychological Exercise That Could Improve Your Trading Experience

By

Van K. Tharp, Ph.D.

I began my business in the early 1980s when I was doing *A Course In Miracles*. When I began the course, I was working at a research job I hated. I was doing contract work for pharmaceutical companies on the behavioral effects of various new drugs and, indirectly, I was working for the U.S. government because everything I did had to satisfy their requirements. I can't say enough how much I hated what I was doing. The red tape was meaningless for me. I had a long commute in heavy Los Angeles traffic twice each day. And I really had no respect for the people I worked for. It was not a good place for me.

By the time I finished doing the 365 daily lessons in *A Course in Miracles* four years later, I was working for myself, out of my house. I was doing research that was meaningful to me and that I thought would benefit lots of people. And I believe that my work made a difference in many people's lives. Was that a miracle? I think so.

I'm giving you that background information because I'm now doing the course again. Hopefully, this time I can complete it in less than four years. And my experience this time through is that it is even more meaningful to me the second time.

One of my experiences this time is that I seem to be doing much more sophisticated psychological exercises this time. And one of my goals, in this new quarterly format for *Market Mastery*, is to share one or two of those exercises in each issue. Since this is the first expanded format issue, I thought I'd share three different exercises with you. All of them could make a profound difference on your life.

Exercise 1: Review Your Life.

This particular exercise did not occur to me as a result of doing *A Course In Miracles*, but I'm presenting it to you first as background material. I spent two weeks last May in a Swiss health clinic doing some wonderful things. I revitalized my health through the processes they put me through. I read nine spiritual books during the two weeks I was there. And I walked for one to five hours each day in the Swiss Alps. It was a wonderful experience.

As a result of my reading, I did a wonderful little exercise that took me about three hours to complete. That exercise was to recall my entire life. What was my first memory, the second, the third, etc. right through my entire life. Yes, I skipped around a bit and found that I reviewed things with respect to a certain theme and then would go back to something I skipped. I recommend that you do the same exercise. I was 57 last May so I spent about 3.5 minutes reviewing each year of my life. And it was probably a little longer because I can't imagine that I spent more than 2-3 minutes on the first five years. I just don't have too much recollection of those years. So, if you are 30 years old you could probably complete this exercise in 90-100 minutes.

What were the benefits of the exercise? First, I discovered that memories from 1-2 years ago were just as fuzzy as memories from fifty years ago. And then I discovered that when I tried to review yesterday, it was equally as fuzzy. It was almost as if it was not that real and I was semi-reconstructing it. And I thought that was very interesting in view of the metaphysical principle that only the PRESENT moment is real. If you decide to do this

exercise, I'm curious to know if most if you come to the same conclusion. Send me an email (van@iitm.com) and let me know.

My second major conclusion was that there were distinct patterns to my life that I repeated over and over again. That was also interesting to me because it was obvious that I chose those patterns. In my opinion, you can only make that conclusion by thoroughly doing this particular exercise.

Exercise 2: Forgiveness Is My Function.

This exercise actually stems from Exercise 62 through 65 in *A Course in Miracles*. Exercise 62 suggests that you meditate on the following.

Forgiveness is my function as the light of the world.

I would fulfill my function that I may be happy.

The course suggests that you meditate on these two sentences to see what comes to you.

My experience was that forgiveness really means to release all judgment about anything. Things just are! When you decide that they are good or bad or give them any other dualistic judgment, you suddenly bring "interpretation" into your life. And I didn't really make that up either – it's exercise two in the course.

And are you really happy when you release judgment about something? You basically just see it as it is. Suddenly, I saw several examples of this happening. I'll relate one to you that you might have seen for yourself.

I recently watched an episode of *The Apprentice* in which a young, beauti-

Continued

ful, woman went through a tantrum at the beginning of the show. She mentioned something about her background. Both her parents had been in jail and she grew up the hard way. She said she hated being beautiful because other people were jealous of her and she didn't have any friends. As a result, she said she often wished she had scars on her face so that people wouldn't notice her beauty. She said she'd become successful in spite of everyone being against her and that she wasn't going to let other members of the group pick on her.

Let me ask you a question, "Was she happy?" The answer, of course, is obvious. She was very unhappy. And was she unhappy because others were picking on her? Well, in my opinion, nobody was picking on her. A few others has made some observations about her, but I thought those observations were quite neutral. Instead, she was unhappy because she has interpreted the comments of others as attacks and that set off her "stuff." What would have happened if she had reviewed what everyone else had said about her and released all of her judgment about it. Would she have been happy? At the very least, she would not have been upset.

Does it make sense to you that forgiveness is the release of all judgment about anything and that if you do it, you will be happy? It makes a lot of sense to me. That conclusion resulted in a totally new exercise for me.

What I did is repeat the same exercise that I described in exercise one, although not in as much detail. I simply reviewed my life from beginning to end. Only this time, whenever anything came up, I asked the question: "How am I judging this?" And whenever I saw any judgment, I released it and saw it, instead, as a neutral event. And that includes good things as well (because judging something to be good is also a judgment). The net result of that exercise was that I felt much, much lighter at the conclusion.

So that is the second exercise for this you: Review your life in detail and for each event that comes up for you, release any judgment you have about that event. Notice what it feels like. And if you haven't done exercise one yet, just combine the two. It might take you four or five hours to do this exercise, but don't you think your life is worthy of four or five hours of your time?

Exercise 3: My Function and Happiness Are One

In Exercise 66 of *A Course In Miracles*, I was supposed to meditate on the following:

God gives me only happiness.

He has given my function to me.

Therefore, my function must be happiness.

The key to the major practice period on this exercise was to meditate on the logic of the statement. I personally wasn't sure I accepted the first statement. Doesn't God give me freedom and choice and the ability to create? But aren't those elements of happiness as well. Well, to me they can be if I don't judge my creation and my choices.

However, it was the next part of the exercise that I found most interesting. What was suggested was that I review my life for what I've pursued to gain happiness. And that's what I did. Here as some of the things that came up for me when I did that. My examples are not necessarily "The Answer," but they might help you in your search.

- If I acquire that (whatever that might be) I'll be happy.

I remember once thinking that it would be really great when I got a Jaguar XK8. So I bought one for \$59,000 (it was six months old and had \$2000 miles on it). It was really nice to own it at first. However, the joy of owning it disappeared the longer I owned it. In fact, it was largely gone within two weeks of acquiring the car. Okay, so

acquiring things does not bring me happiness.

- If I complete the collection I'll be happy.

When I started thinking about it, I have a complete set of *Stock and Commodities Magazine*. Having it doesn't really bring me much joy, so that premise goes out the door. In fact, I really don't want to get rid of it because there might be some articles in there that I'd want to read some time. But the collection does take up a lot of space and I think the quality of the magazine has gone down considerably over the years. Okay, completing a collection doesn't bring happiness.

- If I have more money, I'll be happy.

I've written about this topic extensively, even though this thought has crossed my mind from time to time. I've been a millionaire. But somehow the way I felt didn't change at all. I've been a multi-millionaire, and I certainly didn't become any happier. And I've lost a million dollars, and nothing changed as far as my happiness. Well in the latter case, perhaps my judgment of that made me a little unhappier. However, my experience is that money hasn't made me happier.

- If I'm more famous, I'll be happy.

I've probably never really bought into this one. I'm fairly well-known among the ranks of traders, but I'm not well known at all among people in general. I'm certainly not well-known in my community and I rather like the anonymity. When *Safe Strategies for Financial Freedom* came out, I decided that I'd do whatever it took to make it a best seller, just because I felt the book would help a lot of people. As a result, I did lots of radio interviews and lots of television interviews. I found doing all that to be quite taxing and had little impact on book sales. And none of it changed my level of happiness.

- If I grow my business by a magnitude of ten I'll be happier.

I've probably done this several times over if you count where the business started. In 1982, I probably made \$5000. Within a few years, I made \$50,000. And within a few more years, I made \$500,000. Although I'm proud of the accomplishment and the effect it has had on the trading world, growing my business by a factor of ten didn't make me any happier.

- Perhaps I just needed more of (fill in the blank) _____ to be happy.

Most people fall into this logic. If having a million dollars doesn't make you any happier, then perhaps ten million will. And if ten million dollars doesn't do it, then perhaps 100 million or a billion dollars will. But did having a billion dollars make Howard Hughes or J. Paul Getty happy. I don't think so. All that happened was they got more. And it doesn't matter whether it's more money, success, fame, or things, more is just more. It doesn't really bring happiness.

Okay, so let's switch directions.

- When my son/daughter does X, I'll be happy.

Every once in a while I've thought if my son can just do X, I'll be really happy. However that's putting my happiness into someone else's hands. Wow, I'm sure that's not the answer. If I start to believe my happiness depends upon someone else, I'm really in trouble. Now I can remember times when doing things with my son brought me a lot of happiness, but isn't that really living in the moment?

- If I were just popular or had a lot of friends, I'd be happy.

I used to have these feelings as a child, because I felt very excluded. I wasn't good at sports, I was more of the egghead geek. I just wanted to belong and be part of the crowd. But there are duties and responsibility in being popular. When you always have to fit in or do things to be special or

stand out, that certainly doesn't bring happiness. But when I do things for other people with no expectation of anything in return, now that's a little different story. I feel great, but it's the process here that seems important to happiness.

- If I can just have the right relationship, I'll be happy.

Have you ever had this thought? If I can just bring this person into my life, I'll be complete and live a wonderful life. I've been married twice – both times to wonderful women. In addition, I probably had this thought when I wanted to get married. But did that feeling change over time? For me it certainly did. They made life interesting and certainly took away any boredom I might have, but they had nothing to do with my happiness. So does that mean that the right relationship doesn't make me happy? Well, that brings up the next one.

- If I can just fix this person, so they don't do that, I'll be happy.

Being a psychologist, I already know the answer to this one. You cannot fix anyone but yourself. But if you change your reaction to how someone else behaves, then you could change their behavior. And if you don't change your behavior, changing yourself could still change how you feel about it. But isn't that bringing up full circle to the original idea that releasing judgment (forgiveness) is what brings happiness?

Okay, so that brings us to the exercise. Take about a half hour and list all the ways that you have pursued happiness in your life. Make a list of them. And once you have the list, then go over the result of having or pursuing that particular goal. What happened? Was it even associated with happiness? See what your conclusion is. And if it turns out that releasing judgment is what brings you happiness, then what does that say about who you are?

Notice that I'm not providing you with any answers here. Just do the exercise

and see what answers you come up with on your own.

Application to Trading

One reason for giving you these exercises is that they have a direct bearing on your performance as a trader. When you have lots of judgments about the market and the results you get, it's very hard to make money. When you can be an observer of the market – what's it doing – and react appropriately, you'll find that your trading seems to improve more and more. Furthermore, my experience is that I enjoy it more as I judge less.

My trading has become very simple. I look for things that are going up quickly and smoothly. I call those efficient stocks. The smoother and faster they are moving the more I like them. And what do I do when I find one. The answer is simple, I just buy it. I don't wait for any other indicator – that's enough.

And when do I sell? Well, I have certain rules about how much I'm willing to lose.

If I'm down much more than half of a percent in a day on a particular stock, I'm out. That's even my stop at the start of the position, because if it's going up I expect it to keep doing that. This is actually a pretty simple way to trade and I've been very successful with it.

What makes this style of trading best is the lack of judgment. I just stick to pure observation. Is it going up smoothly? If so, it's a good candidate, buy it. Am I losing more than half of a percent on it, then it's stopped going up, get rid of it.

And when most stocks are going down, I do the opposite. Is the stock going down smoothly? Those become my short candidates. And again, when I lose half of a percent in a day in a position, I'm out.

