3 Questions to Ask Yourself Before You Start Day Trading

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I get asked a lot of questions by people interested in day trading but who are not sure when to jump in.

While day trading profits are never guaranteed, I can tell you where to find them: They're on the other side of hard work, patience, picking yourself up after getting knocked down, looking for ways to be a better trader tomorrow — and sticking with it.

Three questions come up regularly, so let's cover them.

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1. What market conditions are best for me to start learning day trading?

The adage that the best time to learn was 10 years ago and the second-best time is now is somewhat true. But is there any benefit to learning this profession when the market is hot or cold?

Most beginner traders come into the market when it's hot. This is normal because that's when there's the most publicity and enthusiasm. To be more specific, FOMO brings massive numbers of people into day trading, judging by the chatter on trading sites. They've heard about the killings people claim they made

on meme stocks like GameStop, and they want some of that action.

It's a dangerous time to enter the profession, though. Your day-trading skills are nonexistent, but your emotions and desire to get in on the action *now* are fully developed. You don't even know what you're looking at in terms of how to read charts, nor do you know when a particular stock behavior is a buying signal, danger sign, or simply noise. Do you really think it's a good idea to practice driving for your learner's permit – at the Indy 500?

In order for you to trade profitably, you must understand what you're looking at, recognize and manage your strong emotions, and take a long series of correct actions. Being a beginner and learning to do that with real money in a hot market is suicidal.

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I have good news: You don't need to stay out of that hot market; you can just trade in a day trading simulator.

Also known as a Sim, a day trading simulator is the most vital tool you will ever have as a trader, aside from your computer. It allows you to learn how to trade and get a feeling for today's actual market conditions, but in a way that risks no real money. Day trading is risky for even experienced people, and it's sudden death for newbies because your money will run out long before you've learned what you need to know.

Do you think you're smarter and faster than those duffers who lose money? Maybe so. Prove it in the Sim. Anyone can have a good single day; when you've strung together four or five profitable weeks in a row in the Sim, you'll have accomplished something special, and you'll be ready to begin to trade with real money.

When you take this approach, it won't matter whether the

current market is hot or cold. You'll have learned how to take advantage of the ups and downs that occur with stocks in any market.

2. What's the right age to trade?

Is day trading only for turbo-charged 20-somethings? Not necessarily. You indeed need specific aptitudes for success in trading: two of them are strong hand-eye coordination and quick reaction speed. Some young people lack these, and some older people have them. Also, these aptitudes can be practiced and improved upon to an extent.

You must also develop strong discipline over your emotions, and often, that comes later in life. The important thing is not to make a snap judgment before you actually get set up in a Sim, learn the basics, and go through a few trading sessions. Even veteran gamers have a lot to absorb at first, so give yourself some time in an environment where you can't lose your butt. Be serious about learning the profession, and you'll know soon enough whether day trading is for you.

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What knowledge do I need before I begin day trading?

Don't make the mistake of thinking you need to go to business school before you take up day trading, which is a set of skills and knowledge that differ from anything you would learn in business school. You will definitely not be hunched over annual reports and analysts' estimates of earnings during you day trade. Instead, your education will involve intimately understanding the granular, moment-by-moment movement of stocks.

Even more important will be your gradual awareness of what other traders may think and do when they see a certain pattern forming as a stock trades. You'll learn how to interpret what seems at first to be a firehose of information, but over time, it will begin to make sense. You'll start to recognize sequences of stock movements and will get more comfortable with knowing what to do right now, whether it's to jump in, double down, take some profits or bailout.

The day-trading equivalent of business school will be when you study your trading journal. That's where you'll record what you were thinking as you took trades, what then happened, and what you've learned for your next trading session. There is no more relevant and practical teacher of the craft than a detailed trading journal.

I know a whole lot of traders, but few knew that they wanted to become day traders when they grew up. Some successful day traders started in college, and others started decades later. Most of us seem to be refugees from other careers.

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