The 4 Phases Every Day Trader Needs to Go Through Before Making Money

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It may be true that no two humans or day traders are exactly alike. But after having dealt with literally thousands of traders in my career, I see themes.

It's useful to know these themes before you embark on the day trading journey, because making certain decisions at key intersections of your journey can save you a lot of grief and money.

Phase 1: Beginner's luck

Given what you see on social media, it's no wonder that day trading looks incredibly appealing. We hear about people who seemingly plop down at a keyboard as a beginning day trader and make a wad of money. Day trading looks like fun! I can imagine some of the thoughts going through people's heads:

- *I hang out on social media, and I'm a great gamer. My reaction time is faster than anyone I know, so how hard can day trading be? I can bail out immediately if things go south, so I'm safe.*
- *I got a tip, bought some stock and made more money in 15 minutes than I've ever made in my life over such a short period!*
- *I've had not one, not two, but three profitable trades in a row! You know, I just might be a natural at this.*

If all you did until now was invest a little and make some easy money, well, good for you. It does happen. But here comes the first key intersection. The wrong turn is now to think you're special and maybe even immune to the learning curve everyone else must follow: "Why trade in a simulator if I already made real money? All I need to do is lather, rinse, and repeat what I already did!"

The danger is that you follow those thoughts by doing something dumb like quitting your job or putting all your savings into your trading account.

If you do this, invariably – and I mean invariably – you will have a shocking awakening. You'll lose big time, and it will only be a question of whether it was 80 percent of your account or 95+ percent. Most beginner's luck casualties bail out at this point.

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Phase 2: Building the foundation

If you decide to stick around, you're in for a slog. You need to learn the profession, but you'll have few profits to show for it. You'll be thinking: *Wow, I never realized there was this amount of stuff to learn! Day trading is an actual profession.*

That will scare off many people. If you stick with it, you'll realize that trading in a simulator is your ticket to survival. You can actually trade along with what the real market is doing, but you won't have to risk your livelihood to do it. Congrats: When you realize that the Sim is your best friend, you've reached an important milestone.

You'll be in Phase 2 until you trade for several weeks and reach the point that you're a breakeven trader. You'll have some good and bad stretches, but they cancel themselves out.

As you get more proficient in learning candlestick patterns and especially observing your own emotions, you gradually become profitable for a few weeks in a row. More people will bail out at this phase, because it’s taking real work to learn these skills, and it’s not nearly as fun as it was at the beginning.

Phase 3: Real money trader

After all this work, it’s humbling to be still called a “beginner”, but you won’t mind. You’re finally wrapping your head around this profession and seeing what it will take to get really good at it. You’ll be thoroughly familiar with a few patterns that stocks follow and will gain some confidence and even some profits. You’ll also realize that you must learn a lot more in order to make consistently profitable trades in the kaleidoscope that each day brings.

Some people will stick with it; others will feel like it’s just too much work to overcome the regular setbacks this phase involves, compared to the payoff so far.

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Phase 4: The professional

You’ve proven your chops. You’ve made consistent money in both strong and weak markets, but the big lesson learned is you can NEVER let down your guard.

You will have days when you don’t pay attention to the many guardrails or principles, and you get beaten to a pulp. But you’ll finally have the perspective to know in hindsight what happened, how you violated one or more of those principles, and how costly that lesson was. If you stick with day trading, you’ll gradually get your emotions more under control so you

can step back and see what’s happening more dispassionately.

It will never become easy, but it will get easier and more rewarding. You might even look back and realize how lucky you are to spend the morning in serious concentration on the market and then be able to spend the rest of the day doing what you want.

Does it ever become “too good to be true”? No. When it’s showtime, you really need to be on your game. After all, the markets are merciless. They do not care how well you did yesterday, or last year, and how large your bank account is.

They’re consistently ruthless, and you make consistent money only when you’re focused and highly disciplined. Every morning, you start from scratch. If you’re not OK with that, then this is not the right profession for you.

But if you somehow can get past these many gauntlets and continue to make profitable trades—wow. What a crazy profession! You don’t need to commute to work, then attend lots of meetings as you gradually work your way up the corporate ladder. There’s an entirely different path to success. Only a few will navigate the twists and turns, but for them, it will be worth the effort.

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Phase 1: Beginner’s luck

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