

Tips for success

YOUR FIRST YEAR OPTION TRADING

This is an extra resource to go along with the original article:
5 Mistakes to Avoid when Selling Covered Calls

As with all investing, there is no perfect formula to maximize your results. There are a few things you can do, however, to make sure you give yourself the best chance possible. Here are a few tips to make your first year of option trading a success.

1 Learn to avoid the most common mistakes

Understanding the rules and timing of option trading before you begin will make a difference when it comes to seeing returns. If you can glean wisdom from other option traders (and learn from their past mistakes), you can put yourself in a more powerful position. Take time to find out how the successful traders trade, the techniques and strategies they use, and any other tips that will help you make a profit. We've been utilizing the Snider Investment Method for 15 years!

2 Accept that you will incur losses

If you are just starting out, you should expect to incur some losses as you learn the ins and outs of option trading. But what matters most (and what will differentiate you from other traders) is the ability to learn from the mistakes and continuing after failing. Have a contingency plan in place to handle losses, and should they occur, don't panic. Stick to the plan and keep moving towards your goals.

3 Try paper trading with a small amount of money

If you are nervous about jumping straight into option trading, try paper trading first. This way you learn how to enter orders, adjust trades, and, more importantly, learn from your mistakes without losing real money. And even then, start small when you enter the market with real money.

4 Trade consistently

Losses will occur, but how you manage your losses will either turn you into a successful trader or an unsuccessful one. It's impossible to predict price movements consistently (which is why our strategies don't need this requirement for success), so trust your education, control your emotions, and follow the investment strategy you have, even if you experience losses at first.

5 Don't expect to become financially independent overnight

Option trading is a great opportunity to make sustainable income, but it won't happen overnight. It may take you a little while to truly build capital, and this is normal. Your best bet is to concentrate on low-risk, low-frequency trading with income-oriented trading strategies, and plan for the long term.

6 Develop your trading strategy based on facts

One of the most effective ways to succeed in options trading is to have a sound trading methodology. Take time to sift through information available on the Internet and conduct fact-driven research on trading stocks and options. This way, it will be easier for you to set realistic income goals and avoid making too many mistakes.

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The intent of this handout is to help expand your financial education.

All investors should consult a qualified professional before trading in any security.