HOW TO TAKE LOSSES LIKE A WINNER:
Why You Need and Deserve to be Resilient
THE BASICS
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Trading on Nadex involves financial risk and may not be appropriate for all investors.
THE BASICS

First Things First

Mission 1: Buy Yourself a Cup of Coffee
FIRST THINGS FIRST
The short version of this ebook goes like this: It’s okay to take losses in trading. In fact, it’s inevitable. In fact, it’s necessary. Necessary? Yes, necessary.

In the next pages, you’ll learn positive, productive ways to use trading losses to improve your overall education and performance.

You may not end up cheering next time you take a loss, but you will get comfortable with them. They help you learn about the markets and yourself. And that will help you gain the resilience you need.

You know those confident, relaxed traders you read about, like Warren Buffett, George Soros, and Ray Dalio? You can become like them, in attitude if not account balance. Resilience isn’t just something you need to have, it’s something you deserve to have.

How did they become so resilient? They took losses, just like you. And then, like all successful traders, they learned what to do with them.

This book will help you learn those same lessons. We also have two “missions” for you to try, either in your demo or live account, to help you experience them yourself.

THE TRUTH NOT EVERYONE WILL TELL YOU IS THIS:
TAKING LIMITED LOSSES MAKES YOU A BETTER, MORE PROFITABLE TRADER. IT MAY EVEN MAKE YOU BETTER IN OTHER PARTS OF LIFE.
When a boxer steps into the ring, you don’t expect to hear “Why are you punching me? How dare you! This is an outrage!” Taking punches is part of boxing. Successful boxers learn to take punches. And they win.

Losses are a part of a successful strategy. When you’re looking for a new job, you expect some rejections. It’s part of the job hunt. You don’t expect everyone to hire you, qualified or not.

“Can’t work a computer? You’ll pick it up. Welcome to Google!”

“You faint at the sight of blood? You’ll get over it. Let’s do your first operation, Doctor!” No, we don’t expect things like that.

In most areas of life, we expect challenges and setbacks. But we don’t let setbacks keep us from going after goals that matter.

We seek out new relationships even if we’ve been rejected in the past. We get back in the gym even if we’ve skipped for a few weeks (or months). Being perfect isn’t a prerequisite for anything, including trading.

Traders learn to take punches, too. But they do it in a way that doesn’t knock them out. Limited losses are part of every winning strategy. The strategy wins because you keep the losses smaller than the profits. If you have more money coming in than going out, you’re a profitable business.

If that sounds simple, it is. In fact, trading success mostly comes down to a few simple truths.
THE FIRST SIMPLE TRUTH IS,
YOU DON’T HAVE TO BE RIGHT
ABOUT THE MARKET’S DIRECTION
ALL OR EVEN MOST OF THE TIME.

In fact, you can be right less than half of the time—many professional traders are 40-percenters. And they admit it proudly, because they understand that being right is not what matters.

Some of the best traders see the markets like an ATM. An ATM that acts a little flaky and sometimes doesn’t give out money, but overall, is fairly consistent.

Other traders treat losses as a necessary business expense, like the cost of lighting and air-conditioning your restaurant—even when you don’t have customers.

The simple truth that may be hardest to believe is this: losses are a necessary part of a winning strategy, a necessary part of trading.

You’re probably thinking, “Can’t I become a successful trader without having to go through the negative emotion of losses?” After all, we don’t say you can’t be a good driver unless you’ve had a few crashes.

Losses help you learn about the markets and about yourself. Right after a loss, you have what some call a “teachable moment.” Ideas that were abstract suddenly become understandable on a personal level.

The thing is, you can have a teachable moment with a $20 loss just as easily as with a loss that wipes out your account or confidence—or both.
MISSION 1: BUY YOURSELF A CUP OF COFFEE
If recent losses have made you scared to try again, it's time to go for a small victory. Find a binary option with a small maximum risk. And as soon as it's a little bit profitable, take the profit.

Just take it.

It might be just a few dollars, enough for a cup of coffee. The amount doesn't matter. Don't worry about whether you could have gotten more. Call it what it is: a profitable trade.

And if you take a loss, you should still call it what it is: a good trade. How can it be a good trade if you lost money? Short answer, because you did it. You found the courage and did it, in a smart way that defined risk. How could that not be good?

Trades can lose money for reasons you can control and for reasons beyond your control. Here are some you can control:

1. If you jumped in without looking at how the market is trending
2. If you treated it like a coin flip
3. If you just blindly followed a recommendation from a friend or colleague or talking head on TV

If an unexpected news item comes out and causes the market to spike against your position, you can't control that. But you can control how badly it will impact you. If you're on Nadex, you've already guaranteed that your risk is limited, no matter what happens. Good choice.

When you've completed your mission, take a picture of that cup of coffee. Maybe even a selfie.

It's an important cup of coffee, because it symbolizes a key fact: you did a successful trade. And you can do another, and another after that.
Losses Are Tuition

Losses Are a Business Expense
LOSSES ARE TUITION
You might pay thousands of dollars in tuition for a college or MBA course in finance. And you still wouldn’t learn as much about trading as you would in a few months of actually doing it.

You might say that calling losses “tuition” is just putting a comforting spin on the facts. Fair enough, but the truth is, you have to find a way to tell the story of your losses that helps you improve and keep moving forward.

Think about the alternatives. Would it help to call it a failure? Would it help to call it bad luck? When you do that, you risk spinning more than the story of the trade. You may spin the story of you, the trader.

If your trade is a failure, does it make you a failure? If your loss resulted from “bad luck,” does that mean you’re just unlucky? You wouldn’t consciously say that, but the brain is a tricky thing. It’s unwise to tempt your brain with ideas that aren’t helpful.

It’s sad when a trader takes a series of losses and concludes, “I’m a loser.” It’s also completely untrue. If you called another trader a loser, you’d be a bully. And yet, we all face moments when we accidentally bully ourselves.

YOU’RE NOT UNLUCKY. YOU’RE NOT A LOSER. YOU’RE A LEARNER.

Every trader is, no matter what your experience or skill level. You’re always learning and improving. Don’t be your own worst bully and call it something other than the educational experience that it is.

It’s only a failure if you fail to learn from it. If you use a loss as an experiment you can learn from, it may turn out to be one of the most important events in your trading career.

We’ve all had experiences that were awful at the time but turned out to be among the most beneficial of our lives. Imagine yourself a year from now, looking back at the losses you’ve taken recently and seeing them as crucial in your progress to success.

You deserve to get as much education as you can from each loss. After all, you’ve already paid the tuition.
LOSSES ARE A BUSINESS EXPENSE
In the simplest terms, this is how any business makes a profit: **TAKE IN MORE THAN YOU SPEND.**

That basic income-expense balance is one of the most important bits of math in all of business. Make your income more than your expenses, and you’re left with a profit.

Try thinking of losing trades as business expenses and profitable trades as income.

**INCOME – EXPENSES = PROFIT.**

Increasing the income side comes with experience. You become better able to see where a market is heading, when a market is just taking a break before moving further in your favor, and when it’s hesitating because it isn’t sure where to go next.

In this way, you learn when to take small profits quickly and when to be patient. Patience is like a muscle that gets stronger with training. It can be emotionally draining to stay in an uncertain situation for too long.

Most traders start small, taking profits as soon as they appear.

If you’re mainly taking small profits, the key to having a profitable net income at the end of the day or month is to keep your expenses small as well. That way, when you subtract your small losses from your small profits, your net income is still positive.

This is how most successful traders stay consistently successful over the long term. In baseball terms, they don’t hit home runs so much as take base hits again and again.

Thinking of losses as an expense helps you see them as routine. Just part of doing business as a trader. Restaurants don’t get mad about having to buy groceries or keep the lights on even when they don’t have customers.

In the same way, good traders don’t get mad about losing trades.
RESILIENCE

The Goal is Not to Be Right

Practice Losing, Seriously

Mission 2: One Trade a Day

One Last Piece of Advice
THE GOAL IS NOT TO BE RIGHT
Turn on financial TV news and you’ll hear analysts and pundits answering one question every day: “What’s the market going to do next?”

Here’s another one of those simple truths: traders are not analysts. The two jobs are completely different. Okay, maybe not completely different, but it’s best if you tell yourself that.

Unlike analysts, traders who work in short-term timeframes look at a different question: “What is the market doing right now?”

A trader’s goal is not to predict the future, but profit from the present. The way you do that is, in the end, pretty simple. When the market is going up, be long. When the market is going down, be short.

And when the market isn’t clearly showing a direction (at least not that you can see) be a spectator. Or be gone. Go get a snack, play the guitar, watch a funny sneezing baby panda video. Do anything besides trade for the sake of proving that you’re a good trader.

Good traders will tell you there’s a better goal: adding to your account balance, tick by tick, in a consistent way.

Consistency means that you do have losing trades, but you keep them small every time. That way, your profits add up to more than your losses and over time, your account balance grows.

Do you see that when you pursue consistency instead of perfection, losses are just short chapters in an overall story of success?

If you can’t control your need to be right all the time, it can lead you directly to losses. Let’s say you buy a dip in the market because you just know the market is going up. And let’s say that in fact you’re right—it is going to go up, but only three hours from now. In the meantime, it’s going to dip further.
Most trades involve drawdowns, but sometimes when you see the market moving against your position, you hold on for too long, hoping for it to turn back. That’s your ego taking control, your need to be right.

Having pre-determined risk by trading on Nadex helps ensure that your maximum possible loss is never more than you planned for. But that’s not a substitute for judgement.

Something that most people don’t realize about successful traders is that, as brash and showy as they might be in other parts of life, when they’re trading, they strive to be ego-less. If you let your ego take charge, you’re in trouble.

Why? Because your ego wants something different than what you want. You want to make money. But your ego just wants to be right. Never wrong, never imperfect. Just shining and flawless like a diamond. That’s what your ego wants and, like diamonds, it’s a temptation that’s hard to resist unless you train your ego to stand aside and let you work.

A well-trained ego, on the other hand, can be a blessing. It can keep you feeling confident without interrupting you as you do your job, which is not to perfectly predict the market’s future, but to profit from what the market is offering you right here and now.
PRACTICE LOSING, SERIOUSLY
Does that mean that experienced traders started out with success after success, such that they never got discouraged? Hardly.

What’s the difference between an experienced trader and a trader who gave up? Obviously, an experienced trader who is still trading didn’t give up. Specifically, that trader didn’t give up despite having losses.

That means that one way or another, that successful, experienced trader learned a way to bounce back from losses, to learn from them and keep moving forward.

Believe it or not, there is such a thing as a perfect loss. It’s any loss that teaches you to never lose money that way again.

Sylvester Stallone wrote in the last (and second best) Rocky movie: “It ain’t about how hard you can hit. It’s about how hard you can get hit and still keep moving forward.”

The rewards go to the ones who get curious, who learn from each mistake, write it down in their journal, become more self-aware, and develop a working strategy for taking losses in stride, even feeling grateful for the learning, and moving forward to the next smart trade.

That is not the revenge trade, not the frustration trade, not the “I-don’t-care-anymore” trade. It’s the trade that shows you learned from the hits and also learned how to keep moving forward.
MISSION 2: ONE TRADE A DAY
YOUR MISSION IS SIMPLE: MAKE ONE TRADE A DAY FOR A WEEK. NO MORE, NO LESS.

If over-trading is part of the reason for your losses, this one-trade-a-day diet may be a cure. And if you’ve gotten too scared to trade at all, this same diet can cure that, too. For a week, you will take just one trade a day: no more, no less.

Here’s the logic behind it. Warren Buffett once gave this advice to students: "An investor should act as though he had a lifetime decision card with just twenty punches on it." Rather than over-diversifying or constantly changing investments, Berkshire-Hathaway tends to make a few big investments they think have a high probability of going up.

Short-term trading is different than investing, but the same thoughtful-choice approach works. When you have a platform that lets you buy and sell with a couple clicks, it’s easy to give into the temptation to jump in and out of the markets.

AND SINCE NADEX LETS YOU TRADE SUCH A WIDE RANGE of forex, commodities, stock indexes, and even the price of Bitcoin, it’s easy to treat it like an all-you-can-trade buffet.
ONE LAST PIECE OF ADVICE
Never forget that it’s supposed to be fun. Not the adrenaline rush most people think of, but another kind of fun: steadier, stronger.

The best traders don’t do a lot of shouting and fist-pumping.

It’s like the old Serenity Prayer. There’s joy in holding yourself steady, controlling what you can control, protecting yourself against what you can’t control, and knowing the difference well enough not to worry.

When you get to that serene place, you suddenly appreciate what a gift it is to be able to do this trading thing: to turn some money into more money by applying your intelligence and emotional discipline to an understanding of how the forces in our economy work.

It’s not a bad way to make a buck, if you think about it. Like any other craft, it has ups and downs. Learn to take the losses like a winner, to see them as education, as just a cost of doing business, and even as part of the adventure, and they won’t ever bully you again.

YOU, NOT CIRCUMSTANCES, WILL BE IN CHARGE OF YOUR TRADING.

ALL FROM YOUR PHONE OR LAPTOP.
OPEN A NADEX ACCOUNT TODAY

Start trading with low cost and pre-determined risk.
You can also open a free, full-featured practice account.
Or start trading live with as little as $250 to start.

OPEN AN ACCOUNT

WANT TO PRACTICE FIRST? OPEN A FREE DEMO ACCOUNT.

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Nadex binary options and call spreads can be volatile and investors risk losing their investment on any given transaction. However, the design of Nadex contracts ensures investors cannot lose more than the cost to enter the transaction. Nadex is subject to U.S. regulatory oversight by the CFTC.