



MercenaryTrader

Productivity Report
**Trade From Home:
15 Keys to Success**

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15 KEYS TO SUCCESS**

Table of Contents

- Establish a Daily Structure.....pg. 02
- Use Checklists.....pg. 03
- Keep Detailed Records.....pg. 03
- Have a Financial Cushion.....pg. 04
- Keep Your Workspace Sacred.....pg. 05
- Maintain a Daily Journal.....pg. 06
- Self Grade Performance.....pg. 06
- Treat Yourself Like an Athlete.....pg. 07
- Talk With Your Family.....pg. 08
- Carve Out R&D Time.....pg. 08
- Watch for Burnout.....pg. 09
- Watch for Complacency.....pg. 10
- Find an Accountability Partner.....pg. 10
- Join a Community.....pg. 11
- Set Process Goals.....pg. 11

SUCCESSFULLY TRADING FROM HOME

Trading from home can be a tremendous challenge, but great challenges also come with great rewards.

Trading from home can be both a lucrative and personally rewarding experience. Having the flexibility to set your own schedule is a beautiful thing indeed. And it's hard to beat the 10-second commute to your home office.

On top of the enjoyable lifestyle benefits, successful home-based traders can generate a rewarding income stream.

But with all of the benefits associated with trading from home also come challenges. In particular, many traders find it difficult to transition from having well-defined work hours and a workplace culture, to working in a home environment with distractions and less day-to-day interaction with peers.

Many traders are not able to successfully transition to a home-based trading environment. But for those that can, the choice to strike out on your own and make an independent living by trading can be an incredible experience.

Here are 15 keys concepts to help you effectively transition to trading from home:

1) Have a Daily Structure

To maintain success in your trading venture, you will need to have a daily schedule or routine that you are committed to keeping. The importance of this discipline cannot be overstated. Too many independent traders fail, not because they don't have the ability to trade profitably, but because they lack the discipline to implement their process day-in and day-out.

Your daily structure should be uniquely designed to fit your personality, taking into account your strengths and weaknesses.

Are you a morning person? Then structure your day so you are handling the most important research or trade planning early - when your brain is the sharpest. You can schedule maintenance tasks for later in the day when you have less energy. Obviously the time table can be reversed if you're more of a night person.

The key is to use your most efficient time of day for your most important tasks. Not necessarily the most urgent ones - but the ones that require your brain to be the sharpest.

The ability to set your own personal schedule is one of the greatest benefits of trading from home! Put that benefit to WORK by intentionally laying out your day to make the very best use of YOUR time, YOUR energy, and capitalizing on YOUR greatest strength

If you want to be a successful home trader, you need to treat this endeavor with the same respect and dedication that you would give to a "real job."

Set up a plan. Set your alarm. Stick with the program. And make adjustments along the way. A commitment to discipline is crucial to your long-term success.

2) Use Checklists

Pilots and surgeons swear by them. You should too!

Regardless of how you trade, what your strategy is, or the amount of time you hold positions, you need to use checklists.

Checklists can cover a multitude of different areas that absolutely must be monitored for your business to thrive:

- **Administrative Tasks** - verifying positions, reconciling expenses, returning phone calls...
- **Research Activities** - checking a list of information sources, noting key fundamental stats...
- **Trade Management** - stops in place, alerts set for target price points, daily chart review...

Do you constantly deal with that nagging feeling that you are forgetting something? Or do you spend time trying to remember that item that you intended to knock out after lunch?

One of the primary benefits of keeping checklists is that your mind can then be free to **focus on each specific issue at hand**. If your day-to-day tasks are clearly mapped out in checklist format, then you don't have to worry about whether you are forgetting something important.

Everything - and yes, this means everything - gets placed on a specific checklist. You can have one for pre-open tasks, one for researching new positions, one for your "call it a day" closing process - even weekend or quarterly review checklists.

If you are running out of time during the day, a checklist lets you quickly review what is left for the day, and prioritize which tasks must be finished, and which can be bumped to tomorrow's list.

Committing to a process of listing the important things and knocking them out one-by-one will increase your efficiency, result in fewer instances where you drop the ball, and help you to prioritize the most important tasks that absolutely must be covered on a day-to-day basis.

3) Keep Detailed Records

One of the best ways to improve your trading performance is to keep a detailed trade log with entries for every single trade that you execute.

This log should not only contain entry and exit points, but also your rationale for every trading or investment decision that is made. The key is to include the relevant information in the log so that you can go back with the benefit of hindsight and see where your decisions were correct, and where mistakes were made that can be corrected for future trades.

Keeping a log which includes decisions not only for entering trades, but also reasons for taking profits (or cutting losses) can be very instructive when looking back after a period of time.

Feel good about nabbing a 10% gain in a week's time? That gain may look different a month from now when you realize that the stock continued to climb by another 50%. And if you realize that your rationale for taking a profit quickly was based on irrational fear (rather than an objective assessment of risk and potential reward), you may wind up with a learning experience.

When looking back over a trading log that spans a significant period, it can be very helpful to pick up on statistical trends. Maybe 85% of your profit comes from long positions in a particular sector. This may tell you that you have particular insight in this industry. Or if 90% of your losses come from shorting stocks during bullish market periods, you may have uncovered an opportunity to dramatically improve your performance.

Great traders evolve! And to commit to this process of evolution, you must first be able to look back and determine where your gains are coming from, how your losses are being incurred, and what you can do to continually improve.

The first step in this evolutionary process is to keep a detailed account of all your trades which can then be mined for improvement opportunities.

One other ancillary benefit of keeping detailed records is that the record keeping process itself can be a source of alpha. For instance, you may be about to pull the trigger on a new position, but in the course of writing it up, you realize that there is a flaw in your logic. The process of verbalizing (whether on paper or out loud) your rationale for the trade can be a helpful step in clearly analyzing the reasons for executing the trade in the first place.

4) Have a Financial Cushion

There's an old saying in poker: *"Scared money is dead money"*

The same is true for trading... If you approach the market from a place of financial weakness, your decision making will be tainted by your cash flow needs.

The remedy to this situation is to have a cushion of capital that is set aside for living expenses - separate and distinct from your trading capital. This way, when you enter a trade, you're not gambling with your mortgage payment, and you can keep the lights on regardless of your performance in any short-term trading period.

This doesn't mean that you need to be independently wealthy to trade from home. But it does mean that you need to be adequately capitalized to withstand the inevitable ebbs and flows of trading profits.

A financial cushion can take on various forms. You could have a certain amount of cash allocated to living expenses (which over time gets replenished through trading profits). Or you could set up an extra stream of income (working nights or weekends until your trading profits accelerate to the point of covering your living expense needs).

For many traders, the road to trading from home begins while still holding down a full-time or part-time job. While your trading approach may need to be adjusted to fit with the employment schedule, the benefit of a capital cushion will help you to trade more objectively and eventually generate enough profit to commit to trading full-time.

So whether your financial cushion comes in the form of capital set aside for living expenses, an alternate income, or some other means, make sure that you are trading with real "risk capital" – in other words, capital that you CAN risk.

Don't ever trade with scared money!

5) Keep Your Workspace Sacred

When trading from home, it can be easy to get distracted with day-to-day tasks that need to be taken care of at the house. This is an extremely dangerous habit to get into because it can erode your time, your focus, and your mental energy.

One helpful remedy to avoid distraction is to have a dedicated workspace... a sacred place that is used exclusively for trading. This directly syncs with the concept of trading as a profession. You are not making a living by sitting on your couch and picking stocks. Success in this business requires deliberate focus.

Setting up a dedicated workspace helps to foster that concept of professional focus. The 10-second office commute is a perk, but trading from home is a commute nonetheless. When you step into your sacred workspace, you are now at work - focused on your business of trading.

Another benefit of this dedicated workspace is that you can also have a 10-second commute home. In other words, there is a point in your day at which the trading is finished, your analysis and process work is complete and it is time to call it a day.

Having a dedicated workspace that you can leave can be very helpful for life balance. When trading in your workspace, you should be completely immersed and dedicated to your trading process. And when stepping outside of that sacred workspace, you are free to disengage and focus on your loved ones and the other areas of life that you enjoy.

The sacred workspace concept is helpful from a habit-forming perspective in that every time you sit down at your desk - in that sacred place in your home - your mind and body instinctively knows that it is "work time." Conversely, when you step away, you can refresh your energy and recharge your battery for the next day's dedicated work time.

6) Maintain a Daily Journal

As a professional home-based trader, you will soon realize that this business of trading is more complicated than it may first appear. As you build and maintain your personal trading process, it can be very helpful to keep a personal journal along the way.

Some key things to cover include:

- **State of Mind** - What is your current disposition? How effective are you at minimizing distractions? How well is your dedication holding up in terms of your day-to-day trading process?
- **Clarity** - Are you able to effectively think through the trading and/or business issues you are facing? Is your mind sharp and effective? If so, what have you done to cultivate this? If not, what can you do to sharpen?
- **Energy Levels** - Do you have the energy to continue pressing forward? What can you do to increase your intensity or to give yourself more bandwidth for building your business?
- **Forward Progress** - How much traction do you have on specific projects? What is holding you back? Can you do anything to improve your focus or allocate time and energy to necessary tasks?

Highly effective traders are in tune with their own mental and emotional state. Progress (in terms of individual tasks and personal development) is most likely to be made when you are keeping a detailed journal of where things stand, and brainstorming on how to continually improve.

7) Self Grade Performance

At Mercenary Trader, each of our team members turns in a self-assigned performance grade on a daily basis. We have found that this self-assessment is a great way of not only determining how effectively each of us have been in performing our daily routines, but also motivating us towards excellence.

You can foster this type of competitive approach in your home office by objectively assessing your own performance each day and assigning it a letter grade or a number between 1 and 5.

Specific criteria for daily performance measurement will differ from trader to trader. But here are a few areas that you can start with:

- **Following Your Plan** - Did you map out a plan for how you would spend your day? Did you follow that plan? If not, were the plan deviations healthy (objectively deciding to move on to another more important task?) or did you give in to distraction?

- **Personal Focus / Intensity** - How well did you execute on the research or trading tasks at hand? Were you focused and mentally dialed in? Or did you allow your mind to wander? Was your time spent intensely pursuing your objectives?
- **Time Management** - How efficiently did you use your allotted time for this day? In what areas were you strong and effective? In what areas do you need to tighten up your process to use up less time? Are there individual time-wasting tasks that you can delegate or drop?
- **Task Completion** - Did you finish all of your assigned items for the day? If not, did you prioritize and attack the most important issues (versus just knocking out the *easy* ones)? For tasks that were not completed, did you move them to the following day's list to keep from dropping the ball?

Note that the self-grade has nothing to do with profit and loss (unless a loss was taken because of poor performance on this particular day). Instead, this grade applies to your focus, intensity, and execution throughout the day.

It can be helpful to implement a rewards system for this grading process - giving yourself small (or large) rewards for a period of consistently strong performance. For instance, maybe a week's worth of 4.0 or 5.0 readings is rewarded with a round of golf over the weekend. Or you may decide to treat yourself to a long weekend getaway after a month of consistent tracking.

The key is to measure how well you are executing on your day-to-day plan, and use these assessments to foster a stronger culture of excellence for your trading endeavor.

8) Treat Yourself Like an Athlete

Excellence in trading is just like any other competitive business or sport. The competitor with the strongest training regimen, the healthiest mind and body, the most consistent dedication - will always have an edge over weaker participants.

To truly execute at peak performance, you must treat your body and mind like a world-class athlete. This means committing to a healthy lifestyle which will foster a sharp brain, mental stamina, and the willpower to execute with a high level of self control.

Three primary categories to help keep your mind executing at peak levels include:

- **Nutrition** - You wouldn't put low octane fuel in a high-performance Italian sports car. And your body and mind have much higher performance attributes than a Maserati. Embracing a high-protein, low-carb healthy diet can lead to higher brain clarity and stamina.
- **Exercise** - Studies have linked exercise to long-term memory, reasoning, attention, and other brain functions. Establishing a routine with regular exercise can not only lower your overall stress levels, it can also help you think more clearly with a stronger attention span.
- **Sleep** - Allocating an adequate amount of rest time can materially boost performance during normal work hours. While our culture may celebrate the

"workaholic" mindset, approaching work hours from a rested perspective can actually allow you to get more done in less time - thus leading to a better life balance.

Speaking of life balance, it can be a good idea to allow yourself "cheat" periods as rewards for sticking with an athlete-like regimen. For instance, if your body weight is below a certain threshold, you might splurge on a piece of pizza, or a cup of ice cream.

Committing to a healthy lifestyle, while still allowing yourself to miss a workout or eat a "cheat meal" can make it easier to stick with the plan long-term (rather than committing to something unsustainable and burning out after a short period of time).

9) Talk With Your Family

When making the decision to trade from home, it is important for the other people in your household to understand the commitment you are making, and what it takes for you to be successful.

Family members can be some of your strongest allies, or they can be your biggest distractions. It all depends on whether they understand your commitment to trading success and your need for minimal distraction during peak focus periods.

It can be helpful to have a family meeting to discuss your new venture and explain what your day-to-day routine looks like. You can also set up ground rules for when and how family members should communicate.

One possibility would be for all non-urgent communication to be sent via email. Even a quick email stating "*hey - call me when you get a moment.*" can allow you to remain focused on your research during a particular time block, and then you can give your family member your full, undivided attention when you break away for the phone call.

As a general rule, text messages and phone calls (not to mention knocks on the door) should be reserved for important time-sensitive issues. Time and focus are two of your most important assets which are in limited supply. Your family needs to understand and support you in this - otherwise, trading from home can become an exercise in distraction and futility - instead of a fulfilling endeavor.

One additional note to consider. Email can be a tremendous distraction and time waster. Checking email only during specified periods during the day will help foster a commitment to focus, while keeping an email client or tab open on your desktop is often just asking for minute-by-minute distraction.

10) Carve Out R&D Time

No matter how successful you are at trading, it is important to always be evolving and improving your skill. After all, market dynamics shift and change from period to period - and it is up to you to keep up with the times and remain competitive.

To remain competitive, you absolutely must carve out time on a regular basis for research and development. This time can be used to review your trading records, searching for improvement opportunities. It can be used for reading books on trading

and investing (both new as well as the classics). And the time can be used for reviewing your own processes in search of opportunities to add efficiencies and effectiveness.

One of the benefits of trading from home is that you actually have the flexibility to allocate your own time. However, this can be more difficult than it first appears as time-sensitive tasks can sometimes crowd out important long-term projects.

It is important to distinguish between "urgent" tasks and "important" tasks. Often the important tasks such as refining your research approach - or contemplating a new trading strategy - can take a back seat to time-sensitive issues like returning phone calls or reconciling a daily trade blotter.

Weekends and off-trading hours can be excellent opportunities to fit in R&D time. Or if your trading approach is more hands-off (from an intra-day trading perspective), this R&D time can be spent during market hours.

The key is to make sure that you are allocating time on a regular basis towards the goal of continually evolving as a trader.

11) Watch for Burnout

The business of trading is a very intense undertaking. While trading from home may at first appear to be a casual stress-free pursuit, the competitiveness of this game can easily lead to burnout.

Given the competitive trader's natural propensity to push hard and work intensely, it is common for home-based traders to push too hard and eventually reach a point where trading is no longer enjoyable.

Keep a close watch for burnout warning signs (excess stress & fatigue, difficulty in sleeping, loss of interest or motivation etc), and take them seriously.

There are times when it makes sense to dial down your trading intensity in the interest of sustaining your long-term ability to profitably trade. This can mean different things for different traders. If you are beginning to see signs of potential burnout, consider some of the following options:

- Allocate more time to exercise (this can materially reduce stress).
- Take a few days off trading (shut your office door and remove yourself completely).
- Recharge your battery (focus on getting rest and dealing with stressful issues).
- Do something enjoyable (watch a ball game, or take a mini-vacation).

In the business of trading, it is important to push yourself hard and strive to be extremely competitive. But just like an athlete needs time to recuperate after a competition, your mind and body needs decompression time in between intense workout sessions.

12) Watch for Complacency

While some personalities struggle with pushing too hard (risking burnout), others can be at risk for complacency. A decision to settle for "good enough" and lapse into a relaxed state can be deadly.

In order to maintain a successful trading career, you absolutely **MUST** be committed to forward progress and continual evolution. Markets change. Your competitors evolve. If you do not continue to improve alongside, you will be left in the dust.

Part of the value of keeping checklists and grading your daily performance is the fact that these tasks require you to continually monitor your intensity and your inner drive. If you find that this drive is lacking, it is important to assess why this is and determine how to get the intensity back.

It may be helpful to step back and list out all of the benefits of trading from home - and use these perks as motivation to make sure that you are pushing hard enough to sustain this chosen lifestyle. Or it might be helpful to spend some time contemplating what other areas you would rather be spending your time and energy on.

The main point is that without intensity, your probability of success in trading is very low. If you find yourself in a place of complacency, it is important to re-ignite the inner fire, or find another venture that is perhaps a bit less competitive.

13) Find an Accountability Partner

Teaming up with a fellow home-based trader can be an excellent way to help ensure that you stay on track. The idea is to serve as accountability partners for each other, which helps to increase the probability that both of you will stay on track, maintaining your daily regimen and discipline.

Having an accountability partner can be especially helpful for encouraging both of you to remain productive throughout each trading day. If you agree to share your self-grade with each other on a daily or weekly basis, the competition of wanting to show a strong period of performance can be a healthy motivator.

Another benefit of an accountability partner is that the two of you can discuss process issues and possible solutions to problems. For instance, if you continually come up short with time at the end of the day, an accountability partner may be able to take a more objective look at your schedule, and suggest areas to cut tasks or streamline your process.

It is important to note that the benefit you receive from partnering with a fellow trader will correspond with the amount of effort and honesty you put into the relationship. It is important to set aside your ego and be transparent for the sake of improvement. Obviously, if you only share your successes (without discussing struggles or mistakes), the accountability side of the relationship will be short-circuited and you will miss out on many of the potential benefits.

If you do, however, operate with full honesty and disclosure, you will likely find that your process improves by an order of magnitude. This is the benefit of iron sharpening iron.

Or to use another analogy, two brothers in arms are much stronger than a single soldier...

14) Join a Community

While the concept of trading from home can be a freeing experience (no more bosses, no commute, a healthy life balance etc.), the solitude of working from a home can at times be difficult.

Joining a community of traders can be a beneficial experience on a number of different levels:

- A community can be helpful in discussing trade ideas.
- A community can be a resource for process improvement.
- A community can provide social opportunities and networking.
- A community can serve as a springboard for a thesis.
- A community can provide comic relief and a social outlet.

Traders need fellow traders. It is just part of the way we are wired. So finding a group of traders to communicate with (either through an online community such as StockTwits, or a face-to-face group such as a local investing or trading club) can be a fulfilling experience and add value to your trade from home business.

15) Set Process Goals

Most traders find it natural to set goals relating to profitability. They want to generate XX% over the next quarter, or increase their capital by a certain dollar figure.

A much more effective plan of attack is to set process goals for every month, quarter and annual period. These goals can include areas of research that you want to cover, hours that you intend to put into R&D or trade analysis, or even goals relating to your self-grading levels over a specified period.

The point is that profit and loss for any one particular period is essentially out of your control. Every trade has a particular probability distribution and you are not able to "will" a profit into existence. You can, however, determine to follow your processes without fail and judge yourself on whether you achieved these process goals or not.

Ultimately, if you set up a profitable trading approach, your account will generate profits. But those profits will come as a result of you following your process - not as a result of setting profitability targets.

So make your goals in respect to consistency, discipline and high-quality analysis... And let the profits take care of themselves.

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