7 PITFALLS TO AVOID IN THE STOCK MARKET

By Jim Berg and John Atkinson

Over the past 30+ years of trading the market (18 as a professional Advisor), Jim Berg has seen countless traders and investors blow themselves up financially…….emotionally…… or both.
Whether you're an experienced investor or trader, or just about to start, be sure to avoid these 7 common mistakes in the stock or share market:

Pitfall #1: "Time in the Market is More Important than Timing. Anything Less than 5 years is Gambling"
Problem: This is the mantra that many financial planners and advisors are taught to pass on to their clients. "Buy and Hold for the Long Term". Why? Because if they don't know when to sell, how would they know when to tell you when to get back in?"
Solution: Jim says;
" I never wake up in the morning and wonder what I will do with my stocks that day.
I have a Rule for everything so I know how to find WHICH stocks to Buy, precisely WHEN to Buy – and more importantly, when to SELL."

Pitfall #2: "Use Leverage to Magnify Your Profits"
Problem: This is often recommended by 'spruikers' to those who have small starting capital as a way to 'fast track' their growth- using leveraged instruments such as Margin Loans, Options, Warrants, CFDs, Forex, Futures, etc.
The problem is that, using such leveraged instruments, LOSSES can be magnified many over too, so:
1. You could lose most of your initial capital very quickly
2. Your exposure could end up as more than what you started with!

Solution: We believe that leveraged instruments should only be considered by very experienced traders with a proven track record of successfully trading shares in various market conditions, strong discipline and excellent analysis, money and risk management skills.
We therefore do not recommend the use of leveraged instruments for novice traders and investors.
For those with low starting capital, we suggest you build on your education while you build your capital elsewhere, so you have back tested what you learn and are well prepared when you are ready to start.
Remember Aesops Fable: 'Slow and steady wins the race'. Jim's 'Weight-of-Evidence' system looks for stocks/shares which are fundamentally sound, are in rising trends and which pass all his documented and thoroughly tested entry criteria.

`Pitfall #3: "You'll never go broke selling at a profit"
Problem: This is another catch cry which many brokers advise their clients. It assumes that every trade will be profitable – and that is NOT POSSIBLE.

Do the math yourself: What happens if you sell all your profitable trades and hang on to losing ones, especially if the market is falling? How long before your portfolio would contain many open losses?

Solution: No one can be profitable all of the time, so all traders and investors have losses. That's why it's important BEFORE you buy a stock, to decide the price where you will exit if you are wrong. This is called an Initial Stop.

We teach how to calculate the price of your Stop to protect capital and how to Manage the Risk of losses overall, not only on each trade but also on your total Portfolio. Once prices move up, we then show how to protect open profits with Jim's Adjusted Stop, Trailing Stop, Profit Targets and JB Profit Taker.

Pitfall #4: "The Market is going down. Sell anything that is even money or in profit and hold on to your stocks that are in loss"

Problem: This is the BHP approach:" Buy Hope and Pray". During the GFC, many stocks and Indices across the world fell 50% and more. Thousands of investors lost their retirement savings as a result. Again, do the math: a fall of 50% requires the market to rise back 100% -- just to get back to even!…… How long does that take?

Can you wear the pain? The market has never failed to rebound and make a new high eventually. However, be aware though that not all stocks within the Index will do that. Some will continue to fall until they are first dropped from the Index ….and some eventually delisted.

Solution: In late 2007, in our weekly Report, Jim showed his analysis over the previous 20 years and warned our Members of the potential for a crash or correction and showed the signals he was watching for confirmation.

Just two weeks later, those Signals were triggered, so Jim closed our Report's notional portfolio before the GFC - and it remained closed for the next 18 months. Those Members who followed Jims lead did NOT lose millions of dollars between them.

Then, while other investors were desperately trying to claw back to where they had been after the GFC, Jim showed our Members how to take advantage of the rising trend to ADD to their profits and capital - which they had protected before the GFC

Pitfall #5: "The Market has gone down. Buy more of the same stocks now at a better value and lower your average price"

Problem: This is called "dollar cost averaging" and is a losing strategy. If the market continues down, you will have even more concrete in your boots to make you sink further.

Solution: Learn how to put the odds in your favour. Woody Allen once said; " Buy stocks that go up……and if they don't go up, don't buy them!"

We teach Jim's structured 'Weight-of-Evidence' approach to only buy stocks which are in rising trends and which pass all of his thoroughly-tested entry criteria

Pitfall #6: " This stock has doubled in the last 6 months. Get in now and double your money in the NEXT 6 months"

Problem: Imagine playing 'Pass the Parcel' and the music is getting faster and faster and is just about to stop….. do you want to risk being the last one holding the parcel?

After unusual rises in stock prices, the probability increases that there will be no more buyers left to pay top dollar so the sellers will move in, with prices dropping quickly on high volatility very soon after.

Solution: Past performance should not be taken as an indication of future performance. Caution should be exercised in assessing past performance. All stocks are subject to market forces and unpredictable events that may adversely affect their future performance.

We teach how Jim buys stocks/shares which are in rising trends. In addition, he purposely WAITS for them to:

1. Cool off and retrace first
2. Stabilize with LOW volatility, then
3. Start to move up again a certain amount before Jim buys.

That way, Jim's aim is that you will already own those stocks when they start to move up further – and you are the one selling out at a profit to those who like to chase trains after they've left the station……

Pitfall #7: " I can do this on my own"

Problem: For many, the share/stock market can be a lonely and dangerous place to trade and invest.

The shocking reality is that about 90% of new traders lose so much money within their first year – so they give up in despair.

For those who last the year, many will fail later if they do not have the right education and the discipline to follow a proven Plan.

Solution: Jim says; " The easiest way to learn to trade is to find a mentor and have them take you, step by step, through a series of trades. You will then learn their complete trading strategy, entry, stops, exits and why and how they act/react to price moves.

"My trading is mechanical. I put a lot of thought into creating and testing my system. In the middle of a trade I don’t think about what I am doing, I simply react to price movements by following my Rules. “