

# WALL STREET CRAPS

*How To Play Today's  
Hot & Cold Stock Market  
For Fast Money With Less Risk*

Steve Nakamoto

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# WALL STREET CRAPS

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Hot & Cold Stock Market  
For Fast Money With Less Risk*

Steve Nakamoto



Java  
Books

Huntington Beach, CA

**WALL STREET CRAPS: How To Play Today's Hot & Cold Stock Market  
For Fast Money With Less Risk**

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This book is dedicated to all the men and women who strive to be better investors so they can receive the benefits that come from ultimate financial freedom. And for many, this is something that they know deep inside is rightfully theirs.

May this book provide you with the simple and powerful ideas to take you there.

I'm sure that your journey through this book will stir up resistance from within. After all, you've been taught traditional methods that have been used by the masses for years. But on some level, you can sense that the investment environment is shifting and it's time to adjust your approach.

This is a book about trading *and* investing — *savvy trading* to take advantage of timely opportunities and *wise investing* for growth, income, and security. I'm not the only one to draw attention to this type of financial strategy — but I may be the first to introduce the valuable connection between “playing the market” and “playing casino craps.”

For those of you who are both *ready* and *willing*, this book will reveal the ideas that you have been *searching* for in order to succeed in today's hot and cold, high-risk/high-return stock market.

# Disclaimer

This book is designed to provide ideas and information on investing, trading, and money management. It is sold with the understanding that the publisher and author are not engaged in rendering professional services of any kind. If expert assistance is required, the services of a competent professional should be sought first and foremost.

Every effort has been made to make this book as complete and accurate as possible. However, there may be mistakes, both in typography and in content. Therefore, this text should be used only as a general guide for exploring ideas, and not as the ultimate source of investing, trading, money management, or any other financial information.

The stories set forth in this book, while based in part on fact, have been modified so as not to reveal the identity of any real person. Any resemblance between persons depicted in this book and real persons is strictly coincidental.

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“Few human activities have been so exhaustively studied, from so many angles and by so many different sorts of people, as has the buying and selling of corporate securities. The rewards which the stock market holds out to those who read it right are enormous; the penalties it exacts from careless or unlucky investors are calamitous — no wonder it has attracted some of the world’s most astute analysts, accountants, and researchers, along with a motley crew of eccentrics, mystics & “hunch players” and a multitude of just ordinary hopeful citizens.”

John Magee & Robert D. Edwards  
Authors of *Technical Analysis of Stock Trends*  
(1948)

# Introduction

On a Saturday evening in March 2009, I was standing around watching some people playing a game of craps at the Hyatt Regency Lake Tahoe Resort and Casino. I happened to be at that particular location attending a business networking conference designed for entrepreneurs, business consultants, CEOs, inventors, and private equity investors.

While observing the sloppy play of some of the gamblers, I made a remark to another conference attendee watching the dice action. I said, "These guys don't know how to play. It's just like the stock market. People don't know how to play and then wonder why they end up losing."

That was a defining moment. It's when I first started making the mental connection between playing the stock market and playing casino craps. For most people, this connection might have been just a casual passing thought. But for me, it was the opportunity that I had been waiting to see for nearly 40 years.

## **CUTTING THROUGH MY B.S. (DEGREE) IN FINANCE**

I majored in business administration/finance at San Diego State University. However, the only subjects that interested me at the time were making money and investing. My

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first finance professor caught my immediate attention when he opened his syllabus to a chapter on valuing a company's stock and said something like this: "Let me save you a ton of time. If you want to value the stock of a company, turn to the business section of your newspaper, and find the listing for the stock you're trying to value. The price you see quoted for the stock *is* the value of the stock. The value of a stock is simply the price that investors are willing to pay for it right now!"

This was the first time a university professor got real with me. In my four short years of college, I had gotten sick and tired of being taught economic theories, accounting principles, quantitative analysis, and organizational management practices. At the tender age of 22 (I had started college at age 18), I was a bit of a rebel, and I didn't see myself as someone who would move up the corporate ladder for the next 40 to 50 years. I just wanted to make a ton of money *fast* so I could retire early (like in two or three years!). My dream was to travel the world looking for the best surfing spots. After a few years of college, I had begun to believe that my ticket to paradise was going to be through bold, intelligent investing ... with my Dad's money, of course!

Now naturally, my naïve idea of retiring early to surf around the world was an adolescent pipe dream. Yet the desire to make lots of money quickly is something many people can strongly identify with in today's challenging economic environment. This is a book that will help you make consistent money in a shorter time period by playing the stock market with greater precision, less risk, and more peace of mind. It's designed for the independent, do-it-yourself

investor who is *ready* and *searching* for a new opportunity to greatly improve their own approach to making serious money in the stock market.

### WHAT IS THIS BOOK'S VALUE TO YOU?

In my book, you'll learn a simple, yet sophisticated approach to playing the stock market. This approach uses an innovative "crap game" metaphor to help investors quickly grasp the nuances of this challenging investment arena. Along the way, you will develop a deeper understanding of how to integrate both tactical short-term trading (i.e., how to perform tasks effectively) and strategic long-term investing (i.e., how to define and achieve key objectives) to help you advance more rapidly towards financial freedom.

In recent years, many people have become increasingly suspicious of traditional methods for stock market investing which don't seem to work anymore. Whether the approach is value investing, buy and hold strategies, charting methods, wave theories, time cycles, computer-generated stock selections, or following the advice of high-profile media experts, the return for average investors has been largely disappointing over the last decade.

The time is now for a new approach to the stock market ... one that is based on sound investment principles, but also incorporates *both* wise money management strategies and street-smart investing tactics. Other new books on investing may attempt to accomplish these same objectives. However, *Wall Street Craps* is uniquely designed to make the learning process quicker, easier, and more enjoyable.

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Most importantly, this book will help you take immediate control of your own financial destiny. Its goal is to enable you to become a savvy investor, instead of a "sucker." You can accomplish this by raising your awareness and gaining personal experience in the following critical areas:

- Chapter 1: Developing an enlightened mindset
- Chapter 2: Understanding today's stock market
- Chapter 3: Managing your money wisely
- Chapter 4: Choosing good buying candidates
- Chapter 5: Making accurate market evaluations
- Chapter 6: Placing more timely bets
- Chapter 7: Staying sharp while you're holding positions
- Chapter 8: Selling stocks at the right time
- Chapter 9: Making adjustments to your approach
- Chapter 10: Matching your level of play to your current financial position, present level of experience, and unique individual temperament.

For novices to seasoned veterans of the stock market, I promise you that there will be something unique, interesting, and valuable from taking a closer look at how you approach your stock market investing in the key areas mentioned above.

### **WHAT'S MY STOCK MARKET BACKGROUND?**

Like many of you reading this book, I am an independent, do-it-yourself investor. I wasn't always like this, however. During my nearly 40 years of investing, I followed the advice

of my full-service stock broker, subscribed to the latest "guru's" newsletter, and paid close attention to the so-called "experts" on the financial news networks.

As I've mentioned before, I majored in business administration/finance during college. Yet my true love was for the stock market. I happened to be the guy who other classmates went to for my opinion on the future price of gold because of the technical charts I carried around in my briefcase constantly. One day, my advanced investment class hosted the legendary market advisor, Richard Russell (who accurately predicted the significant 1974 stock market bottom), for an exclusive two-hour lecture.

That day changed my life, and I became a loyal subscriber to Mr. Russell's *Dow Theory Letters* for over 30 years. Early in my business career, Russell's conservative low-risk investment philosophy, based on a firm understanding of compound interest, helped me establish and then build my family's small business retirement fund over many decades. But most of all, Mr. Russell taught me the important difference between the psychology of successful rich investors versus that of small-minded unsuccessful poor investors. (Note: Successful investing starts in the mind.)

Mr. Russell also influenced me to become a true student of the market — learning from the best minds in the stock market business. This thirst for knowledge led me to unique resources — the controversial stock market guru, Joseph E. Granville; the economist to six Presidents, Eliot Janeway; the weekly broadcasts of *Wall Street Week with Louis Rukeyser*; the daily recaps of the McClellan Oscillator on KWHY-TV in Los Angeles (America's first financial network); the popular *Elliot*

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*Wave Theory* of the early 1990s; the classic stock market wisdom of Peter Lynch, Warren Buffet and Sir John Templeton; the clever writings of *Motley Fool* authors, David and Tom Gardner; and more recently, the street-smarts and over-the-top personality of Jim "Mad Money" Cramer and other brilliant commentators on the financial news network, CNBC.

Over my nearly 38 years of investing, I have experienced the 1974 bear market, the 1982 stock market bottom, the panic of 1987, the roaring 1990s, the dot-com bubble of the early 2000s, the 2008 meltdown, the March 2009 bottom, and all of the assorted booms, busts, bubbles, crashes, mini-bulls markets, and mini-bear markets in between. The stock market has always reacted to concerns regarding wars, recessions, natural disasters, currency devaluations, real estate bubbles, savings and loan insolvencies, interest rate hikes, national debt crises, money supply expansions, energy shortages, and mortgage debt problems in ways that have created disaster for some and opportunities for others.

"Bet big when the odds are in your favor,  
bet small when you're less convinced,  
and don't bet at all if you're not sure."

Jim Cramer  
Host of CNBC's *Mad Money*

I've seen stock market gurus with hot hands come and go. A short list of those who have garnered massive public following over the years (several have been mentioned previously) include such notables as Joseph Granville, Robert Prechter, Elaine Grazairelli, Peter Lynch, Larry Williams, Abby Cohen, Mario Gabelli, Warren Buffet, George Soros,

and Jim Cramer. My conclusion from observing these and other investment professionals is that the stock market is ever-evolving, forever challenging, and a place where no person can be right all of the time.

In order to succeed consistently over time, an investor must be smart, disciplined, responsible, flexible, decisive, and wise. Otherwise, the stock market has an uncanny way of making sure that you remain humble by taking away a large chunk of your capital. That's been my first-hand experience and the same for almost every investor who has ever lived to play this challenging investment game.

### **LET ME BE STRAIGHT WITH YOU!**

I am not a member of the traditional investment industry, but some in my inner circle are. My skiing buddy, Tony, is the vice-president of a major brokerage firm in Denver. My long-time two-man beach volleyball partner, David, is a CPA and Mergers/Acquisitions specialist. My Monday Night Football friend, Joel, is a registered investment broker specializing in non-stock market limited partnerships. And finally, my college roommate, Dave, has been a successful business insurance and corporate benefits broker for over 28 years.

As for me, I don't hold any financial certifications, except for my outdated bachelor's degree in finance from San Diego State University in 1975. That's probably a good thing because I don't have any credentials that I'm afraid of losing. And as far as my outdated finance degree, there's been enough time for me to realize that much of what I learned in college about economics and finance has very little value

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when it comes to achieving success in the stock market today. (Note: One key exception is that the average expected return is always in proportion to the level of risk.)

This means that I don't sell investment products, offer money-management services, have any affiliation with a financial services company, nor do I claim to know the answer to every financial question in the Universe. As a result, I do not cater to anyone or possess a securities license to risk losing. I am totally free to give you my honest opinions, from purely an independent investor's point-of-view.

My sole responsibility here is to share my approach to the stock market, to the best of my ability. I fully realize that I'm an easy target for those who adhere to conventional stock market theories or have a stake in maintaining the status quo in this traditional investment arena. I get that, and I'm perfectly OK with it. I am only here to share an experienced investor's perspective on how to play the stock market game more successfully in an honest, fun, and unique manner.

### **WHY I'M THE ONE TO WRITE THIS BOOK**

I am already a two-time *Writer's Digest* award-winning author. *Wall Street Craps* is my fourth book — the first one in the area of investing. My first book was titled *Men Are Like Fish: What Every Woman Needs To Know About Catching A Man*. It was written over 10 years ago, as a way to teaching love relationship principles to women (the romantic anglers) through the use of an animated metaphor (i.e., catching a man is like catching a fish). Hence, writing and promoting a book with the use of an empowering metaphor is something I have over a decade of experience in.

In the early 1990s, I served as a personal development trainer for motivational expert Tony Robbins. During this period, I learned to set and achieve goals in key areas of my life. One of those areas was what Robbins called "financial mastery." For me, this meant the effective use of intelligent money management strategies, along with tactical expertise in such areas as real estate, insurance, fixed income, tax-advantaged investments, and the stock market. Like many investors, I always maintained mental and written checklists of how to approach the stock market. But having a truly defined system for consistent success in the stock market was something that I had not fully developed ... *until now*.

This past year is when the right ingredients finally came together — my 38-year love affair with the stock market, the discovery of the ideal metaphor, the ability to write award-winning non-fiction books, the experience to deal effectively with the media, and the willingness to face the inevitable harsh criticism from close-minded self-serving people.

In a nutshell, *Wall Street Craps* was simply something that I felt destined to express and create.

### **LET'S BEGIN THE JOURNEY NOW!**

When I see people losing money in all forms of gambling (sports betting, casino games, online poker, horse racing, etc.) and in high-risk stock market investing (day-trading, options, commodity futures, short-selling, foreign currencies, leveraged exchange-traded funds), I realize that it all stems from the same reason — the participants don't know what they are doing *but think that they do*. Finally there is a

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book that teaches investors and traders *how to play the stock market game correctly* in an entertaining way that utilizes prudent money management, street-smart investing tactics, and a well-balanced emotional approach.

The book that will essentially cut through the B.S. of stock market investing is in your hands, *right now*. But the clear decision to become a winner, step into your greatness, *and own it* is entirely up to you (weaklings make poor investors). My responsibility is only to teach you what I know with the best of my ability. However, it is your responsibility to take what is described here, manage your money wisely, play the game correctly, and become a winner — both inside and out.

If you are ready to become a stock market success, then the time has come to begin our journey together. If you will commit now to working with the book's steps in the spirit of playful adventure, you'll surely stack up the odds in your favor when it comes to investing. But more importantly, you will naturally become more of a winner at life. And for me as an author and teacher, there can be no greater reward than to see that happen.

Here's to our magnificent journey together!

Steve Nakamoto  
Huntington Beach, California  
December 2011

# How To Use This Book

*Wall Street Craps* is packed with concentrated ideas and information and this could easily cause some readers to feel intimidated or overwhelmed. So it is important that you approach this book in a manner that fits your own time constraints, individual needs, and preferred learning style.

My intent is to help you get the most information in the best way possible so that you can change the way you invest for the better. But in order to accomplish this objective, I need to help you find the approach that suits *you* best.

With this in mind, I suggest the following ideas ...

Some of you may choose to move right through the book quickly, skimming over what you already know and coming back to whatever interests you the most. This is the quickest and easiest way for people who already possess a solid foundation on this subject and who want to find and fix their own particular investing blind spots.

There will be others of you who will find it most useful to work on a chapter a week in a more thorough but gradual step-by-step learning process. This is the pace that I strongly suggest for people who want to make big changes happen in their investing style by putting in the necessary mental focus and hard work.

And there will be some readers who will prefer to simply pick a specific page or idea to focus on for a particular moment or specific need in their life. This option will work well as long as you remember to keep this book in a handy place so that you can refer to it quickly and often.



INVESTING TODAY IS MORE LIKE GAMBLING

*One*

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# The Investment Game

THINK LIKE A WINNER — NOT A LOSER

“The gambling known as business looks  
with austere disfavor upon the business  
known as gambling.”

Ambrose Bierce  
American writer (1842-1913)

**game:** 1. a contest or sport involving skill, chance, and/or endurance that is governed by a set of specific rules. 2. a competitive activity where skill, strategy, and luck contribute to outcomes, and which serves as an amusement, diversion, or interesting pastime. 3. a simple, yet profound way of understanding how investors invest their money in a challenging activity requiring a set of knowledge, skills, and strategies that need to be understood and mastered in order to come out a consistent winner.



*A Savvy Investing Take:* The starting point of all success is thinking. When your consistent thoughts are mixed with the power of desire, the discipline of focus, and the wisdom of gratitude, they become the inner force that naturally guides you towards the fulfillment of your dreams. Make sure that your mindset is properly in place with the wisest thoughts of success, wealth, and happiness *before* you put serious money in any type of investment. That way, you will be able to tell the subtle but critical difference between investment strategies that just sound good and those that actually are.



Many people love to play games, whether it's a sport like golf, the latest *PlayStation* video game, a card game like poker, or traditional board games such as *Monopoly*, *Scrabble*, and chess. In most of these cases, a person is looking to find a game that is both challenging and enjoyable to play. And as long as someone has a realistic chance of winning such a

## *The Investment Game*

challenging game, he or she will most likely continue playing it well into the foreseeable future.

Investing your hard-earned dollars can also be likened to playing a game. Simply stated, the primary object of this particular game is to make money. And you can essentially declare yourself a *bona fide* winner if you make enough money via your earned wages and investments to fund the lifestyle of your dreams through your retirement years.

For many people, investing has been a challenging and somewhat enjoyable activity throughout their adult years. More importantly, it has been a game that the average person has had a realistic chance of winning. But while this may have been true in the past, it is not necessarily regarded as such in today's turbulent economic environment.

In order to play well in today's increasingly competitive investment game, an individual investor must first raise their overall awareness about the game and then update their strategies and tactics. Otherwise, they won't be equipped with the mental edge necessary to win consistently in this ever-changing fast-moving game.

My suggestion for gaining this mental edge quickly and effectively is by utilizing the magical power of an empowering animated metaphor.

### **THE MAGIC OF METAPHOR**

Whenever you hear someone casually say the phrase, "I like to *play* the stock market," they are in essence talking in terms of a metaphor or analogy. That's because the word "play" implies that the individual's approach to the stock market is similar to playing, as in "*playing* a game or sport."

The idea of a "metaphor" may sound like an esoteric concept but in reality metaphors are a normal ingredient of our everyday language. They are nothing more than "figures of speech" that we commonly use to make complex concepts like "stock market investing" more concrete and, therefore, easier to understand.

The value of effective metaphors has been recognized for centuries. The ancient Greek philosopher, Aristotle, wrote, "The greatest thing by far is to be a master of metaphor. It is the one thing that cannot be learned from others; it is also a sign of genius, since a good metaphor implies an eye for resemblance."

In the mid-1800s, while contemplating the values of life on Walden Pond, famed American writer and philosopher, Henry David Thoreau, observed, "All perception of truth is the detection of an analogy."

And more recently, university professors George Lakoff and Mark Johnson, in their highly acclaimed book titled *Metaphors We Live By*, wrote, "Our ordinary conceptual system, in terms of which we both think and act, is fundamentally metaphorical in nature."

My own personal background in the use of metaphors started when I was part of the training team for a two-week personal development seminar in 1990 hosted by peak performance and motivational expert Tony Robbins. It was during his introductory speech to our group of seminar trainers that Mr. Robbins said, "I've made a lot more distinctions about global metaphors. You all remember what those are? Yes? No? Global metaphors are symbols that we use to represent large areas of our lives."

## *The Investment Game*

In the year 2000, I used the lessons that I learned from Tony Robbins about effective metaphors to write a *Writer's Digest* award-winning relationship book titled *Men Are Like Fish: What Every Woman Needs To Know About Catching A Man*. In this book, I used the metaphor of "fishing" to help women understand men and "land" the love that they desired. In *Men Are Like Fish*, I equated the well-established fundamentals of successful romantic love relationships with the sport of fishing by linking the concepts of such things as "attraction" to the "bait," "attachment" to the "hook," "commitment" to the "net," and the man that a woman wants to catch to the "big fish," to name a few.

For nearly a decade, I appeared on over 230 radio and television talk shows sharing my insights on dating and romantic love relationships using my *Men Are Like Fish* metaphor. It was during this time that I truly began to appreciate a good metaphor's magic as well as its ability to take a difficult subject and link it by analogy to something that is simple, familiar, tangible, and easy to understand. The associated higher level of understanding naturally leads to better performance and less frustration, whether it is in the area of dating, love relationships, or even investing.

When it comes to the subject of investing, the metaphor of "playing a game" fits well on several levels. For one, games are competitive activities that separate winners from losers. In addition, investing incorporates the elements of risk, rewards, percentages, probabilities, strategy, and money, which makes an analogy to gambling and wagering even more appropriate.

For many traditionally trained investors, the use of the words "gambling" and "wagering" may not be something that they would be willing to embrace initially. That is perfectly understandable because historically investing wasn't seen as a short-term gamble but more like a long-term sure thing. But as you probably realize by now, the game of investing has changed dramatically with our recent turbulent times.

### **THE TRADITIONAL INVESTMENT GAME**

Up until the last decade, the traditional investment game had been an easy one to win for many people. The simple formula for achieving financial success was to spend less than you make and invest the rest. And if you started early enough, any investor could use the "magic of compound interest" to build wealth safely and consistently over time.

In a nutshell, the "magic of compound interest" is simply the process of putting away small amounts of money over a long period of time at conservative interest rates, and then the money automatically grows into a sizable fortune. The "magic" is in how a small amount of money can be mixed with persistence, discipline, and the awareness of simple mathematics to create something much larger than most people realize.

At the foundation of this traditional strategy for wealth was a secure job. A person's job would allow that person to pay bills, buy a home, receive employer-sponsored health insurance coverage, and save extra money for retirement or investment purposes. In the past, an investor could also find respectable low-risk returns in real estate, stocks, bonds, and

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saving accounts. Then at age 65, people would begin receiving Social Security/Medicare benefits and cash payouts from their company-sponsored pension and retirement plans. By this time in a person's life, many people would have also built sizable equity in their homes and assembled a large investment nest-egg with interest and principle to spend throughout their Golden Years.

Once people reached their retirement years, all they had to do was continue living within their means. This was a sound strategy for coming out ahead in terms of personal finances for the rest of one's life, barring any major unforeseen financial, medical, or legal setbacks.

### **TODAY'S FINANCIAL GAMEBOARD**

In the time from 2008 to the present, the slow and shallow economic recovery has shaken the very foundation of many people's financial base — job security. With high unemployment, many people have lost their primary source of income and, as a result, have depleted their savings and retirement accounts in order to make ends meet. In addition, many people have lost substantial amounts of equity in their homes, due to lower home prices or defaults on mortgage payments.

With major financial setbacks caused by decreased income, a lot of people find themselves without enough time to put away money in order to rebuild their wealth for retirement. In addition, there are those who have lost additional capital through poor real estate deals, unwise stock market decisions, excessive personal consumption, and disastrous business ventures.

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In order to take the safe and sure road to wealth through compound interest, a person needs a steady flow of income over a long period of time. So for those people who have to start over at age 40, 45, 55, or 60, there just isn't enough time to build their wealth gradually by traditional methods.

To make matters worse, consistent high rates of return at low risk are no longer available. Some of the challenges in the current economic environment include: (1) loans for real estate and small businesses are hard to qualify for, (2) a vast majority of stocks have gained little over the last decade, (3) bonds have very little room to move to the upside, and (4) most bank savings accounts and money market funds are paying close to 1%.

So investors are facing the triple whammy of an unstable income, a shortage of time, and low rates of return. This makes it nearly impossible for many people today to come out ahead in personal finance without taking on increasing amounts of risk.

### **INVESTING TODAY IS LIKE GAMBLING**

In today's challenging economic climate, many individuals are feeling pressure to take on additional risk in order to receive higher rates of return on their invested funds. That's because these people realize that they're simply too far behind in terms of both money and time to use traditional conservative methods.

The days of easy money are largely over for the average investor. In order to succeed, today's investor must continue to protect their capital from unwise financial decisions and unscrupulous investment advisors. In addition, they need to

also put their money in the right places, in the proper amounts, and at the most opportune times. This means that the average investor is essentially forced to learn how to play the investment game at a smarter level.

For those who are managing to survive in this challenging economic climate, I offer a simple three-part solution for playing the investment game in a smarter way. These three parts are: (1) raise cash by earning more, spending less, and selling off under-utilized personal assets, (2) invest and manage your money more intelligently, and (3) adjust your lifestyle so you receive greater value and more fulfillment from everything you buy and do.

This book will primarily address the second component of this three-part strategy, which is to invest and manage your money more intelligently. But let's not get too far ahead of ourselves. Before we can get into the nitty-gritty of how to invest wisely in the high-risk/high-return stock market, you'll need a better sense of the big picture of what it takes to be an investment winner today.

## **8 KEYS TO WINNING THE INVESTMENT GAME**

In order to become a consistent winner at playing the investment game, you must first start by developing an enlightened investment philosophy. Here are eight key ideas to help you begin this important process:

**1. Develop The Character To Win:** *Successful investing over the long haul is heavily dependent on the investor possessing the higher character traits of patience, discipline, courage, decisiveness, and intelligence.* Today's stock market investor must avoid the instinctive temptation to follow the destructive

emotions of fear and greed, which automatically lead to a personal failure. If you're seriously lacking in the areas of mental toughness and/or emotional balance, then today's volatile stock market will be nearly impossible for you to trade successfully over time. Develop your character with the firm understanding that the level of your external success will always rise or fall to match the person that you are on the inside.

**2. Understand The True Odds Of Winning:** *People are guaranteed to lose at any game that they don't fully understand. Consistent winning is reserved for the few who make the disciplined effort to learn, adapt, and grow.* Today's savvy independent investor must seek out a financial game with fair odds, good payouts, and a dynamic for which he or she can develop a sensible strategy to win. And while the stock market can be likened to a fair game with good payouts, it can be somewhat perplexing to a person trying to understand it in its entirety. You will discover that the *Wall Street Craps* approach focuses on a small specific segment of the general stock market and, therefore, manages to keep the game simple and easy for average investors to understand, play, and eventually master.

**3. Know The Hidden Costs:** *When people are sold investment products, the costs to participate are often cleverly but legally hidden or understated. At the same time, skilled marketing techniques often allow the returns for these same investment products to be subtly overstated.* Remember that one of the true secrets of success in the investment world is not only knowing what types of investments to own, but also which ones to avoid. Make a thorough investigation of the real costs of

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playing any financial game so that you can assess whether you have a fair chance to win. As a result, you may discover that many fancy investment choices — such as real estate limited partnerships, hard money assets, collectible items, and managed commodity accounts — are essentially just commission-generating sales vehicles or investment-fee asset drainers that primarily benefit those who offer them. (Note: Beware of slick promotions for products that fall under the category of "alternative investments.")

**4. Recognize The Reality Of Risk:** *There are no freebies when it comes to investing in efficient markets, like the stock market. The reward is always in direct proportion to the risk involved. When it comes to trading the stock market, a savvy investor waits for emotional extremes in the market that cause temporary inefficiencies and opportunities with reduced risk.* Even with intelligent risk management, a savvy investor fully understands that losing money on any one trade is always a real possibility. An investor's main objective regarding risk is two-fold: (1) make sure that risks are properly rewarded and (2) only proceed if the risk of loss is tolerable to that investor's individual temperament and financial situation.

**5. Be Aware Of The Power Of Unconscious Influence:** *Understand that there is always an element of uncertainty when it comes to investing in financial markets. The fact remains that a market can do almost anything and no one really knows for sure what will happen in the future. This becomes a problem for investors because of their instinctive human need for certainty and security.* So when an investor begins to feel uncertain, he or she will naturally look outside of themselves in order

to gain a greater sense of inner certainty. When this happens an investor becomes vulnerable to the unconscious influence of other people in the following undesirable ways: (1) uncertain investors look to see what other people are doing regarding their investments. If lots of other people are buying or selling a particular investment, it is only natural for an uncertain investor to feel safer doing the same, (2) an uncertain investor will look to see what the experts are saying and doing. The problem here is that there is an expert opinion to fill almost every possibility in a financial market. So following the advice of any given expert does not guarantee your success, and (3) an investor who is experiencing uncertainty will naturally be influenced to a degree by people who have developed strong rapport with them. Hence, an investor may make an unwise investment decision based on the subtle influence of a friendly broker, the golfing buddy who works in the financial services industry, or the friend of a friend who once made a small fortune in the market. In all of the preceding situations, the decision to participate in any given opportunity is based primarily on the unconscious influence of other people and *not* on sound investment principles. If you want to succeed over the long haul, you must believe in your own ability to make intelligent investment decisions regardless of what other people think, say, or do.

**6. Take Full Responsibility For Your Life: *The mindset of the investor is the ultimate divider between winners and losers. Your path to investment success begins when you take full responsibility for your financial future. Otherwise, you're better off not playing any games involving the risk of losing with serious amounts***

*of money.* That means you must take 100% responsibility for all of your thoughts, all of your emotions, all of your actions, and all of your results when it comes to your personal investments. Therefore, you will no longer blame anyone or anything else for your failures and disappointments in regards to your investment decisions. Savvy investors fully understand that there can be no excuses when it comes to investing their hard-earned money. This simple, yet profound principle of taking full responsibility is more important in determining your chances for long-term investing success than any specific information that you'll ever receive.

**7. Refine & Update Your System Continuously:** *Today's stock market is a challenging game to play. You must remember to learn from your inevitable mistakes and adjust the way you play the game in order to fit your individual nature and financial situation. Remember that the road to success in any endeavor is always paved with the commitment to constant and never-ending improvement.* Like the game of baseball, it's impossible to get a "hit" in the stock market every time. As a smart player, your goal is to improve your batting average or percentage of success over time. So while you always seek perfection in each of your trading decisions, you must also acknowledge that your results in the stock market will never be "perfect" by the very nature of the game. Your main objective from a player's perspective is to refine the process by which you trade the stock market. Recognize that only a fundamentally sound process of decision-making will lead to *consistent* positive results in investing. This is something that each investor must fine-tune over time.

**8. Develop A Deeper Love For The Game:** *In order to be truly successful at any endeavor in life, you must acquire and maintain a deep appreciation for it. It's your love for playing the stock market that energizes your investing goals and gives momentum to achieving them.* Remember that an enthusiastic attitude with optimistic expectations is essential to success in any given field. If the stock market game is something that you don't actually enjoy in any way or appreciate on any level, then you're much better off not playing this particular game at all. Instead, continue your search for another kind of investment game that you can put your heart and mind behind when playing.

By taking a more serious look at your overall mental approach to the stock market game, you will be on your way to becoming a consistent winner. Otherwise, all the strategies and tactics that you learn will be of little value over the long haul. Understand that adopting an empowering philosophy is the starting point on your path to success in the areas of investments and financial wealth.

### **CULTIVATE A WINNER'S MINDSET**

Make it your highest priority to acquire and maintain the right mental attitude. Like in any sport or game, the winner's approach must be filled with positive expectancy. That means never staying down on yourself or blaming your misfortunes on bad luck. Regardless of any outcome that you may experience on your investing journey, remain humble, open, and grateful (for the life lessons) in your approach to investing. Understand that the stock market environment is

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always in the process of evolving and in order to succeed you will have to do the same as well.

Along the way, boost your chances for success by gleaning the wisdom of proven investment experts such as Warren Buffet, Peter Lynch, Sir John Templeton, and even today's popular media star, Jim Cramer. Go beyond the temptation to seek simple stock tips, and instead develop a deeper understanding of prudent money management and intelligent investment strategy.

As a final reminder, make the critical decision to take full responsibility for your own investing future. Yes, you can seek information and evaluate the merits of expert advice. But in the end, the decisions of what to do with your money must be your total responsibility. Otherwise, your negligence or unwise delegation will set yourself up to becoming a victim of poor results, debilitating uncertainty, and/or other peoples' hidden agendas.

### **THE BOTTOM LINE**

All of life is a game and investing is no exception. And like in any game, investing will separate the winners from the losers. The difference between the two outcomes is entirely determined by the way investors consistently think, feel, and play the game. Therefore, your goal is not to make the most money that you can in the present. Rather, it is to think, feel, and act at a consistently high level for the remainder of your investing life. When it comes to managing your money and investing intelligently, the quality of your internal process will ultimately determine the quality of your external results.