

Day Trading Like a Business – Learn What it Takes

Traders who are most successful in [day trading](#) are those that can draw similarities between their day trading operation and a traditional business. While day trading may be polar opposites from a brick-and-mortar company, similar business principles will decide who has lasting power.

In this post, we will cover some of the basic questions many new traders have when considering day trading as a career. To be clear these are traders looking to go at this on their own either fully funded or with a prop firm.

Starting a Day Trading Business



Trading Plan

Starting a day trading business requires a few basic elements: trading capital, knowledge, trading equipment, measuring

performance and how to pay yourself a salary. Let's analyze each piece of the puzzle.

1. Trading Capital

Starting a day trading business without trading capital is impossible. SEC regulations require that day traders operating in the United States must have at least \$25,000 in their trading account to be able to make quick trades commonly associated with day trading.

While you may get away with exceeding the limit for a few days, your operation will be quickly shut down until enough capital is obtained.

However, keep in mind that starting a day trading business most often requires more than the legal minimum investment.

Consider this: to make \$75,000 a year on a \$25,000 account, you would have to generate an effective 300% annual rate of return. These sorts of return will require you to take on enormous levels of risk. This level of risk taking is often what leads to traders blowing up their account.

2. Knowledge and a Day Trading Business Plan

Starting a day trading business also requires a firm understanding of the financial markets, as well as a solid business plan – a.k.a your [trading plan](#). It should outline how much you'll stake on each position, how you'll cut your losses, how you'll define winners, and how you'll evaluate each trade.

The goal of the trading plan is to anticipate every outcome while reducing the risk that your emotions and "gut feelings" will get in the way of making money. Just as successful

companies thrive on people, process and product you need to ensure your process for trading is ironclad.

No matter your level of experience, if you begin to trade “freely” you will ultimately fall victim to the market.

3. Trading Equipment



Trading Monitors

Starting a day trading business has a number of front-end costs to consider that should be marked in your day trading business plan. The first expenditure is a [trading machine](#) and software.

Most day traders have a minimum of two monitors to watch streaming data, charts, and brokerage software. Other day traders have entire walls of monitors that track every type of imaginable [tick and chart type](#).

Also, you should invest heavily in a reliable internet connection – and a backup connection. An unreliable internet

connection will result in losing trades and less control. Remember, you may have at any time hundreds of thousands of dollars in the market, and without an internet connection, you won't be able to enter and exit your positions. Going cheap here could cost thousands in the long run.

4. Measuring Performance

You will need to measure your performance, first for yourself to keep track of your progress but ultimately as a means to attract investors.

At the end of the day, if you don't have the numbers, you don't have a business. Now, the numbers are relative. What I mean by that is if you are looking to attract aggressive investors or make a name for yourself quickly, your returns will need to come fast and in a hurry.

If you are more measured in your expectations, then time will play into your performance and you can focus on showing a positive return over a 5 or 10-year period.



Measure Performance

I have written extensively on [how to measure your performance](#) which goes really deep on this topic.

While these stats are super important and will help you gauge your performance, the one big metric I focus on like a hawk is my profit/loss for the week.

As you are trading like a business and not a hobby, your goal is to make profits.

I like to break my week down into three parts (1) get ahead, (2) stabilize and grow and (3) protect.

This is how I start each week in terms of my mindset. Now that is, of course, subject to change based on how things are going.

Monday and Tuesday are really about getting ahead. I don't necessarily take more risks, because I try to always maintain control. However, I might not be as strict about the trades I take and I will let my profits run a little longer.

Wednesday and Thursday are building blocks to add onto the success from earlier in the week. This is also a time for me to make sure I build upon the earlier success in the week and not making any sloppy trades.

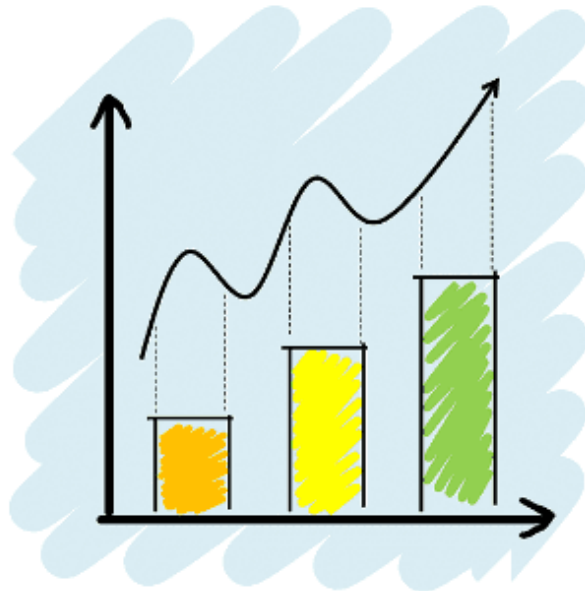
Friday is about protecting and not taking on too much risk. This is because you do not want to blow up your entire week based on one bad day.

I recently had a Friday like that where I literally gave back an entire week in 2 hours. Let me be the first to tell you this does not feel good and can really screw up your mental heading into the weekend.

So for Fridays, if I'm up big for the week, I may limit the number of trades I place or limit the amount of money I use on

each setup. This way I dramatically lower the risk of blowing up my week.

5. Stringing Together Winning Weeks



Winning Streak

Now that you are building up to your winning Friday the next thing you want to do is string together a number of winning weeks. This will allow you to continually push your account value up and to the right.

In the beginning, do not concern yourself with how much you are making. The only point of importance is that you are not blowing up your account or demonstrating any of the self-destructive behaviors that hold you back from trading success.

Once you start to put together a winning streak, momentum starts to move in your favor. You will start to take on a winning attitude and this game I believe is 80% mental and 20% strategy and technicals.

6. Winning Months

Now, this is the big metric I track and there is no wiggle room on this one. I have to finish up for the month. Let me restate this – I have to finish up for the month.

I will set a potential profit target but I historically aim too high. So the one big metric I focus on is finishing in the black.

You cannot control how much you will make in the market. There are so many factors that drive your potential profits but the one thing you can control is your own actions and refusing to finish in the red.

7. This Does Not Mean Trying to Force Your Will on the Market

Please do not misinterpret my point to say you should do whatever it takes to make the market provide you with money each month. What I am saying is if you are focusing on your daily outcomes. Then you have a game plan for managing your money for the week. Next, you build up these winning weeks to a full month.

If you follow this approach, the odds of you finishing in the red are slim to none. It's not about forcing trades or trying to force the market your way (which is impossible).

It's about doing the right things on a daily basis which ultimately over a twenty to twenty-two day period build up to you turning a positive return.

8. Paying Yourself



Pay Yourself

Never Take a Dime Out – Grow..Grow..Grow

This is where I feel many people on the web mislead traders in terms of the value of money. You hear about traders taking a small amount of money and growing it into some massive fortune.

While this makes for great commentary on the web, do any of us honestly believe this is a common occurrence?

Also, when do these traders pay themselves? How do they structure their lives in terms of paying bills, saving for retirements and family vacations?

These are all answers you need to account for if you plan on taking up day trading as a business.

Now, your first inclination is going to be to grow your account to some mythical number before taking profits. This, my friend, breeds poor habits over the long haul.

To place real value in the money, you need to take money out and use it in your everyday life. This will not only teach you the value of your hard work but will also allow your family members who sacrifice spending time with you to also see benefits of having to put up with your occasional mood swings.

9. How Much Do You Take Out?

This is going to be completely up to you. The minimum you will need to take out is your monthly commitments.

Once we get beyond this figure, what is another realistic number?

Set a Fixed Number

I like to set a monthly target for myself in terms of payout. Once I hit that number I immediately withdraw the funds from the account. The rest of the month can then be used to increase my account value.

50% Payout

You can also use an approach where you take 50 percent of your profit out. The challenge here is that you will have a tough time growing your account after paying taxes.

In Summary

Starting a day trading business is rewarding and profitable. Whether you're looking for flexible hours, a work from home environment, or a career with unlimited profit potential, a day trading business is a great way to start a side business.

I have laid out here the key aspects of what you need to consider before picking up trading as a profession. At the end of the day, you must turn a profit in order to consider yourself in the trading business.

Learn how to build your trading day, week and month by replaying the markets in [Tradingsim](#). I have personally been able to trade months in only 5 days.

This way you can see what it takes and tweak your strategy in order to turn a profit.