

# The Death of Simulated Trading

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# The Death of Simulated Trading

In the traditional sense, there's a somewhat standard process to learning how to trade.

You create a trading plan, then you back-test the plan to see how the plan would have performed in the past.

After back-testing, there's the forward-testing phase usually in the form of simulation trading ("sim" trading), where you can practice the actions of buying and selling (mouse clicking), applying your trading plan with phantom money.

After experiencing success in this 3-step process (building your plan, back-testing your plan, and sim-trading your plan), you're ready to risk your hard-earned money and make your fortune.

This panacea works beautifully...for 10% of traders.

Huh?

You see, there is another progression that's occurring with each step of the process. The progression of stress.

When you build the trading plan... well, that's fun. No pressure.

You're either buying somebody's plan and learning the rules, or you're building one yourself with the components you've learned along your learning path.

From 1 to 10, 1 being almost no stress and ten being crazy stress, you're at a 1 (maybe even 0).

You're seeing the possibilities and that's exciting!

Next, you start your back-testing. It doesn't take you long to see that if you followed your plan the way the rules state, you would have profited nicely.

Sure, there were periods that experienced losses, but the plan came right back and recovered nicely.

You may have had thoughts of, "Wow, that was a tough stretch, but the plan did well in the end."

You may have even had a moment of doubting the plan as you were back-testing that tough stretch, but you quickly got over it. Hey! You would have made nice money if you stuck to your plan.

Now you're at stress level 2.

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Now it's time to sim-test. You're imagining you're dealing with real money and you need to follow your plan so that you can get through the tough stretches.

After the first few trades, you're starting to get the feel of this trading thing.

You make some trade-placement mistakes...maybe you forgot to put in your stop because you needed a coffee refill.

You've learned an important lesson. You must be fully 'there' when you're in an active position.

Perhaps you didn't cancel an open order and "SURPRISE!" you got hit! You've learned another lesson: Review your open orders periodically.

Now you're at stress level 3.

You're getting there.

After a few weeks or months of sim-trading, you believe you're ready to risk your own capital and start your adventure. Hopes are high. You've done your homework.

Let's go!

You fund your trading account and you begin applying your tested trading plan.

You take your first trade. A winner! You're thinking, "Why did I wait so long to do this?"

But as the trading days go on, reality sets in.

"This is not as easy as I thought."

Now you're at stress level 5.



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Your trading life becomes a rat-wheel of recognizing that for some reason you didn't follow your trading plan and re-committing to your rules.

Mistake-Re-commit. Mistake-Re-commit. Round and round.

You know this can work...I mean, you tested the damn thing!

After a short period of time, you find yourself down considerably.

It's time to do or die. If you increase your position size, all you need is a couple of good wins and you're back in the game.

Not.

Account blown.

Now you're at stress level 10!

Some traders...those who are generally positive people...can take a few days, re-assess what went wrong and get back on the horse.

Other traders take a little longer to wipe away the ego-hit and may take months to re-fund the account and try again.

"This time, I'll stick to the plan."

However, for 90% of traders, the same movie plays again. And again.

You're running on the wheel.

The stress of increased risk with YOUR MONEY on the line is ever-present.

There's got to be a better way!

Well, there is.



# Prop Trading

It's called Prop Trading (short for Proprietary Trading).

With this Prop Trading arrangement, you can trade THEIR money and you receive as much as 90% of the Profit! I'm not kidding!

But how do these Prop Firms get their money so that you can trade it?

Let's see what the latest AI chat says about this:

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**“Pro trading refers to trading activities in which a firm or individual trades using its own capital rather than client funds.”**

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Proprietary trading, or “prop trading,” refers to trading activities in which a firm or individual trades using its own capital rather than client funds. Prop trading firms can be funded in a number of ways, including:

1. **Partner Capital:** Prop trading firms may be funded by the partners' own capital. This is a common method for small firms or start-ups.
2. **Investor Capital:** Prop trading firms may also be funded by outside investors who provide capital in exchange for a share of the profits. These investors can be individuals, institutional investors, or other trading firms.
3. **Bank Financing:** Some prop trading firms may obtain financing from banks, typically in the form of a line of credit or a loan.
4. **Seed Capital:** In some cases, prop trading firms may receive seed capital from venture capital firms or angel investors, who provide early-stage funding in exchange for an equity stake in the firm.
5. **Retained Earnings:** Successful prop trading firms may also use their profits to fund their operations and expansion, rather than relying on external sources of funding.

Ultimately, the specific funding sources for a prop trading firm will depend on a number of factors, including the size of the firm, its track record, and its growth potential.



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Interesting, huh?

The other lingering question is how can these firms afford to pay you almost all of the profit and stay in business?

The answer lies in the fees they charge.

You see, you must qualify to be funded to trade their money. It's called the evaluation phase.

During this evaluation phase you are billed monthly. I've seen these fees range from \$150/month to test for a \$50,000 trading account to \$500/month test for a \$300,000 trading account and everything in between.

Also, know that there are tight rules you must follow, meant to insure more conservative trading.

As you adjust to these rules (which are not unreasonable), you may break a rule or blow out the account (meaning that you hit the drawdown level before you hit your profit goal) and will need to fork up another \$80 to \$100 to 'reset' your evaluation account and try again.

Bottom line: Don't worry about the Prop Firms making money.

They know that 90% of traders fail and they'll just keep collecting fees as they keep this golden opportunity in front of you.

And a golden opportunity it is, as long as you can trade profitably.

Now, let's pull away for the moment and fly to 30,000 feet and look down and see why I'm thrilled with this whole idea of Prop Trading... for YOU.

It's about the stress thing.

The focus of my company for the last 2 decades has been in helping traders to be in mental and emotional control when they trade.

We help traders achieve mental and emotional calm in two ways:

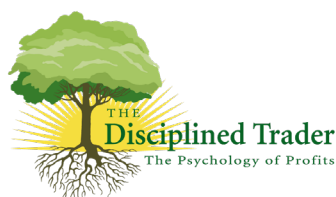
1. Using modern, scientifically proven techniques to result in the subconscious mind supporting you as a trader rather than sabotaging you, AND
2. The building and running of SIMPLE trading plans.



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**Did I mention that  
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evaluation, the fees are  
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This mental and emotional control and maintaining simplicity in your plan leads to a low cortisol hormone level...more plainly, less stress.

Less stress leads to a more focused ability to stick to your trading plan and not be your own worst enemy.

It's my humble opinion that the reason 90% of traders lose is the fact that these traders do little or nothing to work on the 'inner trader'.

Again, it's all about reducing stress so that you can stick to your proven, tested trading plan.

So, here's the thing.

Remember, we talked about the 'normal' progression of building your trading plan, back-testing your plan, sim-testing your plan leading to your trading your personal money.

Recall that with each step, your stress increases, where the big leap in stress level is when you move from sim-testing to risking your real money.

It's like jumping a 10-foot hurdle. It's too much for most traders. Losses mount as you run on the rat-wheel and chase the dream.

With Prop Trading, the fact that you're trading THEIR MONEY lowers the stress of trading considerably. Very considerably.

It's 3-foot hurdle, not a 10-footer.

If you're a struggling trader, you've likely gone through thousands of your own dollars.

It will take years of monthly Prop Trading fees to lose that kind of money.

I believe that the end of sim-trading is near.

That simulated trading phase with phantom money will be replaced by entering the trading arena as a prop trader because of the reduced stress level for prop traders.

Plus, I believe you'll learn how to be a more conservative, long-term winning trader by sharpening your skills during your prop firm evaluation stage.

Why jump a 10-foot stress hurdle, when you can jump a 3-footer?

Sure, if you're a lousy trader none of this will work.

But if you've got a decent trading plan and you learn to respect your mental game, the Prop Trading road is the road to take.

You'll pay small fees as you perfect your trading which pales in comparison to losing much, much more of your own money.

Did I mention that when you pass the evaluation, the fees are almost non-existent in addition to getting 90% of the profit?

If you are mindful of your mental and emotional well-being and you have a simple, proven trading plan that incorporates some mental and emotional control aspects, you're on the fast track to getting funded!

If you'd like to use the same Simple Trading Plan that I developed and used to get funded for several prop trading accounts, travel to:

<http://theirmoneyyourprofit.com>

or simply scan:



For a discount on evaluations fees and for more detailed information on Prop Trading, write us at [admin@thedisciplinedtrader.com](mailto:admin@thedisciplinedtrader.com)

We're here to help you get funded!

**Norman Hallett, CEO, The Disciplined Trader**

