7 COMMON OPTIONS TRADING MISTAKES COSTING YOU MONEY

And 11 easy ways to start earning consistent profits

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7 Reasons Why Options Traders Fail (and 11 Simple Ways You Can Fix These Issues Immediately)

Investors and traders sometimes shy away from options trading because they feel it is too complex or confusing. Because options trading involves more factors than "will it go up?" or "will it go down?" it appears to be more involved than stock trading.

The thing is, once you get just a little bit of education on options, you'll see that trading options really doesn't have to be overly complicated. In fact, it can be quite easy and straightforward. Plus, options have many advantages over stocks, such as leverage and tightly defined risk parameters.

Here's the thing…

Trading options really isn't that different than trading any type of asset once you break it down into the key components of trading. Essentially, the same mistakes many traders make with stocks are also factors in options trading. Plus, there are a few common mistakes made by many uninformed options traders but can be easily overcome with proper knowledge.

So, without further ado, here are **the 7 Reasons Why Options Traders Fail**:

1. **Investing in Low Probability Trades:** This mistake is exclusive to options trading but can be very quickly remedied with proper options education. Why try to hit homeruns all the time when you can hit singles and double easily and consistently?

2. **Relying Solely on One Type of Trade:** This common error is also more options-specific - but only because options give you more choices and flexibility. Some trade strategies are very good, but the best traders diversify their income streams to prepare for the unknown.

3. **Not Having a Game Plan for Each Trade:** This is true for any type of trading. There's never a good reason to go into a trade without a plan of attack.

4. **Paying Too Much in Commissions**: This may seem obvious, but plenty of traders waste money on high commissions when their broker isn't doing anything special to earn those high fees. Unless you have a special relationship with your broker, cheaper is usually better.

5. **Not Having a Coach or Community:** Trading can be hard, so it's a never a good idea to fly blind. There are plenty of resources out there to help you become a better trader.

6. **Not Knowing When to Cut Loose or Adjust:** This one is the toughest one for me personally. It's easy to be emotionally attached to your trades or positions. But, not cutting bait or making adjustments can and will cost you over time, sometimes significantly.

7. **Following the Wrong Advice:** While there are plenty of resources out there which claim to make you a better trader, picking the good ones from the crowd can be a tough task without proper guidance.

Okay, so I've identified 7 common mistakes for options traders (and traders in general). So, what can we do to fix these issues?

After careful research and a lot of experience, I've picked out **11 ways to help solve these common mistakes**. Let's get right to it:

1. **Choose high probability trades:** For options trading, high probability trades means selling options. You'll likely have an 80% or so success rate selling options compared to buying them. It doesn't mean you should never buy options, but just be aware that doing so is generally a losing proposition over time.

2. **Mix and match strategies:** Options are versatile, so there are always multiple strategies that can pay off for those who understand how to use them. Diversifying strategies can help lower your risk as well. For example, using options to trade a neutral market can also be complimented by high probability directional trades.

3. **Find your bread and butter trade**: While diversifying your strategies is a good way to reduce risk, you should also have a go-to trade type to form the basis of your options portfolio. For instance, if you've been able to successfully trade covered calls consistently for profit, it can form the core of your income strategy. You can then mix and match other strategies which complement covered call trading.

4. **Have a trade entry plan:** Most traders think having a game plan is all about when to exit – but when to enter is just as important. Don't chase a trade if it moves away from your entry point. But, don't avoid a really good trade (in your opinion) if you can't get the exact price you're looking for.

5. **Have a trade exit plan:** Know exactly how much profit you are looking for on each trade you make – and how much of a loss you're willing to accept. Stick to these exit points at all costs.

6. **Research brokers:** All brokers aren't the same, but many are similar. You should be able to find a cheap online brokerage that also fits your trading needs. Don't give up important features in order to save money on commissions – but don't pay high commission fees unless you are getting something from your broker above and beyond the norm.

7. **Enter/exit trades efficiently:** This is more of an options-specific scenario. I often get questions about legging into trades, that is, doing spreads or multi-legged trades in pieces instead of all at once. Unless you are getting significantly better fills by legging into trades, you're better off saving commission costs and doing the entire spread at once (like doing a call and stock together in a covered call trade).

8. **Find a good coach or trading group:** Since the internet became a big part of our lives, it's become really easy to find knowledgeable people or groups to help educate you and share ideas about trading. You no longer have to buy one of those 1,000 page books on options theory and attempt to learn how to trade by yourself. Leverage the internet – it can do wonders. Plenty of smart people enjoy giving sound advice.

9. **Don’t be afraid to make adjustments**: Entry and exit points are important, but adjustments can be just as valuable to a seasoned trader. Making a quick adjustment (typically some kind of hedge or roll out) can make all the different between a profit or loss on a trade.

10. **Don’t over adjust:** Making adjustments is smart, but don’t over adjust. You don’t need to find a way to double your winnings or make back all your losses if a trade goes against you. Adjustments should be as subtle as possible and shouldn’t expose you to additional risk if at all possible. Keep in mind, sometimes it pays to be patient.

11. **Find a trusted source:** One of the issues with having so many resources to choose from for trading education/coaching is that not everyone is qualified to give advice. When looking for someone to help you learn options, make sure they have plenty of experience trading. One or two years of success is generally not enough for someone to truly understand the intricacies of options. Also, be wary of traders who only like to brag about their (huge) winners. The best traders tend to be grounded in their approach and also know even the best are capable of taking losses at times.

There you have it. That’s 11 simple ways you can become a much better trader – and do so almost immediately. It doesn’t take a mathematician to become the best options trader, but it does take some discipline. That’s why following these basic steps is the easiest way to get you going on the road to successful options trading.

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