

TRADING A SMALL ACCOUNT

HOW TO GROW
A SMALL
ACCOUNT WITH
OPTIONS



NETPICKS

Trading A Small Account?

**What you must know to
grow your small account
with options!**

By Netpicks.com

Are You Trading A Small Account?

You have a small trading account.

There's no shame.

Maybe you're just getting started in trading. Maybe you're learning a new trading technique and don't want to risk your entire life savings.

Maybe you've made it a personal challenge to start with a small amount of money and turn it into a big pile of money!

Regardless - unless you were born with a silver spoon in your mouth, we've all been there.

Maybe you have only \$3,000... or \$5,000 to trade... Typically on wall street anything under \$50,000 is considered a small account.

I know first hand the pains of trading a small account.

One of my first trades in the market was an options trade... because I didn't have enough money to buy the stock!

That's why I wrote this report - to share with you different ways to trade a small account... So, let's jump in.

The BIG Risk to Trading a Small Account

The big problem with trading a small account is... you don't have much money!

Thanks Captain Obvious!

The real problem is, without much money you can't diversify.

Normally if you're trading a big account you diversify with Stocks, ETFs, and use options to generate extra income. You can deploy more capital and not risk the entire account.

When you trade a larger account you'll run into terms like "Position Sizing".

That's when you take a new position (an investment) and the size of your investment is controlled by risk metrics.

For example if you used a 2% position size and had One Million dollars in your account... you'd put no more than \$20,000 into a new position.

If you have a small account that doesn't work so well.

If you have \$3,000 and you use a 2% position size... well, you'd max out at \$60.

You don't have a lot of investments to choose from at the \$60 level.

So, you're forced to take higher levels of risk, by trading bigger position sizes.

The risk is...

With a small account - well, you're often placing only a small number of trades... and if one of them goes bad... you blow up the whole account.

A lot of beginners think to themselves... Well... I'll just study the markets and never make a bad trade.

That's a fool's errand.

Everyone has trades go against them.

The reality is, if you could avoid all the "BAD TRADES" you'd be a billionaire. The cold hard truth is... *EVERY trade strategy, no matter how simple or complex, always has some level of risk in it.*

You will face a losing trade eventually.

The key to surviving is to take a loss, but not destroy your whole account.

How to Protect Your Small Account

There's a handful of ways to protect your smaller account.

In a nutshell, they are...

- 1) Make smaller trades

- 2) Pick your trades carefully
- 3) Stay Steady

Let's examine each of these individually.

Make Smaller Trades

Making a smaller trade isn't simply spending less money... you have to change your entire mind set.

First you'll probably want to adjust your position sizing for your account... I'd recommend breaking your account down into the smallest chunk you can. Then find the investments in your focus area that best fit those parameters.

Don't bet everything on one trade... break it up!

You might do things like look at trading smaller priced stocks.

You might look at trading specific options strategies that don't require tons of capital (More on that in a moment).

You might adjust your risk parameters so you're not subject to big losses on market swings... things like tightening your stop losses, or shrinking your spreads to reduce risk.

Yes, these changes will impact your profitability... but a slightly lower payout that keeps you from blowing up your whole account is a win in my book.

Let's look at some trade types...

Pick your Trades Carefully

When you're looking for trades that you can place in a smaller account, you'll have to think creatively.

Options will most certainly play a big role... so if you're looking for those types of trades, you need to get yourself educated.

I'm biased, but a good place to start your options education is at our Blog:
<https://www.netpicks.com/trading-tips/>

Ok, here are a few options strategies you can use in smaller accounts.

Look at trading strategies like, credit spreads, debit spreads, iron condors, iron butterflies and calendar spreads.

You can also place covered call trades on very low priced stocks...

Now, I don't have a lot of room to get into all the details of each of these trades, but here's an example trade you could do.

Ford stock is trading around \$11 a share right now.

So, you can buy 100 shares at a price of \$1,100. You can then write a covered call option a few weeks out at the \$12 strike and capture \$0.20... or \$20. It doesn't sound like a lot, but if you make this kind of trade 12 times over the course of the year, you'll capture around \$240...

That's a 21.8% return on your investment ($\$240/\$1,100 = 21.8\%$)!

Now the options market is constantly changing. It's moved by news, market events, rumors, seasonal influences... That's what creates amazing opportunities! Keep in mind, there are dozens of other stocks out there like Ford (F) that trade for under \$10 or \$15 bucks.

You'll have to study the stock and the market to find the best trades for you.

Another trade you can place is a Credit spread.

This gets a bit more complicated, but in a nutshell, you're placing a trade that pays you up front, and you have a very defined risk.

You'll want to do your own research on this trade... but here it is in a nutshell...

Let's use Ford (F) again.

You SELL a put option in Ford... the stock is around \$11.50. You sell the \$11 strike a few weeks out for \$0.22 and you BUY the \$9 strike for \$0.02 at the same expiration date

If you do this with one option you'll generate \$0.20 in Premium.

As long as the stock trades ABOVE \$11... you'll collect the premium and eventually the option will expire worthless. You win.

If the stock trades BELOW \$11... Well, it's a losing trade and you'll have to come up with the cash to cover the losses.

However, because you own the \$9 put, your maximum loss is limited to \$200 per contract. The difference between the \$11 strike you sold and the \$9 strike you own.

Look at this globally, you risk \$200 to make \$20.

Not a bad trade off in my mind. Just remember to do your own research and make sure you understand the movements in the stock and the options pricing.

I'm not going to cover the other trades out there... but there are a few that you can do in a smaller account... so look into them.

You'll want to research credit spreads, debit spreads, iron condors, iron butterflies and calendar spreads.

Now for the last tip to help you trade a small account...

Stay Steady -

Too often traders jump in and start one trading strategy then change to another.

You need to think like a machine.

Do one type of trade over and over and over again... stay steady and don't deviate. Really learn the in's and outs of the trade. Place the trade 100 times over and experience the trade as the markets move.

Only branch out when you really have knowledge around your trading strategy.

Why?

There are nuances to every trade it's impossible to learn without actually placing the trade. You'll see and experience things... that will impact your future trades.

You'll make mistakes - we all do - and you'll learn from them.

That's why I recommend picking one type of trade and really mastering it.

Remember what Bruce Lee said:

**"I fear not the man who has practiced 10,000
kicks once, but I fear the man who has
practiced one kick 10,000 times."**

With a small account you'll need to be an expert at what you do!

Conclusion to Trading a Small Account

I hope this report gives you a better understanding of the risks and strategies for trading a small account.

It's critical that before you start making trades you understand your methods and process... and really do your best to protect your account.

Eventually you'll see your account grow and grow... and some day, you'll have a much bigger account and not worry about a lot of these issues!

Remember... if you're looking for more great information... don't forget to check out our website:

<https://www.netpicks.com/trading-tips/>

Coach Shane

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If you trade options, we recommend you read and fully understand all the information contained in the Characteristics and Risks of Standardized Options. It's also known as the Options Disclosure Document and it explains the characteristics and risks of exchange traded options. (<https://www.theocc.com/Company-Information/Documents-and-Archives/Options-Disclosure-Document>)

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