

Think like a pilot to keep your investments flying high

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Three of North America's top online trading educators have told *The Star* that being a pilot is good background for successful online trading.

Larry Pesavento has been trading for 50 years, 45 of them full-time. Pesavento supervised Drexel Burnham Lambert's commodity department in Beverly Hills, California, and is a former member of the Chicago Mercantile Exchange (CME).

"I first noticed the similarities between online trading and flying airplanes in the early 1980s. I had several students who were commercial airline pilots and they did very well in my course," said Pesavento, speaking with *The Star* from Hong Kong.

Learning to be a private pilot is good preparation for online trading, too, agree Rick Swope and A.J. Monte, known as "The Market Guys." They teach online traders on the U.S. Public Broadcasting System (PBS) television program *Wealth and Wisdom*, and at seminars around the world, including frequent visits to Toronto.

Pesavento, Swope, and Monte attribute the trading success of professional pilots to a number of reasons:

1. **Pilots are used to looking at maps with "X" and "Y" coordinates.** And this knowledge transfers readily to looking at price movement charts of investments.
2. **Pilots start online trading to supplement their income; they don't trade in haste.** In addition, senior commercial airline pilots already make a good income. They are not pressured to make a lot of money in a hurry by trading online.
3. **Pilots have the time and the discipline to study online trading as a second career.** "Since senior pilots at major airlines only fly about 75 hours per month because of U.S. safety regulations as well as their union contracts, they have the time to study online trading," says Pesavento.

He adds that he cannot underline enough the importance of studying online trading specifically and the markets generally.

4. **Airline pilots routinely train on sophisticated flight simulators.** And their reactions and behaviours are tested in various situations. Online traders can also simulate trading using so-called "paper trading" or simulated accounts available at

many online brokers. What's missing, of course, is the all-powerful emotion-of-the-moment that overtakes many online traders.

5. **By regulation, pilots must file a flight plan; so, they understand the need for a trading plan.** A trading plan includes what types instruments (stocks, bonds, ETFs, mutual funds, etc.) you're going to trade, analysis of recent charts, position size, selection of entry points, setting stop-losses, and most importantly—selecting an exit point.

Online traders who have no trading plan are running on false optimism and adrenaline, say the experts.

6. **Pilots are trained to deal with emergencies.** Pilots work with two types of checklists: normal checklists and more importantly, emergency checklists.

“It's when things go wrong that your mind doesn't work right, and you're charged with emotion—typically panic—that the checklist will save your life,” says Swope, who spoke with *The Star* from Suwanee, Georgia. He got his pilot's license in 1985.

“Pilots are good at taking action immediately, precisely because there is no time to think. Similarly with online trading, frequently there is no time to think. Meanwhile, your account may be suffering catastrophic losses,” added Monte. Based in Longwood, Florida, he's had his pilot's license since 2002.

For online traders, the parallel of the emergency checklist is risk management which is critical for when the stock turns against them. To be practical, Swope and Monte offer the following: only risk 1% of any position you occupy in the market by setting stop-losses.

The Market Guys will be back in Toronto on Saturday, November 21, 2009, between 9 a.m. and 12 noon at the Scotiabank Theatre, corner of Richmond Street West and John Street. www.TheMarketGuys.com Attendance is free, but requires registration: www.ScotiaTrade.com, and click on “Trading and Investing Seminars.”

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