27 Years of Trading Wisdom:

Key Principles for Consistent Success

From Jeff Tomasulo

1 **Get Educated:** I'm not talking about Harvard or Yale education—those credentials mean nothing in the world of making money. The markets don't discriminate; they don't care if you have a PhD in finance from Yale or never graduated high school. The markets are indifferent to your background, skin color, religion, or whether you came from wealth or grew up on welfare. You need a specific education to succeed.

If you want to hit a golf ball 300 yards, you need specific training. Similarly, a Master Chef might excel in the kitchen but struggle with baking pastries without specific training. The same principle applies to investing: if you want to learn how to make money whether the market goes up, down, or sideways, you need specific education tailored to that goal. Focus on gaining the right knowledge to succeed.

2 **Find a Mentor:** This might seem obvious, but having one or more mentors you trust can be invaluable. A little bit of knowledge without the right guidance can actually be very dangerous for investors. There is a phenomenon known as the Dunning-Kreuger effect that shows that people with a little bit of knowledge tend to overestimate their abilities.A good mentor helps you avoid common pitfalls that cause many to quit, speeds up your learning curve, and gets you to your goals faster. Finding the right mentor isn't always easy, but their guidance and experience can make a significant difference in your journey toward success.

3 **Put the Right Team Around You:** Having the right people around you is crucial, and sometimes you need to invest in building that team. Looking back, my biggest mistakes happened when I didn't have the right people around me—I was too cheap and kept telling myself that once I made more money, I'd hire the right accountant, lawyer, or consultant. I surrounded myself with too many yes-people and not enough individuals who challenged my ideas.

Focus on gaining the right knowledge to succeed.

You need a team you trust and respect, filled with people who are smarter than you and aren't afraid to question your decisions. Hearing the other side is invaluable; it either strengthens your conviction or helps you avoid a potential disaster. Surrounding yourself with the right team can make all the difference in your success.

4 **Use the Right Tools:** We are incredibly fortunate to live in a time where information is readily available, especially when it comes to investing. This abundance of information can be both a blessing and a curse, but it has mostly been a blessing by leveling the playing field and making investing and trading accessible to everyone. You can learn anything you want from the comfort of your home, connect with experts worldwide, and access resources that were once reserved for a select few.

However, with so many options, it's essential to identify the right tools for you—those that align with your goals and help you find your edge in the market. The right trading platforms, investment tools, and resources are critical to your success and can significantly impact your ability to navigate the markets effectively.

5 **Invest With an Edge:** Before investing your hard-earned money in the market, you need to clearly understand your edge. If you can't explain your competitive advantage to someone else, don't make the trade or investment. The same rule applies when trusting a financial advisor or money manager—if they can't articulate their edge, don't give them your money.

Surrounding yourself with the right team can make all the difference in your success.

An edge is what sets you apart from other market participants; it's your competitive advantage. Think of it like a Casino versus a gambler—the Casino has the odds in its favor and consistently wins over time, while the gambler occasionally wins but ultimately loses in the long run. To be successful, you need to operate like the Casino, not the gambler.

6 **Have a Proven, Repeatable Process:** Anyone can make money in the market—after all, even a broken clock is right twice a day. The key difference between successful and unsuccessful traders is that the successful ones know exactly what they did to become profitable and can repeat it. You don't want to be a one-hit wonder! Would you rather be Tom Cruise or Judd Nelson? Tom Brady or Scott Mitchell? Taylor Swift or Rebecca Black? Consistency and long-term success come from having a proven, repeatable process that you can rely on time and again.

7 Trade the AST Method of Non-Correlation: Diversification is one of the most commonly taught concepts in finance, especially to retail investors, but what many fail to understand is that over-diversification can hurt your returns. While diversification can reduce risk, it often prevents you from achieving outsized gains.

Mastering when and how to use it can set you apart and significantly enhance your potential for success.

Instead, we focus on non-correlation, which we call the AST Method of Non-Correlation. When constructing and managing a portfolio, aim for Non-Correlated Assets, Non-Correlated Strategies, and Non-Correlated Time Frames. This approach enhances consistency, helps manage risk, and positions you for stronger, more balanced returns.

8 Asymmetrical Opportunities: Many traders and investors take positions that are too large, leading to significant losses and unnecessary anxiety. It's crucial to understand that only a few trades are worth risking a substantial portion of your capital. The key is to identify asymmetrical opportunities—situations where the potential reward far outweighs the possible risk. By focusing on these opportunities, you can maximize your returns while managing your risk effectively.

9 Learn How and When to Use Leverage: Leverage can be a double-edged sword; if used incorrectly, it can be devastating, but when respected and used wisely, it can be a game-changer. Many of the world's wealthiest individuals have utilized leverage to build their fortunes. The key is understanding that leverage has a time and place—it's not suited for every investment. Mastering when and how to use it can set you apart and significantly enhance your potential for success.

10 Take Profits and Be Okay with It: Taking profits should be a core part of your proven, repeatable process because it's essential for consistently making money and growing your account. While it seems obvious, many traders and investors struggle with this, often letting winning trades turn into losses or feeling regret when a stock continues to climb after they've sold. To avoid this, establish a clear plan before entering a trade, outlining when and how much profit to take. This discipline is crucial for long-term consistency and success in the markets.

11 There Will Always Be Opportunities—Let FOMO Be Someone Else's Problem: Many investors fall into the trap of worrying about what they've missed, often leading to poor decisions and costly mistakes. Instead, focus on following a proven, repeatable process, and you'll always find new opportunities. For example, during the Bitcoin craze of 2017/2018, everyone was asking me if they should buy in, but I advised them to wait for a better opportunity—and it came in 2020. Similarly, my great-grandfather used to lament missing out on IBM, believing there would never be another company like it. History has proven otherwise: opportunities are always around the corner.

12 **Recognize Your Bias:** We all have biases that influence our views on stock movements or the economy, often shaped by personal circumstances like income, job security, or the experiences of those around us. These biases are also deeply rooted in how we were raised and whether we tend to be optimistic or pessimistic. When investing or trading, it's crucial to acknowledge and set aside these biases—or at least be aware of them. Doing so allows you to evaluate opportunities objectively, seeing them for what they are rather than through the lens of your personal biases.

13 **Fall in love with the companies Products NOT THE STOCK:** While the old saying of "buy what you know" has its merits, it can also harm your portfolio. It's important to regularly analyze a company's financials to ensure they align with the quality of its products. Sometimes, a great product doesn't mean a great investment. There are moments when it's best to keep enjoying the product but sell the stock—like with Peloton in 2021.

14 **Be Adaptable:** I have seen too many traders and investors be stubborn because they had a thesis, clinging to a thesis they've researched extensively and truly believe in. Unfortunately, and fortunately the markets are dynamic and are consistently changing based off a magnitude of factors. If you are unwilling and unable to adapt to changing factors and environments you will end up very inconsistent and not very successful making money in the markets.

15 **Be a Student of Market Environments and Know Which Strategies Work Best:** Many investors get comfortable with certain strategies and resist adapting to different market conditions. It's crucial to understand that each market environment—whether it's a bull market, super bull, bear market, or choppy and grinding—requires a different approach. By identifying the current market environment and knowing which strategies work best in each scenario, you position yourself to succeed, stack the odds in your favor, and gain a significant edge.

16 **Quality Over Quantity:** Overtrading and over-investing often lead to inconsistency and poor returns. It's important to distinguish between trades and investments and develop a process to identify true opportunities. Be patient and remember that you don't need to be trading or investing all the time. Focus on quality setups rather than feeling the need to always be active in the market.

17 **Price and Volume are King:** Price and volume are constantly communicating valuable insights about a stock. They reveal what current market participants believe the stock is worth at any given moment. While the market is always changing, trying to predict a stock's direction based on news headlines or analyst ratings can be misleading. Instead, focus on the stock's price and volume—these indicators cut through the noise and provide the clearest view of market sentiment and potential future movement.

18 **You Will Lose Money—Be Okay with It:** Losing money is an inevitable part of the game. If you let it consume and control you, you won't be ready or willing to seize new opportunities when they arise. Embrace the discomfort and accept losses as a natural part of the journey. The key is to stay focused, learn from each setback, and keep moving forward. Get comfortable, with being uncomfortable.

19 **Focus on What You Can Control:** I'm often asked about market movements, the Federal Reserve's decisions on interest rates, specific stocks, or geopolitical events and their impact on the market. The truth is, I have no control over any of these factors. I can't dictate whether the market or a stock goes up or down, what the Fed does with interest rates, or when geopolitical events unfold.

The key is understanding that leverage has a time and place.

Instead, I focus on what I can control: how much money I invest, which assets I choose, when I enter and exit those investments, the level of risk I take on, and the timing of my decisions. By managing what's within my control, I allow the market to do what it will. **Remember—focus on what you can control!**

20 **Practice, Practice, Practice:** This ties into having the right tools. Today, there's no reason to risk your hard-earned capital before you've developed and fine-tuned your strategy. Just like fighter pilots start in a simulator before flying a real jet, investors should start by practicing in virtual accounts or paper trading.

Paper trading isn't about proving you can make money; it's about learning and refining specific strategies quickly and effectively. If you have a $20k account, your ability to learn is limited by the number of trades you can make. But with a paper trading account, you can execute countless trades across various assets, accelerating your learning process and building the skills needed for success without risking real money. The knowledge you gain in a short period of time is immense.

21 **ALWAYS BE OBESSIVE AND COMPLUSIVE ABOUT MANAGING RISK:** Managing risk is the cornerstone of success in the financial markets—it's the key to consistency and survival. If you're not relentless about understanding and managing your risk, you won't last. Before placing any trade, I always consider two crucial questions: What is the best strategy for this opportunity, and how can I take the least amount of risk to achieve the highest potential return? Early in my career, a seasoned trader shared invaluable advice that still guides me: 'Take care of the downside, and the upside will take care of itself.' This mindset is essential for long-term success in trading and investing.

CRITICAL BONUS Understand Your WHY:

It might sound a bit touchy-feely, but knowing your 'why' is crucial because trading and investing are hard. There will be days, months, or even years when you question why you're doing this and feel tempted to throw everything into index funds and call it quits. In those tough moments, having a clear sense of your why can turn setbacks into valuable learning experiences and make you a better investor—and you might even discover something new about yourself.

Your why can't solely be about someone else or something material. I used to say my why was my four kids, but I realized one day they might disappoint me, and I wouldn't want to give up on my dreams because of that. Similarly, if your why is tied to a material goal, like buying a Porsche or a new house, what happens to your motivation once you achieve it?

Dig deep and figure out why having control over your finances is important to you. How could consistently making money in the markets change your life? What impact could it have on you and your family? For me, my why is about having the freedom and flexibility to control my decisions and my time.

If you are ready to take the next step and take control of your financial future visit us at Tacticalincome.com today.