



LIVE ACCOUNT vs. DEMO ACCOUNT

Personally, I think that trading with demo accounts gives you a false level of security. Your results via a demo account will probably contrast sharply with your results in your live account.

When most people start trading, they believe that their results trading with fake money will be the same as their results trading with real money. Of course, that is almost never the case. The reason for this is that a person's emotions greatly impact their decision-making ability when real money is on the line.

Firstly, I wanted to make it clear that I am not dismissing demo trading. Trading a demo is how everyone should learn the basic mechanics of the trading platform. It also allows people to practice following their strategy and practice entering orders, placing stops and limits etc. If you run into a bad spell with your trading, sometimes revisiting trading and getting confidence back using a demo account for while can be the right thing to do. When you get into a bad patch trading, the brain is focused on money that is being lost and mistakes can be made left right and centre. Switching to a demo account relieves this pressure and reminds you that you can still trade well. The demo account is also good for working on new strategies without risking money. However, the demo account results usually do not translate to live money results.

To begin with, there is one basic reason that the demo account seems easier to trade. The reason is that you can have your fake cash refilled at any time. Therefore, what is the risk? There is no risk. If you screw up, then you can start over again without any penalty. This takes a huge amount of pressure off of you. You could blow out 5 accounts and have one huge winning account, but that does not mean that you will be able to repeat the one big winning account again. This is the first aspect of the demo account to realize, but there are far more important factors than this.

Let me assume that we now moved passed the obvious reason above ie: the demo account isn't a 100% forecaster of live results. Let's say that you have some idea of what you are doing and you are using proper RISK MANAGEMENT, you have a strategy that gives you an edge, and you have attained consistent results on your demo account. The reality is that it is much easier to follow those guidelines when there is no real money involved. A trader's emotions are much, much stronger when trading with real money rather than a

demo account. With real money you will be tempted to commit a number of trading sins:

- Moving your stop further away from the entry level.
- Exiting a position way before it reaches your profit targets.
- Entering a trade that does not meet your trading criteria maybe to get revenge on a previous trade that was a bad trade.

There are a number more that I could list be these are the main ones.

It begs the question...how do you make your results with real money resemble your results on the demo account?

1. You start off trading with small position sizes.
2. Do not jump straight into risking your full RISK TOLERANCE per trade.
3. If you are trading small positions you will not devastate your account, but you will learn very quickly when you move to live positions.
4. Even though you may be trading small positions and limiting risk on each trade to small amounts, your brain will work differently than when you were operating on the demo account.

Once you start making mistakes with real money, you must take notes and learn. Write down the solution and memorize it so that it does not happen again. These will in effect be the rules that get added to your TRADING PLAN.

You must continue to evolve as a trader until you become more consistent in following your plan. It would require someone similar to a saint to completely eliminate new mistakes entirely, but this process will help you as a trader become more and more consistent in actually following your plan and not deviating away from your strategy.

This is a very brief explanation of bridging the gap between a demo account and a live account. My best advice is always trade with smaller positions.

Do not trade the demo account forever because there is only so much expertise that can be gained from the demo account. The best plan is to trade your demo account until you have a basic TRADING PLAN with good MONEY MANAGEMENT and RISK TOLERANCE levels built in and that you feel comfortable trading with. At that point, trade small positions of real money and you will be able to improve your trading skills much more quickly than if you only used the demo account for months and months

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