

BIDDLES GROUP · CHARTWORK

BUILDING WEALTH. SECURING FUTURES.

INVESTOR IQ SERIES

VOLUME 04

THE MISTAKES NOBODY TALKS ABOUT OPENLY

# THE 20 MISTAKES KEEPING YOU BROKE

You've studied the charts. You understand the indicators.  
But something keeps sabotaging your results.

**It's not the market. It's not bad luck.**

It's 20 specific, fixable mistakes — and you're probably making at least half of them.

TRADING PSYCHOLOGY

BEHAVIORAL TRAPS

TRADE MANAGEMENT

RISK MANAGEMENT

INVESTING DISCIPLINE

90%

RETAIL TRADERS  
LOSE MONEY

2.5×

PAIN OF LOSS VS  
JOY OF GAIN

1.2%

ANNUAL GAP FROM  
BEHAVIOR ALONE\*

20

MISTAKES. ALL  
FIXABLE.

© 2025 Biddles Group | ChartWork Division | biddlesgroup.com

\*Morningstar Mind the Gap research. Not financial advice.

FREE CHECKLIST



## YOUR BRAIN IS THE MOST EXPENSIVE BUG IN YOUR TRADING SYSTEM

Nobel Prize-winning research (Kahneman, 2002) proved that humans feel the pain of a loss **2.5 times more intensely than the pleasure of an equivalent gain**. That's not weakness — that's neuroscience. The market doesn't care about your wiring. But understanding it is the first step to overriding it. Every mistake in this section has a root in behavioral science. The fix is awareness, then process.

**90%**

Of retail traders lose money — most from behavioral errors, not bad strategies

CMC Markets / ESMA data

**6 MIN**

Average time retail traders spend researching a stock before buying

NYU Stern / NBER

**1.2%**

Annual return gap caused purely by investor behavior — not market performance

Morningstar Mind the Gap

# 01 TRADING PSYCHOLOGY

THE SILENT KILLERS YOU DON'T SEE IN YOUR P&L — UNTIL IT'S TOO LATE

## 01

PSYCHOLOGY

### FEAR OF MISSING OUT (FOMO)

*"Everyone's making money on this. I need to get in NOW."*

#### THE TRUTH

FOMO is your brain's social survival instinct hijacking your trade entry. You see a big green candle, a Reddit thread, or a friend's gain — and your amygdala overrides your analysis. **You enter at the worst possible time: the top of a move, with maximum emotional pressure and minimum edge.**

#### THE FIX

**Pre-plan every entry.** Only act on your watchlist. If it's not on your list before market open, you don't buy it today. Use limit orders at defined support zones — never market orders on momentum spikes.



Research: Retail FOMO entries underperform planned entries by 3–5% on average (behavioral finance studies, 2024)

## 02

PSYCHOLOGY

### REVENGE TRADING

*"I just need one trade to get back what I lost."*

#### THE TRUTH

After a loss, your brain enters a stress state that actively impairs judgment — the same neurological pathway as physical pain. **Revenge trading turns a 2% loss into a 10% loss.** It's not a trading strategy. It's a grief response wearing a brokerage account.

#### THE FIX

**Hard rule: after a stop-loss hit, no new trades for the rest of the session.** Walk away. Journal what happened. Return with a clear head. The market will be there tomorrow. Your capital may not be if you don't protect it.



The disposition effect: professional traders held losing trades 36% longer than winning ones (CME Group research)

03

PSYCHOLOGY

## LOSS AVERSION — HOLDING LOSERS TOO LONG

"It'll come back. I just need to wait."


### THE TRUTH

Kahneman's Prospect Theory: losses feel 2.5× more painful than equivalent gains feel good. So your brain refuses to close losing positions because **an unrealized loss doesn't feel as bad as a confirmed one**. Meanwhile, your capital is trapped and decaying. Odean (1998) proved retail investors consistently sell winners too soon and hold losers too long.

### THE FIX

**Set your stop-loss before you enter — not during the trade.** A pre-set stop removes the emotional decision entirely. The stop was set when you had a clear head. Honor it unconditionally. Treat every stop hit as discipline, not defeat.

Top 1% of traders do the exact opposite: they hold winners

 longer and cut losers faster (25,000-account study, Investing.com 2025)

04

PSYCHOLOGY

## CUTTING WINNERS TOO SHORT


"I'm up 8%. Let me lock it in before it disappears."

### THE TRUTH

The same loss aversion that makes you hold losers makes you exit winners too early. Fear of giving back gains overrides the logic of letting a good trade develop. **Average winners: +1.2%. Average losers: -2.8%**. Even a 60% win rate can't survive that math.

### THE FIX

**Pre-define your profit targets before entry.** Use a tiered exit: sell  $\frac{1}{3}$  at +10%,  $\frac{1}{3}$  at +20%, trail the final  $\frac{1}{3}$  with a moving average stop. This removes the emotional exit decision and lets your winners compound.

 Winners averaged +1.2% vs losses of -2.8% in a 25,000-account analysis — a structural edge killer (Investing.com, 2025)

05

PSYCHOLOGY

## OVERCONFIDENCE BIAS

"I've been right 4 trades in a row. I've got this figured out."

### THE TRUTH

Winning streaks trigger dopamine releases that mimic the neurological profile of gambling addiction.

**Overconfidence leads to oversized positions, skipped checklists, and underestimated risk** — right before a major drawdown. Research (2025 Journal of Behavioral Finance) identifies it as the #1 cognitive bias affecting investors.

### THE FIX

**Position sizing rules never change based on recent performance.** 1-2% max risk per trade — always, regardless of win streak. Your checklist is non-negotiable. A winning streak is the most dangerous time to abandon your process.



Overconfident traders overtrade by 45%+ and underperform the market on average (Barber & Odean, 2000 — still the definitive study)

06

PSYCHOLOGY

## CONFIRMATION BIAS

"Everything I read confirms this trade is going higher."

### THE TRUTH

Once you're in a position — or even just emotionally attached to a thesis — your brain selectively seeks out information that confirms it and dismisses what contradicts it. **You're not analyzing the market anymore. You're building a legal case for a decision already made.**

### THE FIX

**Steel-man the opposing case.** Before every trade, write down three reasons it could fail. Actively search for bearish arguments on your bullish thesis. If you can't find a valid counter-argument, you haven't looked hard enough.



Confirmation bias affects 72% of investment decisions according to a 2025 meta-analysis of 63 behavioral finance studies (PMC)

## 02 BEHAVIORAL TRAPS

THE PATTERNS THAT FEEL RATIONAL — AND SILENTLY DESTROY RETURNS



### FEELING RATIONAL IS NOT THE SAME AS BEING RATIONAL

Every trader in this section **thought they were being logical in the moment**. That's what makes behavioral traps so dangerous. You can't see them from the inside. You only recognize them in your trade journal — after the damage is done. This section is your mirror.

07

BEHAVIORAL

## CHASING HEADLINES & HYPE

*"It was all over the news. How could I not buy it?"*

### THE TRUTH

By the time a stock is on the news, **the institutional money has already entered, the easy money has already been made, and you are the exit liquidity.** Retail investors on average spend 6 minutes researching a stock before buying (NYU Stern). Headlines are not an edge. They're a trap.

### THE FIX

**Build your watchlist from chart analysis, not headlines.** If a name isn't already on your radar before it's viral, let it go. Your edge is in preparation, not reaction. React to your plan — not to the news.



Retail investors who buy on news coverage underperform by an average of 2.3% over the following 30 days

08

BEHAVIORAL

## ANCHORING TO PURCHASE PRICE

*"I'll sell when it gets back to what I paid for it."*

### THE TRUTH

Your purchase price is completely irrelevant to what a stock will do next. **The market has no idea what you paid, and it does not care.** Anchoring to your cost basis causes you to hold broken positions for emotional reasons rather than evaluating them on current merit.

### THE FIX

**Ask one question about every position: "Would I buy this today, at this price, with fresh eyes?"** If the answer is no, why are you still holding it? Your past decision is not a reason to make a bad current decision.



Anchoring bias contributes to the "disposition effect" — the single most documented behavioral error in retail investing (Odean, 1998)

09

BEHAVIORAL

## HERD MENTALITY

"Everyone on the forum is buying this. There must be something to it."

### THE TRUTH

Humans are hardwired to follow the group — it was a survival mechanism for 200,000 years. In markets, it creates bubbles, meme stocks, and retail buying at peaks. **The crowd is usually right during a trend and catastrophically wrong at the extremes.**

### THE FIX

**Use crowd sentiment as a contrarian signal, not a green light.** When retail sentiment is extremely bullish and everyone is buying, consider tightening stops. When it's extremely bearish and everyone is selling, look for oversold setups.

A 2025 qualitative review found herd behavior remains the most persistent group bias, even among investors who know about it



10

BEHAVIORAL

## NO TRADING JOURNAL

"I remember my trades well enough. I don't need to write them down."

### THE TRUTH

Your memory is not a data source. It selectively remembers wins more clearly than losses and conveniently forgets the emotional state that led to bad decisions. **Without a journal, you have no feedback loop. You will repeat the same mistakes indefinitely.** Your journal is your edge — it's the only place your real performance lives.

### THE FIX

**Journal every trade:** setup type, entry reason, risk level, emotional state at entry, and post-trade review. Review weekly. Your patterns — both winning and losing — only become visible in the data over time.

Traders who journal consistently improve win rate by an average of 15-20% within 6 months (StockTradingPro, 2025 analysis)



# 03 TRADE MANAGEMENT

HOW YOU MANAGE THE TRADE AFTER ENTRY DETERMINES YOUR OUTCOME

## 11

TRADE MGMT

### NO DEFINED ENTRY OR EXIT PLAN

"I'll figure out when to sell once I see how it moves."

#### THE TRUTH

Improvising inside a live trade is a guaranteed way to let emotions make decisions that your pre-trade analysis should have made. **If you don't know your target and stop before you enter, you don't have a trade – you have a gamble.**

#### THE FIX

**Document before every trade:** Why am I entering? What's my target? What's my stop? What's my position size? What's the risk/reward? If you can't answer all five in writing before entry, don't take the trade.



Traders with written trade plans are 3× more likely to be profitable than those trading without one (research consensus)

## 12

TRADE MGMT

### MOVING STOP-LOSSES AGAINST YOU

"I'll just give it a little more room. It'll bounce."

#### THE TRUTH

Moving a stop-loss away from price to avoid being stopped out is the single most destructive trade management error. **You're not giving the trade room – you're giving loss aversion control.** Small losses become large losses. Large losses become account-defining disasters.

#### THE FIX

**Stops only move in one direction: in your favor.** Once set, a stop never moves against you. It can be trailed upward as price moves in your favor. Moving it down is a non-negotiable rule violation. Full stop.



The #1 cause of account blowups is moving stops wider under emotional pressure – not bad entries

## 13

TRADE MGMT

**OVERTRADING — TOO MANY POSITIONS***"More trades means more opportunities to make money."*

## THE TRUTH

Overtrading dilutes focus, increases transaction costs, and spreads your attention across too many positions to manage any one well. **It's also often boredom or anxiety disguised as activity.** The market doesn't reward busyness. It rewards precision.

## THE FIX

**Fewer, higher-conviction trades.** If a setup doesn't meet all your criteria, pass. Cash is a position. Waiting for A+ setups instead of taking B- ones is one of the highest-leverage changes any trader can make.



For a long-term portfolio: separate Core (80-90% broad ETFs) vs Explore (10-20% tactical) to prevent overtrading

## 14

TRADE MGMT

**IGNORING EARNINGS & EVENT RISK***"It's a great setup — I'll just hold through earnings."*

## THE TRUTH

Earnings are a binary event. A strong technical setup means nothing when a single report can gap a stock 15% in either direction overnight. **You are not trading the chart anymore — you are flipping a coin with leverage.**

## THE FIX

**Know your earnings calendar before entry.** Either exit before the report, reduce to a half position, or use options to define risk. Never hold a full swing trade position into earnings unless that is the explicit strategy — and it rarely should be.



Average post-earnings gap size has increased to 7.2% for S&P 500 stocks — making unhedged earnings holds higher risk than ever

# 04 RISK MANAGEMENT

THE ONLY RULES THAT GUARANTEE YOU'LL STILL BE PLAYING TOMORROW



## YOU CANNOT WIN A GAME YOU'RE NOT IN. PROTECT CAPITAL FIRST.

Every rule in this section exists for one reason: **to make sure you survive long enough for your edge to work.** A single catastrophic loss can wipe out months of gains. Risk management isn't the boring part of trading — it's the only part that guarantees your career continues past the next drawdown.

15

RISK MGMT

## RISKING TOO MUCH PER TRADE

"This setup is so good, I'm putting in 25% of my account."

### THE TRUTH

No setup is "so good" that it justifies abandoning position sizing. **Even the best traders are wrong 35-45% of the time.** Oversized positions turn normal losing trades into account-threatening events and cause the emotional spiral that leads to every other mistake on this list.

### THE FIX

#### Maximum 1-2% of total capital at risk per trade.

This means if your stop is hit, you lose 1-2% of your account. It is not the same as 1-2% position size. Do the math:  $\text{Position Size} = (\text{Account} \times \text{Risk}\%) \div (\text{Entry} - \text{Stop})$ .

At 1% risk per trade: 10 consecutive losses = 9.5% drawdown.

 At 10% risk: the same 10 losses = 65% drawdown — nearly unrecoverable

16

RISK MGMT

## NO EMERGENCY FUND — FORCED SELLING

"I'll just liquidate some investments if I need cash."


### THE TRUTH

Without an emergency fund, life events (job loss, medical bills, car repairs) force you to sell investments at the worst possible times — often during market downturns when prices are lowest. **You crystallize losses not because of bad strategy but because of bad preparation.**

### THE FIX

**Build 3-6 months of expenses in cash before investing aggressively.** Start small: automate \$50-\$100/week into a high-yield savings account. Your investment portfolio should only contain money you won't need for 3-5+ years.

In the 2020 crash, investors who sold to cover expenses

 locked in a 35% loss — the market recovered fully within 5 months

17

RISK MGMT

## OVER-CONCENTRATION / POOR DIVERSIFICATION

"I only own stocks in tech because that's where the growth is."

### THE TRUTH

Concentration increases both upside and downside volatility. When a sector rotates, concentrated investors suffer drawdowns that diversified portfolios barely feel.

**The 2022 tech selloff wiped 60–80% from many concentrated growth portfolios.** That takes years to recover psychologically and mathematically.

### THE FIX

**Own a core broad-market ETF (SPY, VTI) as the foundation.** Limit any single sector, theme, or stock to a defined percentage (e.g., max 5% any individual stock, max 20% any sector). Satellites add return potential — they don't replace the core.



A 60% loss requires a 150% gain just to break even — diversification is not a limitation, it's arithmetic protection

18

RISK MGMT

## USING LEVERAGE WITHOUT UNDERSTANDING IT

"Options give me 10× the buying power. That's 10× the gains."

### THE TRUTH

Leverage amplifies both wins and losses equally. It also introduces time decay (Theta), volatility exposure (Vega), and margin calls that can force you to close positions at exactly the wrong moment. **Most retail traders who use leverage lose more than they gain over any 12-month period.**

### THE FIX

**Learn before you lever.** Understand every Greek before trading options. Understand margin mechanics before using it. Start with 1x leverage until you're consistently profitable — then add leverage cautiously in high-conviction setups only.



Over 75% of retail options buyers lose money — primarily because of Theta decay and volatility mispricing (CBOE data)

# 05 INVESTING DISCIPLINE

THE LONG-GAME MISTAKES THAT COMPOUND SILENTLY OVER YEARS

## 19

DISCIPLINE

### IGNORING COSTS, TAXES & FRICTION

*"The fee is only 0.75%. That's basically nothing."*

#### THE TRUTH

A 0.75% annual expense ratio vs 0.03% (like VTI) costs you \$7,200 over 20 years on a \$10,000 investment at 7% growth. **Tax-inefficient trading (short-term capital gains = ordinary income rates) can cost you 20–37% of every profit.** These invisible costs compound just as powerfully as returns do – in reverse.

#### THE FIX

**Compare all-in costs before investing.** Prefer tax-advantaged accounts (IRA, 401k) for long-term holdings. Hold investments for 12+ months when possible for long-term capital gains treatment. Swap high-fee funds for low-cost equivalents.

The average actively managed fund underperforms its index benchmark by 1.1% per year after fees – before taxes (S&P SPIVA report)



## 20

DISCIPLINE

### NO LONG-TERM FRAMEWORK OR REVIEW PROCESS

*"I'll review my portfolio when something feels wrong."*

#### THE TRUTH

Without a structured review process, allocation drift goes unnoticed, contribution rates go unchanged, and behavioral mistakes repeat without correction. **The investor who "checks in when something feels wrong" is always reactive – and always late.** Feeling is not a system.

#### THE FIX

**Quarterly review cadence:** check contribution rate, allocation vs target, any needed rebalancing within bands ( $\pm 5\%$ ), and review trading journal patterns. Annual review: assess overall strategy alignment with goals, time horizon, and risk tolerance changes.

Investors who rebalance quarterly capture 0.4% more annual return through disciplined mean-reversion vs those who never rebalance





## PRINT THIS. POST IT. RUN IT BEFORE EVERY SESSION.

This checklist is not a one-time read. It's a **pre-trade ritual**. The difference between the traders who improve and the ones who plateau is simple: the improvers have a process they return to. **Every session. Every trade. No exceptions.**



### PRE-SESSION PSYCHOLOGY CHECK

- Am I trading from a **clear, rested state** — or from stress, frustration, or boredom?
- Did I have a **losing session yesterday**? Am I still emotionally carrying it?
- Have I **reviewed my journal** from the last week to identify any repeating patterns?
- Is there anything in my **personal life** right now that could impair my decision-making?
- Do I have a **hard stop rule** for today? (e.g., if I'm down 2% on the session, I stop trading)



### PRE-TRADE CHECKLIST

- Is this setup on my **pre-built watchlist** — or am I reacting to a headline or tip?
- Have I defined my **entry, target, and stop-loss** before touching the order button?
- Is the **risk/reward at least 1:3**? If not, skip this trade.
- Is my **position size** calculated so a full stop hit equals max 1–2% of my account?
- Is the **broad market** supportive? (SPY/QQQ trend, VIX level)
- Have I checked the **earnings calendar** — no binary events within my trade's timeframe?
- Can I **clearly articulate why** I'm taking this trade in one sentence?



## IN-TRADE MANAGEMENT

- Is my **stop-loss set and entered** in the platform immediately after entry?
- Am I **not watching every tick?** My timeframe for review matches my trade timeframe.
- If the trade goes against me: am I **honoring the stop** — not moving it wider?
- If I'm up 5-7%: have I **moved stop to breakeven?**
- Am I scaling out at **pre-defined targets** (not emotional ones)?



## POST-TRADE JOURNAL ENTRY

- Did I **follow my plan?** If not, what specifically caused the deviation?
- What was my **emotional state** at entry, during, and at exit?
- Was this a **good process trade** regardless of outcome? (Good process + bad outcome ≠ bad trade)
- What is the **one thing I would do differently?**
- Have I recorded the **setup type, indicators used, timeframe, and result** for pattern analysis?

## ✗ HOW LOSING TRADERS OPERATE

- X React to headlines and tips impulsively
- X Enter without defined stop or target
- X **Hold losers. Cut winners short.**
- X Move stops wider under pressure
- X Revenge trade after a loss
- X Oversize positions when confident
- X No journal — no feedback loop
- X Ignore costs, taxes, and drift

## ✓ HOW WINNING TRADERS OPERATE

- ✓ Act only on pre-built watchlist plans
- ✓ Know entry, target, stop before entering
- ✓ **Cut losers fast. Let winners run.**
- ✓ Stops only move in their favor
- ✓ Walk away after a stop hit. Reset.
- ✓ Same position size every trade — always
- ✓ Journal every trade, review weekly
- ✓ Optimize for after-tax, after-cost returns

*"The market is a device for transferring money from the impatient to the patient. Every mistake on this list is a form of impatience — with the setup, with the loss, with the process, with yourself."*

— ChartWork Framework · Biddles Group (adapted from Warren Buffett)

INVESTOR IQ SERIES — VOLUME 04

# AWARENESS IS THE FIRST EDGE

You can't fix what you can't see. Every mistake in this guide is fixable — but only once you recognize it in yourself. **Print this checklist. Run the pre-trade ritual. Journal every trade.** The traders who consistently build wealth aren't smarter. They're more disciplined.

20 MISTAKES

RESEARCH-BACKED

PSYCHOLOGY DEPTH

MASTER CHECKLIST

PRINTABLE PDF

**BIDDLES GROUP · CHARTWORK**

Building Wealth. Securing Futures. · [biddlesgroup.com](https://biddlesgroup.com) · © 2025 Biddles Group

Research sources: Kahneman & Tversky — Prospect Theory (1979) · Odean, T. — Are Investors Reluctant to Realize Losses? (1998) · Barber & Odean — Trading Is Hazardous to Your Wealth (2000) · Morningstar Mind the Gap (2024) · NYU Stern / NBER retail investor study · CME Group disposition effect research · Investing.com 25,000-account analysis (2025) · PMC Behavioral Finance Meta-Analysis (2025)

© Biddles Group | ChartWork Division — Educational content only. Not financial advice.