

The Addicted Day Trader

When we think of addictions we usually think of alcohol, drugs or gambling. We don't normally think about people who are addicted to risk, adrenaline and money. The truth of the matter is that more and more day traders are becoming addicted to daily trading on the stock market in pursuit of the adrenaline rush they feel when they take big trading risks. Many of these people quickly find themselves addicted.

There are many people with addictive personalities and the majority of addicted day traders fall into this category. This type of personality puts them at risk for becoming emotionally and psychologically, in some cases even physically, addicted to certain things that have a certain level of risk associated with them. An addictive personality is defined, as a person who has a compulsion to behave in a manner that is detrimental to their best interest. In most cases this addiction not only affects them personally, but those people around them such as their family and friends. These addictions don't have to be related to chemicals such as drugs and alcohol, but they can be addicted to their work and risk taking as well.

The addiction of the day trader was discussed in a story by CNN in July 1999. If you remember, this was a time when the Internet was very much a focus in society as more and more users were finding out the various opportunities that were available on the web. One of those

opportunities was day trading online. The Internet made it convenient and accessible anywhere you had access to a computer. Many day traders were soon finding financial adventures and high risk taking was available on the web and so the addiction began.



The act of day trading can very much be an action packed, adrenaline rush event. You have the opportunity to make a lot of money or lose a lot of money and the prospects of both really get the adrenaline pumping for addicted individuals. Day traders with addictive personalities were quickly finding themselves hooked on day trading. In fact, gambling addiction hotlines were receiving more calls from addicted day traders than casino or sports gamblers. Agencies also began offering counseling services to these individuals and equated their compulsive trading to that of a compulsive gambler.

The main problem was that many traders found the Internet access to trading so convenient that they could do it without even really understanding what they were doing. This is still a common problem today. Traders are finding that these

individuals are not able to detach themselves emotionally from trading. They become highly addicted to the Internet, they make bad or mediocre trades just for the “fix” of daily trading. Their day just isn’t complete without making their daily trade. They become addicted to the risks and adrenaline rushes of day trading and they have to get it on a daily basis. This leads many traders into spending more money than they have just so they can get that daily trading “fix.” According to psychologist Marvin Steinberg, director of the Connecticut Council on Problem Gambling states that the stock market “gives gamblers the quick fix and constant action they crave.”

This leads to a wide range of problems for both the trader and their family. Several firms reported to CNN that two-thirds of all day trades were losing their investments within one month. They also found that nine out of ten were going broke in as little as ninety days. This can be financially devastating for the trader and their family, especially when traders would begin to resort to spending savings, college funds and even home equity. They destroy their family’s financial future just so they can make trades on a daily basis. These are the signs of a true addiction.

This addiction to risk has affected many people. They find themselves sitting in their homes, watching CNBC, and staring at their computers. Some addicted traders have even admitted that they had dabbled in drugs but nothing

compares to the rush they feel when make trades on a daily basis. The adrenaline rushes cause extreme euphoria that causes them feel like they are on top of the world. Everything they make with their primary jobs, however, they tend to lose very quickly in the stock market.

There are two types of addicted traders. There is the problem trader and the compulsive trader. The problem trader will lose large sums of money but stop when the loss is too much or they are confronted by their spouse or family. The compulsive trader won’t stop there. The compulsive trader disregards the complaints by family members and continues looking for additional sources of income to keep their trading active. The Council on Compulsive Gambling of New Jersey states that approximately 10% of investors are problem traders, while 5% are compulsive traders. Both conditions are progressive and many people do not realize they have a problem until they are too late and in too deep.



When addicted day traders find themselves in too deep they are often ashamed of what they have

done to themselves and their family. Many realize that they have destroyed their lives and they begin to look for ways out of it. Many investors will eat their losses and file for bankruptcy. Others will begin to contemplate suicide. These investors feel that they have no money left, no family and suicide is the last play they have. It is a downhill road for these individuals.

Irresponsible trading and addictive personalities are the main causes for these addicted traders. They don't use the knowledge they may have learned from reading books or attending trading seminars. They don't use the money management skills that they have. In fact, many traders are financial geniuses with Master's degrees and Ph.D.s in finance. They have the knowledge to be successful day traders but they allow themselves to make bad decisions, poor choices and wager money beyond their means. The risk is greater and the adrenaline rush is higher. They find themselves too deep because they don't get a rush off of a \$1000 trade when they have already made \$10,000 trades. The more they wager irresponsibly the more they lose and the quicker they find themselves losing in the day trading profession. Thus, the life of the addicted trader begins and it is only a losing battle between them and the stock market.

