

Can Playing Poker Make You a Better Investor?

By Roger Balser

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The other day I turned on the television and there was Lon McEachern and Norman Chad from ESPN calling the World Series of Poker tournament live from Harrah's Resort & Casino in Las Vegas. As I watched the broadcast my mind began to wander (as it often does), and I began to think about how the game of poker is a great analogy for what I do in real life.

Now I've played a lot of poker in my life, and I can assure you that the game really has nothing to do with gambling. When I sit down at a table, my first objective is to identify who "gamblers" (or investors) are and who the "players" (or craftsmen) are. Once I've singled out the players I can determine a couple of important things:

I'm not going to waste my time trying to take money from them.

They've undoubtedly spotted me and, similarly, aren't going to waste time trying to take money from me.

Having identified the gamblers at the table, we players will spend our time focusing on taking the maximum amount of money from them. Now notice that I said the “maximum amount,” since it’s not the same as taking all their money, since you want to keep ‘em coming back.

So what does all this have to do with what I do for a living?

Well, as you may have deduced from my prior articles, I pride myself in being a player (or craftsman) in the art of point and figure charting. Point and figure charting is simply a systematic investment methodology that allows you to stack the odds in your favor. In poker, just as in investing, if you stack the odds in your favor, you will ultimately win more than you lose. But — and this is *absolutely the most important part* — you must never become emotional, or get so desperate that you “go for it all.”

You should always employ methodologies and be willing to lose with a smile. But you can *never* lose big and you must always know when to cut your losses. As a friend of mine said once, “Roger, there ain’t but one way to make money — slowly and methodically.” And that’s my advice to you, dear reader. You’ve got to earn your poker and investing money the same way, slowly and methodically.

You’ve got to use a methodical system that minimizes your losses. Both the player (craftsman) and gambler (investor) lose, that’s a well-known fact. The difference between the two is that the player *never loses big*. It’s okay to have losses, just not devastating ones. In poker, just as in investing, losses hurt you more than gains help you.

You must be willing to be a contrarian, which is formally defined as “a person who opposes or rejects popular opinion, especially in stock exchange dealing.” Similarly, in poker you have to go against the grain.

In poker some folks say “never show your cards if the guy doesn’t call your hand.” I don’t agree. In past games, if a guy folded without calling me and I was bluffing, I’d show him my cards. Why would I do that?

Because once I got into the guy’s head I would play with his emotions, and eventually I could control him and therefore influence the outcome.

I recall a game where a guy folded with an aces-over-jacks full house, and all I had was a pair of tens. I showed him my hand and he screamed, “I just can’t read this guy!” And I knew right then the game was over.

Point and figure charting can help you become one of the players at the grand table of investing because it’s an effective methodology that can be used to:

- Stack the odds in your favor.
- Determine when to get out of successful trades.
- Help you cut your losses on an unsuccessful trade.

In closing, always remember in the immortal words of Amarillo Slim, World Series of Poker champion and member of the Poker Hall of Fame, who expertly advises us to “Look around the table. If you don’t see a

sucker, get up and leave, because you're the sucker.”



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