

Boomers go back to school

By Michael Mackenzie

Originally published in The Financial Times, May 19, 2007

When it comes to investing and managing their retirement, babyboomers are deciding it is never too late to go back to school and learn to trade stocks.

Not that it is a protected environment. While training, they have the opportunity to lose real money.

At the Online Trading Academy professional traders take students through courses that last two to seven days and are set in a 20-seat trading room. All trades are live and the academy deploys small lots – typically blocks of 10 shares – to minimise losses.

A seven-day course that consists of 50 hours of instruction costs \$5,000.

The course takes students through a variety of trading styles, such as day trading, swing trading and position trading.

Donna Hartsoe, a “total novice” when she started in October 2005, says her new skills have let her take charge of her retirement accounts. She now regularly trades stocks online and it has become her main source of income.

“Before I took the course, I did not have a self-directed investment retirement account. I relied on mutual funds,” she says. Now she makes long-term investment choices in her IRA.

“No one looks out for you the way you do on your own,” Hartsoe says.

This sense of self-reliance and desire for independence from mutual funds and investment advisers is driving many babyboomers (people aged between 45 and 65) to enroll at the Online Trading Academy.

John O'Donnell, chief knowledge officer, says: “Boomers are a core demographic for us. A lot of them aspire to be self-directed and want to manage their own money and make independent financial decisions. At least 80 per cent of our students have existing brokerage accounts.”

Bob (who asked to be identified by first name only) is an OTA student and former commercial real estate broker in his mid-50s who lives in California. “The average American’s plan is ‘I’m in a long-term buy and hold mode and at 65 I’ll see what’s there,’” he says.

For Bob, online trading offered an alternative to relying on someone else. “I’m semi-retired and at a point where I can either go find some money managers I feel comfortable with, or take two or

three years to focus on this. Everything I learn each day is applicable to the long term."

Online stock trading went severely out of fashion after the market bust of 2000. Many traders who had busily bought and sold technology stocks discovered they had merely been following the market upwards and lost money.

The Online Trading Academy, founded in 1997 as the first online trading boom was gathering steam, avoids the "get-rich-quick" mentality that characterised that era. It now emphasises capital preservation and risk management.

Its students, who should be better prepared than those who took to trading in cyberspace a decade ago, find the emphasis on risk management appealing.

Kerry Chapman first took a course with the Online Trading Academy in September 2005. An airline pilot for 23 years, he decided to learn about stock trading because he was uncertain about the outlook for airline pensions. He was impressed with the instructors.

"I thought there might be value in learning a craft from people with a solid background," he says.

Hartsoe says the courses she took stressed risk control when trading stocks online. "I learnt that it's important to minimise risk and maximise reward. There is a learning curve. I have good days and bad days. But my equity curve is going up," she says.

Students say the amount of information dispensed by instructors makes the courses feel like boot camp.

The Online Trading Academy offers several "passport" programmes, in which students take as many classes as they like for a set fee. They can come back and review classes and get a 25 per cent discount with affiliated brokers.

Gordon Peldo, a retiree based in Lake Forest, southern California, has taken the seven-day course three times. He subsequently joined the Online Trading Academy's mentoring programme.

When a mentored student attends a masterclass online, the mentor's desktop is beamed on to the computer. "The mentor will take you through a trade in real time and explain what he did right or what he did wrong," Peldo says.

Students are told to watch but not follow the mentor because the emphasis is on teaching trading skills. "Because the instructors are traders, it's not just theory," Peldo says. "And that's been a real benefit for me."

He uses his stock trading to supplement his monthly income and retains other long-term

investments.

As for Hartsoe, she joined the mentor programme in January 2006 and spent six months following trades before she felt ready to start trading on her own in July.

“I’m a visual type of person and I wanted to see someone trade. [The mentor] talks to you while he trades, goes from big picture to technicals. It’s like I am sitting there looking over his shoulder.”