

Chip away slowly

PLAYING against Tiger Woods after a weekend golf lesson is how currency trader Travis McKenzie likens those get-rich-quick seminars on trading foreign exchange.

He should know. Hoping to make some easy money he tried several over five years and did his dough.

In fact, he's set up his own education company, Trade With Precision, where "I'm telling people it looks the easiest thing in the world to quit your job, come to a trading seminar for the weekend and you'll be a millionaire tomorrow. It's the furthest thing from the truth."

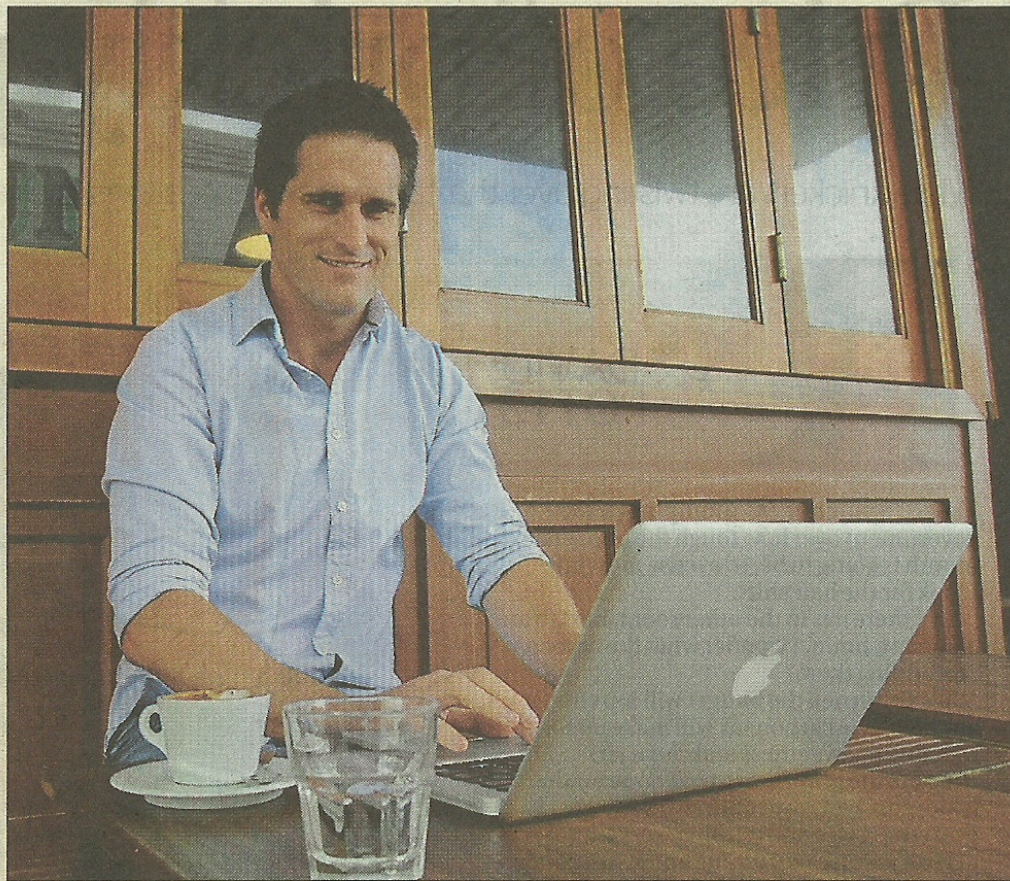
By his account, these courses do teach the fundamentals of foreign-exchange trading but there's no back-up once they set you loose.

Travis, formerly a lawyer who switched to trading when he noticed nobody in the *BRW* rich list was one, says "after listening to them you risk too much and use too highly leverage products".

But "the biggest thing I found was they didn't have any ongoing mentoring. You'd go to a weekend course and learn all this stuff and they'd throw you in. Even Tiger Woods still has a coach. So we mentor for four to 12 months. You're out there trading against professionals all day every day and you're kidding yourself if you think you're going to do it by just messing around for five minutes a night."

As it turned out, Travis discovered frequent trading is a mistake.

"Most people are trading way outside their limits of what they should be. I try to find a couple of good opportunities a week. You should risk no more than 1 per cent of your account on a trade and aim for at least a 1 per



Mentoring role ... Travis McKenzie found getting rich fast was not so easy. Photo: Anthony Johnson

cent return. That's a risk-reward ratio of one-for-one. Most people think if you do that, you'll never get rich. But you will. You get rich slowly.

"If you do one trade a week and have four weeks off with a 1 per cent return, that works out at 61 per cent after compounding. Most won't do that, of course, but it shows you don't have to over-trade."

Travis trades any market where he can find a trend but says currencies are the toughest.

"There are a lot of big players and you're also up against central banks. It's open 24 hours so

people get glued to it." He trades contracts for difference (CFDs) for currencies but recommends the "micro lots" that City Index provides. These are trades based on a \$1000 contract instead of the usual \$10,000 so "every pip in the dollar has 10¢ at risk instead of \$1".

"It's a fantastic way to get used to the market and trade safely. That way, you get used to trading a leverage product."

Currency CFDs require only a 1 per cent deposit. The rest is a margin loan.

Best bang for bucks

THE dollar might have zoomed past parity but don't think you'll do as well if you buy some US dollars.

The figure on the nightly news is the mid-point of the wholesale buy and sell quotes, which is a far cry from the retail sell rate you'll be offered. It wasn't until the dollar reached \$US1.03 that any banks were offering parity.

Consistently, the most generous is Suncorp, though good luck finding a branch.

The banks charge about \$10 commission for a \$1000 transaction. Currency kiosks don't charge a commission but the exchange rate might not be as good as some banks offer.

And never buy foreign currency at the airport unless you want to be ripped off.

But do you need cash, anyway?

Traveller's cheques are too 20th century and fewer retailers take them. However, there's a sort of digital version of them: the cash or travel card available from banks or Travelex.

It's a prepaid debit card, with a Visa or MasterCard badge, loaded in a foreign currency that can be topped up from your bank account using Bpay. It costs only about \$10 to buy one and there's a subsequent fee of about 1 per cent for each top-up.

Every time you load it using Bpay, you're locking in the exchange rate. There's a small fee at the other end if you don't use up the balance and want to get back to Aussie dollars.

The catch is that you're in the clutches of whomever you bought it from. The issuer controls the exchange rate for any future reloadings, so you can't shop around for the best rate. It can be cashed in at an ATM at your destination but its owner will charge you a fee, as will your issuer. Or you could just use your credit card and hang the exchange rate. It seems to be going up, anyway.