The Worst Investor You Know Is Ordinary

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> I have traded stocks and options for years and lost money at it more than once. I thought that made me unusually bad. Then I read the studies, and they say my kind of loss is common, which was harder to hear. This essay is about what the record says about people like me, why we are slow to learn, and the test I would use before trusting my own trades. It is my experience and the published evidence. It is not advice for your situation, and I am not a financial adviser.

Words worth knowing

The words this essay leans on, each explained twice: first in plain English, then in one line for the expert.

index fund

A fund that buys every stock on a list instead of trying to pick the good ones.

> FOR THE EXPERT a fund tracking a rules-based index; "index" alone does not mean broad, cheap or unleveraged.

active trading

Buying and selling often to try to do better than just holding.

> FOR THE EXPERT high-turnover trading by individuals; not Sharpe's "active", which covers any departure from holding the whole market.

base rate

How often something happens to people in general, before you know anything special about yourself. If most kids who try the trick fall off the skateboard, you start by assuming you will too.

> FOR THE EXPERT the prior probability in the reference class.

noise

Results that bounce around for no reason you can use. A coin that lands heads three times in a row has told you almost nothing about the coin.

> FOR THE EXPERT variance of returns; the more of it, the more independent observations a real edge needs.

survivorship bias

Judging by the winners because the losers are no longer around to count. If you only ask the kids who made the team, tryouts sound easy.

> FOR THE EXPERT a selection effect from leaving out closed funds and traders who quit.

akrasia

Doing the thing you already decided not to do. You say "no more cake" and then watch your own hand cut a slice.

> FOR THE EXPERT Aristotle's term for acting against one's own judgment under the pull of feeling.

options

A bet on where a stock's price will be by a certain date. If you are wrong by that date, the whole bet can end up worth nothing.

> FOR THE EXPERT the right to buy or sell at a set price before expiry; weekly options expire within days.

bid-ask spread

The gap between the price you can buy at and the price you can sell at, right now. Buy a trading card for ten and the shop will only buy it back for nine.

> FOR THE EXPERT a round-trip trading cost.

leverage

Betting with borrowed money, so wins and losses both come out bigger than what you put in.

> FOR THE EXPERT exposure greater than equity, through margin, futures or options.

percentage points

The plain gap between two percentages. From 10 percent to 15 percent is five points.

> FOR THE EXPERT an absolute difference in rates.

dividends

Money a company pays its owners out of what it earns. A stock index quoted by price alone leaves this out.

> FOR THE EXPERT price return excludes it; total return reinvests it.

The admission

If you look at my numbers and at how slowly I learn from my mistakes, I am probably the worst investor you've ever met.

I am not printing the numbers, because their size would teach you nothing their direction does not. I have said in earlier essays that most of what I lost came from two ideas I was sure of, and that a plain rules-based engine beat my record and still did not beat an index fund.

In Plato's *Apology*, Socrates questions a politician with a reputation for wisdom and walks away with this: "I am better off than he is, for he knows nothing, and thinks that he knows. I neither know nor think that I know." I am not Socrates in this story. For years I was the politician: I knew nothing about my own odds and thought I knew. All I can claim now is the small thing he claims, which is to have stopped thinking so.

What the studies say about people like me

"Worst" is a claim about other people, so I went and looked.

Brad Barber and Terrance Odean followed 66,465 households at one large US discount broker from 1991 to 1996. The market returned 17.9 percent a year. The average household earned 16.4 after costs. The households that traded most earned 11.4. It is one broker in a rising market, before trading was free.

The faster the trading, the worse the picture. In Taiwan, researchers had every day trader's record from 1992 to 2006. About 360,000 people day traded in an average year. In a typical year about one in seven made money after fees; fewer than one in a hundred did it predictably. In Brazil, among the people who started day trading index futures between 2013 and 2015 and persisted for at least 300 days, a small minority of those who began, 97 percent lost money and 0.4 percent earned more than a bank teller. That one is a working paper, not yet checked by other experts for a journal, and it is about futures. A study of US options trading found that retail investors prefer cheap weekly options with an average bid-ask spread of 12.6 percent, and lose money on average.

Some people can do this. In the Taiwan data the skill was real and it lasted, in fewer than one trader in a hundred, and from outside they are hard to tell from the lucky.

So the base rate for what I was doing is losing. I cannot show you where I rank, because I am not printing my numbers, and a study of other people cannot tell me. What the studies show is that my kind of loss is common, and calling myself the worst was one more way of being special.

That base rate is for day trading and short-dated options. The average household in the first study ended close to the market, a little behind. The evidence here is against active trading, and it says much less about someone who buys a few shares and leaves them alone.

Why trying hard does not help

The feedback lies. Robin Hogarth and two co-authors separate kind learning environments, where feedback is "both accurate and plentiful," from wicked ones, where it is "poor, misleading, or even missing." Their paper is not about trading, though one of its examples is investors judging funds by the ones that survived; applying it to a trader's own results is my inference. A single trade's result is mostly noise. A bad decision often gets paid, and the result shows up fast enough to feel like a lesson.

Confidence grows at the wrong time. Simon Gervais and Terrance Odean built a model of a trader who judges his own ability from his results and "takes too much credit for his successes." In it, overconfidence rises in the early part of a career and only later comes back down. It is a model, not a measurement.

We sell the wrong ones. In 10,000 brokerage accounts, Odean found investors realized 14.8 percent of the gains they could have taken and 9.8 percent of the losses. The winners they sold went on to beat the losers they kept by 3.4 percentage points over the next year. I have done exactly this.

Losing makes the get-even bet attractive. In small laboratory bets, Richard Thaler and Eric Johnson found that losses mostly make people more careful, except when a bet offers a chance to break even, which becomes especially attractive.

A lot of the learning is quitting. A study of Finnish investors over nine years found two kinds of learning: some get better, and others "stop trading after realizing that their ability is poor." A substantial part of the learning was the second kind. If you stopped, that study counts it as learning. So do I. A later study of the same Taiwan data found that 74 percent of day trading volume came from traders with a history of losses.

The screen helps. A study of one app-based broker's users found they did more attention-driven trading than other retail investors, and that the stocks they piled into each day went on to lag by an average of 4.7 percent over the next 20 days. The authors say the app's own features may be part of the reason. That is their reading of their data.

Some of my mistakes I could not have learned from, because the lesson was not in the result. Others I recognized while I was making them. Aristotle's word for that is akrasia, and he compares such a person to an actor reciting lines, able to say the words of knowledge without having it. I could recite "cut your losers" the whole time I was holding mine. I claim akrasia only for the mistakes I recognized at the time. Some of the rest was noise. Some was plain ignorance of the base rates in this essay, most of which were in print before I placed a trade.

What the professionals manage

In 1991 William Sharpe made a point that needs no data. Before costs, the average actively managed dollar earns what the average passively managed dollar earns, because together they are the whole market. After costs, it earns less. That is about the average dollar, and it does not say every active investor loses.

Eugene Fama and Kenneth French tested it on US stock funds in 2010. Taken together, the funds looked like the market, with costs taken out. By their simulations, few funds beat the market by enough to pay for themselves. They did find signs of real skill, and of the opposite, at the far ends, before costs.

S&P publishes a scorecard on whether winning funds keep winning. Of 164 large-company funds in the top quarter at the end of 2021, none stayed there every year through 2025. In fairness, over a shorter window about half of the top-half funds stayed there two more years, roughly double chance. And S&P sells indexes, so it has a side.

The boring default, and its holes

My conclusion: for money a person will not need for many years, a broad index fund with low costs and no leverage is the default the evidence supports. I mean the category, and I am naming no product. Cost is part of the case.

It has real holes, and it can lose money for a long time. Ten companies made up 37.6 percent of the S&P 500 at the end of July 2026. S&P's own researchers, writing about mid-2025 when the figure was almost 40 percent, said the index had not been that top-heavy since the mid-1960s, and that from 1965 to 1975 it returned 1.17 percent a year before dividends.

Flat stretches can be long. Someone who bought the S&P 500 at its 2000 peak saw the price get back to that level in 2007, fall by more than half, and not stay above it until 2013. Japan's Nikkei index did not close above its 1989 high until February 2024. Those are prices only. With dividends put back in the waits were shorter: by secondary accounts I could not check against the index data, about eleven or twelve years for the S&P 500 and about thirty-one for Japanese stocks. Inflation lengthens the American wait again.

FINRA's investor page says time does not make stocks safe: "stocks are always risky investments, even over the long-term. They don't get safer the longer you hold them."

Behavior still matters. Morningstar found that over the ten years through 2025, the average dollar in US funds earned 8.7 percent a year while the funds themselves returned 9.9. Index funds had a gap too, 10.3 against 11.4. The authors warn that this is no parable of dumb money, and that regular saving opens some of the gap. An index fund removes the stock-picking mistake and leaves the timing mistake.

The regulators' own basics say some money does not belong in stocks: emergency savings, and anything you might have to sell in a downturn.

Confident is the wrong test

My first version of the advice was "learn more, and until you're truly confident, use index funds." That runs straight into Gervais and Odean's model. I have dropped it. If that model is right, confidence rises fastest after early wins, in the people with the shortest records. Told to wait for confidence, I would have found it after one good month.

The test I would put in its place is a record. Before each trade, write down what you are buying, why, the odds you give it, what would prove you wrong and when you will check. Score it afterwards against what an index fund did over the same stretch, after costs. Set the bar the record has to clear before you start, so you cannot move it later. The bar I mean is two numbers written down before the first trade: how many trades, and how far ahead of the index fund.

The arithmetic is my own, done with the ordinary textbook test for telling a real effect from chance, and a reviewer has recomputed it. Say you truly beat the index by five points a year on average, and your yearly result against the index bounces around by about fifteen points from year to year. It takes about 35 years of that record to have even a coin-flip's chance of telling it apart from luck, by the usual standard: a result chance alone would produce less than one time in twenty, counting flukes in either direction, with each year independent of the last. To have four chances in five takes about 71 years. At two points a year the two figures are about 216 and 441.

For someone who buys a few stocks a year, this test cannot be passed in a lifetime, and I would sooner say that than pretend otherwise.

Counting trades is faster. If you really win 55 percent of the time, about 384 independent trades give you an even chance of showing you are not flipping a coin, and about 780 give you four chances in five. At 60 percent the figures are about 96 and about 190. A pure coin-flipper wins 60 or more out of 100 about 2.8 percent of the time. Put a thousand coin-flippers in a forum and about 28 of them have that record. Those are the records that get posted. The forum never hears from the other 972, which is survivorship bias.

Three cautions. Trades on the same idea in the same week are not independent, so the real count is smaller. Win rate is not profit, since many small wins and one large loss is a losing record. And passing once does not prove the edge will last.

I found no study showing that keeping a trading journal improves results. The case for it is my inference: it makes the feedback honest.

Most people who run this will find it takes years and that their record does not pass. Mine would not.

What you pay

The one investing tool on my site is my free fee calculator, at knownquantityllc.com/for-good/fund-fees. You type in a balance, yearly additions, a number of years, an assumed return and your fund's yearly fee (its expense ratio), and it shows what those fees add up to next to a low-cost index fund. Nothing you type is sent anywhere or saved. It compares costs. It does not tell you which fund will earn more.

When it stops being investing

For some people, short-term trading starts to behave like gambling. One study of 795 Americans who both gambled and invested found that the more often they said they traded, the higher they scored on a problem gambling scale. It shows overlap. It does not show cause, and the research is thin. I am not diagnosing anyone.

If it has stopped feeling like a choice, or you keep going back to get even and it keeps getting worse, there are people who will talk to you about it. In the US, the National Council on Problem Gambling's helpline is 1-800-MY-RESET (1-800-697-3738), by call or text, at any hour, or by online chat. It is confidential, and they do not ask for payment or insurance. The helpline page I read talks about gambling and does not mention trading. If you are not sure it fits, you can ask them. It is not a crisis line. In a crisis, call 911 or 988.

The objections

"Worst investor" is a humblebrag. Yes, partly, and the evidence says the superlative is false. The harder version: whoever can write an essay about losing money was not ruined by it. The people it went worst for are not writing essays. That I could absorb my losses is luck and circumstance. I can drop the superlative. I cannot drop that.

Telling people to index is advice from a man with a bad record. If my judgment about markets is this poor, you have no reason to trust it about index funds, and you do not have to. The case rests on Sharpe, Fama and French, and S&P's scorecard, all of which can be checked without me. I also have a motive, which is to feel wise about my losses. And I still trade, which makes this weaker than "do as I do."

Indexing is a bet on the last forty years of US markets. Mostly conceded. The evidence is largely American, and the concentration and flat periods above are the cost. What survives a bad decade is the comparison, as long as picking costs more than holding: the average active dollar still ends up behind the average passive dollar. The promise of a good return does not survive, and I am not making it. The US market is also a survivor, the winner among many countries' markets over the last century, and judging by the winner is the mistake this essay is about.

This could shame people who lost money. It could, and that reader is who this is for. For fast trading, losing is the base rate. It comes from feedback that misleads, and being smart or motivated exempts no one. I knew better and did it anyway.

What someone can do

If you have nothing to invest right now, none of this is a reason to feel behind. The evidence here says most people who made fast trades lost money at it. Not being able to play that game cost you nothing.

None of this is an instruction to buy or sell anything.

1. Know what you pay. A fund's yearly fee, its expense ratio, is in its prospectus.
2. Write your prediction down before you act, with the odds you give it.
3. Set the bar for your record on a day when you have no position open.
4. If you trade anyway, decide in advance, in writing, the most you would ever put at risk. No regulator gives a percentage and I am not giving one. The SEC's wording is that day traders "should only risk money they can afford to lose"; FINRA's is that "you should never fund this type of trading with essential assets." A cap makes the loss smaller. It does not make a win more likely.
5. Do the basics first. A joint bulletin from the SEC, FINRA and other regulators says to "set a savings goal, such as 3-6 months of living expenses."

I am still not good at this. What has changed is that I no longer think I am.

Sources and a note on method

How individuals do: Barber and Odean, "Trading Is Hazardous to Your Wealth," *Journal of Finance* (2000). Barber, Lee, Liu and Odean, "The Cross-Section of Speculator Skill" (2014), read as the 2011 working paper. Chague, De-Losso and Giovannetti, "Day Trading for a Living?" (working paper, 2020); an earlier version gives slightly different figures. Bryzgalova, Pavlova and Sikorskaya, on retail options trading (2023).

Why people do not learn: Hogarth, Lejarraga and Soyer, "The Two Settings of Kind and Wicked Learning Environments" (2015). Gervais and Odean, "Learning to Be Overconfident" (2001). Odean, "Are Investors Reluctant to Realize Their Losses?", *Journal of Finance* (1998). Thaler and Johnson, "Gambling with the House Money and Trying to Break Even" (1990). Seru, Shumway and Stoffman, "Learning by Trading" (2010). Barber, Lee, Liu, Odean and Zhang, "Learning, Fast or Slow" (2020). Barber, Huang, Odean and Schwarz, "Attention-Induced Trading and Returns: Evidence from Robinhood Users" (2022), which is about how users traded and makes no finding against the firm.

Professionals and the index: Sharpe, "The Arithmetic of Active Management" (1991). Fama and French, "Luck versus Skill in the Cross-Section of Mutual Fund Returns" (2010). S&P Dow Jones Indices, SPIVA Persistence Scorecard, year-end 2025. Morningstar, "Mind the Gap 2026." S&P 500 factsheet of July 31, 2026, read on a third-party copy. Edwards and Didio, "In the Shadows of Giants," S&P Dow Jones Indices (2026). The S&P 500 and Nikkei dates, with and without dividends, are from secondary pages, not index data.

S&P's main scorecard would not open on the day of writing, so its long-run figures are not here. Its landing page did open, and these two figures are from that page only: 67 percent of active large-company US stock funds underperformed the S&P 500 in the first half of 2026, and 79 percent over full-year 2025. My fee calculator page shows that scorecard's table as read on November 13, 2026.

Gambling and help: Mosenhauer, Newall and Walasek, "The stock market as a casino," *Journal of Behavioral Addictions* (2021), and the National Council on Problem Gambling's helpline page. Regulators: the SEC's "Day Trading: Your Dollars at Risk" (2005), FINRA's pages on risk and on frequent intraday trading (June 2026), and the joint "Investor Resilience" bulletin (October 2022).

Philosophy: Plato, *Apology* 21d, in Jowett's translation, as punctuated in the MIT copy. Aristotle is from Richard Kraut's "Aristotle's Ethics" in the *Stanford Encyclopedia of Philosophy*, not from his own text.

I opened in full the papers given with a journal name, the Taiwan working paper, Hogarth, Sharpe, the Morningstar and S&P reports and the regulators' pages. Every other paper I read in abstract only.

Disclosure: I still trade stocks and options, and I hold or may hold funds and stocks of the kinds discussed here. I am a customer of the broker whose users one cited study examined. Nothing in this essay is a recommendation to buy or sell anything.

I used AI to research and draft this, under my direction, with a standing instruction to tell me where I was wrong before telling me where I was right. The first draft then went to a second pass by the same AI, started fresh and told to read as a finance academic, a securities lawyer and someone who lost money trading. It reopened the sources itself. It found that my own arithmetic was computed correctly and described wrongly: the record lengths I gave were the point where real skill has only an even chance of showing, not the point where it shows. It found two statements that claimed more than their sources (one about a theory having no data behind it, one about what regulators had not found), about ten places where a number was right and the sentence around it was loose, and several lines that talked down to the reader this essay is for. Those are corrected here. It could not open S&P's main scorecard either, so that number is still not reprinted. The reviewer is not independent of the writer in any strict sense; what it had was a clean start and the sources.