

9-Step Guide for Choosing a Forex Broker

If you're new to Forex trading your first and most important goal is choosing a Forex broker to work with. And the 3 most basic characteristics you should check out first are: reputation, experience and track record. Obviously, there are also other important qualities, and we'll get to those in a minute, but everything else depends on that 3-part foundation.

Finding a Forex Broker

The safest approach to choosing a Forex broker is to contact the authority or agency that licenses brokers in your area. (And an extra little side tip - be especially careful when checking the background of any broker who approaches you with some dazzling, over-the-top offer, or who guarantees you're certain to have success and sure winnings.) Start cautiously... don't allow yourself to be rushed into decisions. That's how many beginners are taken advantage of: many scam artists specialize in preying on the inexperienced because they're so eager to get started that they often throw caution and common sense aside.

1. Check Their Reputation

The Forex trading world is a fairly tight community. Use that fact for your protection. After you've done your initial research, work up a shortlist of 3 brokers you consider strong candidates. Then begin your due diligence. Research them online. Ask around for word-of-mouth opinions. And definitely contact governing authorities to check for a pattern of complaints in their history. Ask other traders about the experiences they've had with the brokers you're considering. Ask friends and others with experience in Forex trading to recommend a reputable broker. Find out if they're easy to deal with by first contacting their customer service desk with ALL the questions you have. If their answers are slow (or sketchy), it's better to steer clear.

2. Check Their System of Safeguards

Don't go near a Forex broker who has few safeguards for protecting you as a customer. Find out the name and contact information for their regulatory body. What protection does that organization provide - and is it hard to shake it loose? Are the funds of clients shielded from possible fraud or bankruptcy?

3. Do They Offer a Free Trial Account?

A very common introductory inducement is a free trial trading account. Basically they're giving you "play money" to practice with. When choosing a Forex broker this trial account gives you an excellent opportunity to learn exactly how the system works and to see how you might profit or lose when you move on to using real money. Some brokers also offer training videos for beginners, or even send out an actual Forex broker to help you in person. The level of service the broker provides during your free trial is a good indicator of how you'll be treated once you sign up as a customer. You'll also learn how their system functions, meaning you'll already know your way around before your own money hits the table.

4. Check Out the Extras They Offer

Most of the reputable and trustworthy brokers offer pretty much the same kinds of tools for you to work with. Some processing fees are a bit higher, some a bit lower. Some offer free trading advice while others offer the simulated trading mentioned above with a practice bankroll of \$50,000 or so. Most reputable Forex brokers will also have basic lessons in online trading available. The training may come to you via email or by DVD. Also check to make sure they can provide customer service 24 hours a day.

5. How Secure Is Their Online Server?

One of the most crucial elements is security. Your Forex broker absolutely must provide a fully secure trading environment to keep your personal details private and the money you invest safe from theft.

6. Check for Hidden Charges

Are the Forex brokers you're investigating totally upfront regarding costs? It's a good idea to ask them specifically about hidden costs and also whether they offer special terms for more frequent trading. You have a right to expect - and receive - full transparency from your broker in all operations. When you're choosing a Forex broker, any questions about costs, returns or other information should be met with prompt, understandable and honest answers. If they waffle, drop them.

7. Compare Several Free Trial Offers

Actually using a number of different free trial offers is one of the best ways to compare the look and feel of each Forex broker's online trading platform. Is it a good fit? Is one of the interfaces more logical-seeming or more comfortable than the others? Check to see which you'd prefer using long-term. Some websites even offer charts comparing the features between larger brokers so you can instantly see which services are offered and how their operations differ.

8. Are They Far Away or Local?

Your safest choice is to choose a Forex broker in your local area. That way, you and your broker are both close to the authorities you'd be contacting for help if anything went wrong. Another factor is the currency your broker uses - is it the same as your local currency? An offshore broker would be denominating all transactions in their local currency, which could involve extra fees and affect your returns.

9. Is Their Trading Platform a Good Fit for You?

Another vitally important factor to consider when choosing your Forex broker is the trading platform they use. This includes the currency pairs offered and their typical spread (difference between bid price and asking price). Once you've opened and used practice accounts with a few brokers, you'll have enough experience to judge which platform is the best fit for you.

Remember, the broker you select is the person who will stand beside you in any success or failure you have. Don't opt for failure before you even begin by choosing a bad broker with a disreputable or dishonest record. Thoroughly research all the brokers on your shortlist and be sure to spend some time with their practice accounts. This ensures that, when choosing a Forex broker, you'll know how they operate before you ever spend a penny.

About the Author

Max Conner's FREE 15-Day Forex mini course is yours at <http://www.ForexTradingNewbie.com> - just a quick signup and you can quickly be up-to-speed and earning the profits you've always wanted

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