Chapter 4

IF I ONLY KNEW HOW TO BET . . .

SECRET: They manage their money to maximize their advantage.

WHAT IS MONEY MANAGEMENT?

In this day and age of usurious takeout, it’s more important than ever to manage your money effectively. Whole books have been written about money management, most notably Barry Meadows’s *Money Secrets at the Racetrack*, but it’s still a topic that most beginning handicappers know little about.

In order to take advantage of your edge and to maximize your value, you need to know what to do with your money. Some of the basic tenets of money management—like keeping sound accounting—seem so mundane, but good money management is more than just managing your money effectively, in strict accounting terms. It’s about building your bankroll, betting wisely, taking advantage of overlays and not betting underlays (isolating value), and maximizing your edge. It’s about managing your bankroll so it can grow. The more your bankroll grows, the more confidence you’ll have at the track. All of our serious bettors know that they’re in this game for the long haul and thus manage their bankroll accordingly.
As you’ll see in Chapter 6, winning and losing affect the mental aspect of your game—sometimes positively, often negatively—and that’s why it’s of paramount importance to have sound money-management skills, so that you don’t let short-term fluctuations of the game impact the way you spend your money at the racetrack. During losing streaks, you might have a tendency to press and double up your bets to try to get even. Don’t! This is a surefire way to go broke. Similarly, when people are winning, they have a tendency to get too aggressive and throw their money away—or, perhaps even worse, get too conservative and leave big money on the table. Sound money-management skills will help you stay focused on your bankroll and what you need to do to keep it growing, without risking too much or not enough.

Before we get into the nuts and bolts of money management, it’s important to discuss the distinction, if any, between the two fundamental elements of this game: handicapping (which, of course, is the actual process of picking contenders in any given race) and betting (using money to back up your convictions in a way that gives you the best chance to win and make money). The two certainly go hand in hand, but they’re not as clear-cut as one might think. Or are they?

THE GREAT DEBATE: HANDICAPPING VS. BETTING

There are two factors that go into playing the horses: handicapping and betting. Some would say that these two factors are the same thing and that you can’t be good at one without being good at the other—and they’d be right. And that’s because with the takeout, most everything comes down to value. And if you can’t select horses that offer
value, and then bet in such a way that you’re able to maximize that value, then you won’t be able to beat the takeout over the long haul. Therefore, both factors are not mutually exclusive.

But in order to understand the importance of this concept, you must first look at them as separate entities: the art of handicapping and selecting winners, and the art of betting and using your money to maximum advantage.

Thus, we presented this topic to our players, asking them which factor they viewed as more important: handicapping or betting. Surprisingly, the answers were varied, but each player stressed the proper implementation of the two as a deciding factor for winning at the races.

**Equal Parts Handicapping and Betting**

Several of our players emphasized the importance of being proficient at both. Barry Meadow wrote the preeminent book on money management and he views them as equal endeavors. So does Steven Crist. They both stated that if you can’t select winners, then it doesn’t matter how good a bettor you are. And if you can’t maximize your selections with creative bets, then you’re not going to be able to beat the takeout. It’s a fine line, but it also stresses the importance of integration in your game: There are many factors that make up a winning player, and it’s vital to incorporate certain elements of each into your overall play so that you can win.
Barry Meadow: “I think they’re both important. If you can’t handicap, you don’t have any way to assess whether you’re getting any good value or not. On the other hand, if you’re just trying to pick winners, that’s not going to work either. If a horse should be 6-1 and you’re taking 3-1, you’re not going to win. They’re both very important. There are many players that are good handicappers but will never win because they don’t understand betting. There are probably fewer players that are great bettors who are not good handicappers. They’re both important. If you can’t handicap, how are you going to come to an assessment of the race?”

Steven Crist: “You need to be good at both to succeed. A lousy handicapper, who bets on hopeless horses or takes the worst of prices, has no shot. A decent handicapper who makes idiotic bets won’t do much better. A ton of players consider themselves excellent handicappers and poor bettors or money managers, but I think they may be kidding themselves by rationalizing their losses this way. What does it mean to be an excellent handicapper if you then consistently lose money betting on your opinions? The truth is that only a small number of people are 20 percent better than the market in order to beat the takeout, and that just gets you even. It’s a tough, tough game to win.”

Our Las Vegas Gambler and Roxy Roxborough, who, as a former oddsmaker, might just understand the concept of value better than anyone, had similar takes.
Las Vegas Player: “You have to be a good handicapper and you have to know how to bet well; you have to do both. If you can’t handicap, it doesn’t matter how you bet, and if you can’t bet, that’s no good. You really have to know both.”

Roxy Roxborough: “It’s a well-balanced mix; it’s like a recipe. It’s hard to assess what’s more important since it’s a process that goes hand in hand. To me, handicapping and betting are equally important. I’m always thinking about price when I handicap. They’re one and the same.”

Paul Cornman saw the process as linear—starting with handicapping and leading into betting—but attached equal importance to both. His point is a good one: No matter which side of the debate you fall on, the first step in the process requires good handicapping. If you haven’t done the work and isolated the potential winners, then there’s just no way you can show up the next day and take advantage of your handicapping edge by betting smartly.

Paul Cornman: “You can go out and acquire good information now, which you were not able to do when I started doing this 30 years ago. I’ve always created my own information so I’m always looking at it as a handicapper who thinks his betting sucks. So I always say, ‘Gee, I wish I was a better bettor than handicapper,’ but if somebody doesn’t know how to handicap at all, I don’t think they know what they’re looking at to begin with. So you have to do the first one in order to be good at the second one.”
Len Friedman spoke about the relationship between the two in a way that stressed the connection to another aspect of being a winning player (and the subject of our previous chapter)—value.

*Len Friedman:* “There are some people I’ve seen who get results that are better than what their handicapping was—because they were very good about putting their plays together and are always insisting on value and not getting trapped into just liking the pattern on a horse that’s maybe 6-1 on the morning line and he goes off at 3-1 and you bet it anyway because you got locked into it. If he had been listed at 3-1 originally, you might have just passed the race altogether and not even thought about it. That’s a big problem for me. I get locked into approaches to a race based on the morning line and then I don’t adjust well to what the final odds are and I’ll play horses that may not even be overlays anymore. I need to be able to accept the situations where the horse I like wins and pays $7.80 and I didn’t get to cash. Because it really wasn’t supposed to be bet at 5-2.”

**More Handicapping**

Several of our pros explained a linear approach similar to Cornman’s, but eventually sided with handicapping as being slightly more important because without good horses you can’t make good bets. So if it starts with handicapping, it could also very well end with handicapping.

As Dave Cascuna notes, you need to know why a certain horse is good value at a certain price. The only way to do that is through solid handicapping.
Dave Cascuna: “You can’t have one without the other. For me, it’s pretty equal, but if you boil it down to the basic elements, you have to say that handicapping is more important because if you can’t handicap it’s hard to bet. You have to know what you’re betting on. You have to know why 3-1 is a good price or a bad price. I haven’t bumped into the guy that picks 100 percent winners, so you better know what value is, otherwise you could be a good handicapper and lose money. But if you don’t understand how to pick them, you could be a mathematician and not make money. So I think it’s important to know a lot about both.”

Ernie Dahlman was a lot stronger than most in his assessment, stressing the fact that if you can’t pick winners then you can’t win at the races—period!

Ernie Dahlman: “There’s no comparison. Handicapping is much more important than betting. I’ve read all kinds of stuff that says the opposite. But let’s take it to the absurdity: If you know who’s going to run one-two in every race, if you’re such a good handicapper you can pick them one-two-three, what do you have to know about betting? All you need to know is that there’s such a thing as an exacta or a trifecta. If you’re a great handicapper, you have everything going in your favor—you have to be an imbecile not to win if you’re a great handicapper.

“Most people think they’re great handicappers and bad bettors and that’s why they lose—where the reality is that people lose because they are bad handicappers. You let me sit next to a great handicapper every time, and you can go partners with a great bettor who doesn’t have a clue about handicapping. In order to know value, you have to
be a great handicapper anyway because you have to know what the horse’s real chances are of winning.”

Steve Davidowitz and Gerry Okennuff shared similar opinions.

*Steve Davidowitz:* “A truly great bettor—a creative bettor—probably does not have to be the best handicapper on the grounds, but he has to be a *great* bettor; he has to be able to combine betting situations in a purely mathematical, empirical way, in a way that’s better than everyone else.

“But the idea that betting is all there is is nonsense. Handicapping is still more important. If you don’t have a good handicapping opinion, it doesn’t make any difference how you bet—you need to combine these talents in a synaptic way that is instantaneous recognition. You need to know what bets are out there and learn how to manipulate your money.

“You need to have a feel for how to handicap, the accent is on having a good handicapping opinion, but you must know how to bet and the more knowledge of betting you have, the stronger your game will become.”

*Gerry Okennuff:* “If you don’t have live horses then you’re never going to cash. How would you judge if a horse was a bigger price than it should be if you weren’t able to handicap the race?”
More Betting

Some of our pros fell on the betting side of the debate, and that’s because they stress the concept of value and maximizing your bets to increase your bankroll. James Quinn explained the latter part of this very well:

*James Quinn:* “For a newcomer or a novice or for a losing player, it’s on the order of 80 percent handicapping proficiency, 20 percent betting and money management.

“When you get to a point where you have an edge on the game, it’s probably 40 percent/60 percent in favor of the betting. It’s important to manage your money to appreciate your bankroll over time. You need to maximize profits. Until you become a proficient player, you should just make flat bets. If you don’t know how to play, money management is less important. You need effective strategies when you’re proficient because that will mean the difference of how much money you’re going to make.”

The other point these players made was that they’ve seen a lot of really good handicappers go broke—and that’s because they didn’t understand how to manage their bankroll.

*Randy Gallo:* “Most people that go to the racetrack can handicap. I put more weight on money management; it’s got to be 80 percent of it, if not higher. There’s no question about it. I see a lot of guys with solid opinions that are always broke so obviously they don’t know how to bet.”
Jim Mazur: “To me that's 50-50 or, if anything, skewed a little bit toward betting. You can be a great handicapper and pick five winners in a day and still come home a loser if you don’t bet right. I have toyed with all sorts of different methods of wagering and I’ve found that your money management is a big part of the overall picture.”

MONEY MANAGEMENT IN ACTION

As discussed above, money management is a crucial concept to grasp if you’re going to win at the racetrack. “To put it real simply,” said Dave Cascuna, “you have to manage your money; you have to know there are nine more races tomorrow and there are 30 tracks running tomorrow.”

Not surprisingly, our pros had some strong thoughts when it came to the topic of money management. Most of them have the luxury of having deep pockets and large bankrolls, so going broke isn’t a big concern of theirs. But, like all of us, they had to build up their bankrolls some way, and thus, all were well aware of the importance of sound money-management skills.

Our Maryland Player talked about two general ways to manage your money. The first was the Kelly Criterion of money management, which, as explained on the Del Mar Thoroughbred Club website, states:

The Kelly Criterion is a money management and dutching system that is designed to maximize the growth of your bankroll over the long term. Put another way, it gives bettors a method of calculating the optimal amount to bet on a horse and the best way to take advantage of overlays and underlays . . . The Kelly system works by leveraging the odds . . . finding spots where there are overlays and betting a portion of your bankroll based on how much of an overlay it is. . . . With the Kelly
Criterion, you are always betting percentages of your bankroll so as your bankroll grows, so do your bets. Likewise, when your bankroll shrinks, your bets will shrink.

That’s one way to effectively manage your bankroll, and you can easily find out the real math behind the method if you do a quick search on-line. But if your personality isn’t structured enough or rigid enough to stick to Kelly’s principles, there are other, easy, more general ways to manage your bankroll, as Our Maryland Player explained:

_Maryland Player:_ There are two mechanisms for dealing with probability. You can do it technically, a Kelly style where your betting is subjected to rules about how much you’ll commit. The other doesn’t have to be that fancy. You say, ‘Okay, this is the bankroll; this is the amount of money I’m willing to lose this year on horse racing or on any activity. And this is my budget.’ And once you have a budget you decide how much you are willing to bet on any given opportunity.

“One of the beautiful things about Kelly is that your bet size fluctuates with your bankroll. There’s a connection between how much your bankroll is and how much you bet. If your bankroll goes down, your bet size goes down. It may not be linear because it’s always a function of the opportunity but that’s a standard discipline that people apply in most aspects of their life and they’re crazy for not doing the same thing at the racetrack.

“One of the most depressing sights I see at a racetrack is when you see people lined at those cash-card machines they put in at the racetrack. The rates on those things are highway robbery and you see people lined up ten deep. And that tells you that (1) not only are they playing a 17-20-25 percent takeout, but they’re also throwing away 8
percent to get cash on top of it, and (2) these are people who walked into the racetrack with no idea of what they were willing to lose. And that’s a classic model that you have no chance.

“I participate in a bulletin board of serious horseplayers who are casual bettors. They’re pretty smart people and they all clearly have a good idea of the amount they want to risk. They never explicitly say it but you can see from the thought processes that go into devising bets that they get it—and you’ve got to get it. They are wagering relatively small amounts of money and thinking carefully about constructing their bets. The targeted reader of this book is someone who goes to the racetrack recreationally, who’d like to be more serious but who isn’t at the bottom of the pyramid. People don’t like to do this because it sounds boring, like accounting. But you really do need sound, basic principles. You should keep records, have a budget, and stay within the parameters of that budget. It’s a discipline.”

Andrew Beyer has always been an astute student of the game, constantly in tune with the changing nature of the sport and how it affects the way he plays. Here are his thoughts on money management.

Andrew Beyer: “Thirty years ago, wise guys had an advantage, of knowledge and handicapping techniques. Nowadays there aren’t many secrets left in terms of handicapping. That makes it more important than ever to handle your money well. You look at the computer guys and the sophisticated methods that they’re using. But I think
for any player, a rational betting or money-management strategy is important. I don’t think it’s necessary to have a system but in a game this competitive, you can’t afford to sacrifice a few percentage points through irrational or compulsive betting. Handling your money right has always been important but today it’s more important than ever.”

Steven Crist talked about the value of unit plays when placing common exotic wagers, but stressed that the pick six is a completely different animal. A few of our other players emphasized the importance of setting aside a separate budget for pick-four and pick-six plays, since the risk-reward factor is much greater for those bets than for the more common types of wagers.

*Steven Crist:* “For most bets, units and percentage-of-bankroll are useful concepts, because you have to decide whether you’re making $5 or $100 exacta boxes. But with the pick six, the unit is always $2 and there’s a correct total to invest that has nothing to do with how you did last week. There’s not as much fluidity in bet-sizing. I put between $500 and $2,500 into pick-six carryovers because that’s the range where I’m comfortable and effective, and I’ve determined through years of experience and analysis that this is the proper range for the way I play. My decision of whether it’s closer to $500 or $2,500 on a given day is based on things like my confidence level in today’s card and the size of the pool, not my morning bank balance or whether I’ve been having a good or bad month. If I started making $192 or $10,000 plays as a result of recent performance, I would be making plays that I have already decided are bad plays.”
On the topic of risk-reward, Gerry Okenuff felt it was important to limit your losses, but not your winnings—and thus, he talked about making wagers where value was important: minimum outlay for maximum reward.

_Gerry Okenuff_: “I think it’s critical if you can set a limit on what you can lose. You should have a rock-solid limit on what you can lose. You should try not to limit what you can win—don’t be satisfied with an early profit and protect it. It’s a point of pride not to lose everything in your pocket. You don’t need money at the racetrack—you just need winners. A shrewd player can turn $50 into $100.

“I’m looking to make big scores with the least amount of capital outlay. In my view, there’s no need to expose yourself. If you can bet $5K a horse, then that’s good for you. You find your own comfort level.

“I think it’s important to have the discipline of keeping an accurate daily count.”

Our Las Vegas Player also stressed the importance of value—of crushing overlays and avoiding underlays. With the purpose of this game being to build your bankroll, it’s important to manage your money in such a way that you’re able to make the most of your opportunities. Some of our biggest players also talked about the importance of unit play and percentage-of-bankroll play, but stressed that it wasn’t the type of money-management approach for them.

The beauty of this game is that it’s different for everyone, so you need to find a money-management approach that works for you. The reason some of our pros don’t care about unit plays is because they have a never-ending cash flow and it’s more important
for them to isolate and crush opportunities than to limit what they can lose. For the casual player who is looking to get serious, however, it’s critical to have a sound money-management approach that is going to allow you to play this game for a long time, and build your bankroll systematically.

*Las Vegas Player:* “Money management is really making big bets on something you have really got the best of and making small bets on something you just have marginally the best of. That’s money management, not what other people think, which is bet X percent of your bankroll on each bet—that’s nonsense.

“You have to be able to distinguish the real good bets from the marginal bets and not be afraid. Betting $30K of your $100K bankroll, you don’t want to do that either but you certainly want to vary your bets because of how much the best of it you have. Each play is a different situation. Sometimes you might have 500 percent the best of it. Another time you might have 5 percent the best of it. Five percent is still a bet but you’re not going to bet as much.

“Unit play doesn’t really exist for me. But the parimutuel system doesn’t allow for bets where you have a huge percentage the best of it.”

Dave Cascuna and Randy Gallo reiterated the importance of value—of taking advantage of opportunities, but also of having the patience to wait for the right opportunities. It’s critical to take advantage of scenarios where you have edge, and all of our players have been able to recognize those opportunities and make the most of them.
Dave Cascuna: “A part of money management is knowing how much you want to invest in terms of any one opportunity, and knowing how that might affect you with other opportunities.

“Take a great real-estate deal. You might have one opportunity to buy a property that you have a pretty good idea will make money over the course of many years but it’ll mean tying up 75 percent of your income and there’ll be an opportunity cost because something else might come up but you won’t have the money to do it—maybe a great job in Tokyo, but you won’t have the money to cover your moving expenses.

“There are going to be opportunities tomorrow so you have to be careful about risking too large a percentage of your bankroll today. If there’s a great perceived edge, how do you allocate your bankroll?

“Over time you build up a bankroll and it’s good game theory not to risk too large a percentage of that bankroll.”

Randy Gallo: “You may not know what you’re going to play until you see prices. I’m saying you handicap the card at night and you write down what you like and you have in your mind how much you want to bet on these races if these horses are at a particular price. I don’t know if that’s the correct way of doing it, but that’s the way I do it.

“It all depends on how much you want to make, what your goal is. You need money management and you have to be methodical in what you’re doing. To me, that’s the name of the game.”
“I’ve heard philosophies where people say you should never bet more than a certain percentage of your bankroll, 5 percent or whatever it is, but I don’t want to get locked into something like that.

“But you do have to find where the value is and just stay methodical in what you’re doing because no matter how much you win or lose you have to have money management—that to me is 95 percent of the game. Because a lot of people get to the racetrack and they’re betting $20, $20, $20, and all of a sudden they hit a race for a thousand and they’re betting $500. How much you win or lose should have no bearing on what your plan of attack should be.”

Read the other 35 pages to this chapter and all of Six Secrets of Successful Bettors: Winning Insights into Playing the Horses – Order Online or call toll-free 1-800-306-FORM.