Bet Smart Win Big

The Art of Horse Race Betting
Acknowledgements

A special thanks to my wonderful wife and kids for their patience and support while I wrote this and in general for putting up with the time commitment and ups and downs of being a horseplayer.

A big thank you to Jeff Platt at JCapper.com for the data he provided. I’d also like to thank Alnis Briedas for his feedback and help while writing this book.

And of course to Robyn Cook for her great advice and help with the cover and layouts of both my books. It’s nice to hear that her talent is being recognized and her fame is rising as an artist catering to horse lovers everywhere, www.cookartstudio.com.
# TABLE OF CONTENTS

Introduction ........................................................................................................5  
Foundation .......................................................................................................6  
Win Betting ......................................................................................................7  

Multi-Race Exotic Bets  
Daily Double, Pick 3 ......................................................................................15  
Pick 4 ................................................................................................................19  

Intra-Race Exotic Bets ......................................................................................26  
Exacta Betting ..................................................................................................29  
Trifecta-Superfecta ..........................................................................................34  

Bet Sizing and Money Management ..............................................................40  
Maximizing Profits: Proper Bet Sizing ...........................................................43  
Flat Betting ......................................................................................................56  

Odds And Ends ...............................................................................................61  
Conclusion .......................................................................................................64
Introduction

Many people argue that how to wager is more important than picking winners. I agree and disagree. In the beginning learning to handicap and finding an edge is more important. You have to learn which races are good betting opportunities.

But once you become a proficient handicapper, it’s bet structure and money management that determine how much money you’ll win or lose.

The betting advice and strategies contained in this book are based on what I’ve learned from successful professionals. Some of their betting strategies are very different from what you’ll read in mainstream handicapping books. That gives them an edge over the betting public and allows them to make a comfortable living at a very difficult game.

Not only will you learn professional betting strategies, you’ll learn why they work and how to put them into practice using examples from the 2008 Breeders Cup.

I have every reason to believe that if you use the valuable betting strategies contained in this book your results will improve, even if you’ve been betting horses for the last 20 years.
The Foundation

I find it fascinating that the most successful professional horseplayers I learned from use strategies in direct contradiction to each other.

They either bet very few horses per race to maximize profits or they trade a lower return on investment for bigger profits by leveraging the mathematics of money management. The latter strategy is the most difficult for horseplayers to grasp because it’s counterintuitive so I’ll give a brief introduction here.

Proper money management dictates that the lower your win rate, the less money you can bet on each race. The higher your win rate, the more money you can safely bet each race. I'll get into why later.

So what some very successful horseplayers do is make a trade-off. They trade a lower return on investment (ROI) for a higher win rate. The higher win rate allows them to bet more aggressively which results in higher profits at the end of the year.

They don’t focus on maximizing their return on investment. They focus on maximizing the amount of money they can win by taking the most money out of the betting pools that they can.

In this book you’ll discover how two professionals use this latter strategy to make an impressive living betting on horse racing. The first is a win bettor. Although he knew that most of his profits came from betting long shots, he couldn’t handle the losing streaks that came with them. He subsequently discovered that if he bet two or more horses in a race his losing streaks decreased, his confidence increased and he made more money at the end of the year than he ever did betting one horse a race.

The other professional is an exotics player who plays his key overlay horses to as many horses as he can underneath while still maintaining an edge. This allows him to put more of his bankroll into play each race and take more money out of the betting pool.
Win Betting

Win Betting is the easiest and fastest way for horseplayers to consistently win money at horse racing.

To do it right though you need to understand the mathematics behind proper bet sizing and bet structure. Because most recreational players don’t want to get into that level of detail right away, I'll save the math for later.

There are three ways of increasing your betting profits beyond proper bet sizing and bet structure.

The first is to find more races to bet on that are profitable for you. I’m sure you’re glad you paid for that obvious piece of advice.

The second is to exploit those races that present the highest profit potential. You do that by betting into as many different bet types as you can for that race. The section on exotic betting will help you there.

The third and most overlooked way is to include multiple horses in your bets—but not in the traditional dutch betting fashion. This section focuses on the third option.

*How A Professional Crushes The Races With Win Bets*

The framework of this section comes from learning how professional player X makes a substantial living betting on horse racing. His main strategy is to find races that contain a favorite that is overbet or a favorite that doesn’t have much of an edge to win compared to other contenders.

He bets against the favorite using multiple horses to win. In races where he fancies a longshot to win and the favorite is legitimate, he’ll bet both horses provided the favorite is not severely overbet.

He determines how many horses he’ll bet in a race by the odds he’s getting on his horses. If he is getting more than x odds combined he’ll include another horse in his bets to increase his win percentage, even if it means a lower return on investment.

For example; let’s say he thinks the favorite in a race is vulnerable and the two horses that show up as the most likely winners according to his
handicapping are 3-1 and 6-1 odds. In this case he’ll bet both horses to win. But if the horses were 6-1 and 12-1 odds (9-1 average) he’d include the next contender in his bet because he was getting such high average odds.

Professional player X started playing this way because he couldn’t handle the long losing streaks that came with only betting high odds horses. He knew most of his profits came from the longer odds horses, but the losing streaks gnawed at his psyche. So he started to include additional horses in his bets even if they weren’t overlays.

Including those additional horses decreased his losing streaks and allowed him to bet more money on each race. He traded a smaller ROI (return on investment) for a higher win percentage. The end result; he ends up making much more money at the end of each year than he ever did betting one horse to win.

Most horse racing books will tell you to only to bet horses that are overlays and to focus on your return on investment. Professional X disagrees and I think it’s one of the biggest reasons he’s been so successful.

He isn’t focused on return on investment; he’s focused on reducing his risk and extracting as much money from the betting pool as he can. It’s not about how much he makes on each dollar he bets, it’s about the total dollars in profit he has at the end of the year. It works.

**Beating the Favorite**

The key to making multiple horse win betting work is beating the favorite (or tying up a longshot to a legitimate favorite in certain instances).

Here’s some statistics (courtesy of Jeff Platt at Jcapper.com) to help validate the starting point. In a sample of over 25,000 races the favorite won over 34% of the time with a loss of around 16 cents on the dollar. Pretty normal results overall.

But what happens when the favorite lost? *The 2nd through 7th betting choices all showed a flat bet profit!*

If you can beat the favorite, you can increase your chances of a winning ticket and your profits by betting on multiple horses to win. You’re limiting yourself if you don’t.
Multiple Horse Win Betting

An overlay is when horses odds are greater than its chances of winning. Most serious horseplayers will not bet a horse unless it’s an overlay by a certain percentage. Many experienced handicappers use 25% or 50% as their ideal cut-off based on past results.

If you’re only focused on maximizing your return on investment that makes sense. But it’s a mistake and a very crucial one if you want to maximize the amount of money you can win.

You can win more money betting on horse racing by decreasing your return on investment if you increase your win percentage enough to offset the reduction. You do this by betting multiple horses to win. This is a particularly effective strategy for maximizing rebates and reward points through betting sites. Read this paragraph again and let it sink in.

Let’s look at the following situation to help demonstrate why the strategy of Professional X works. Say your average win rate is 25% with a 10% edge (return on investment) betting 1 horse to win. Your betting records also show that if you bet two horses to win your win percent climbs to 50% but your edge drops all the way down to 4%. This is because the second horse loses money over time. Which is the better bet?

According to about all the handicapping books I’ve read you should only bet the overlay with a 10% edge. If you bet on a horse that loses money you are simply throwing your money away. Makes sense right?

The only book I read that promoted multiple horse win betting even if one of the horses was unprofitable was Pace Makes the Race. But to me it never really explained why I should bet on a horse that lost money over time; so I didn’t….. that is until I learned from Professional X.

So what is the best approach to take: bet the 1 horse at a 10% profit or add the second horse and accept only a 4% profit?

Let’s go to flat betting and the Kelly Formula to find the answer. The Kelly Formula is used to determine the optimal bet size to maximize profits. It will be discussed in detail later in the book.
Let’s start with the results for Flat Betting.

Scenario #1) The single horse overlay: Average 25% wins and 10% ROI
If you bet $8 to win you get back an average of 8.80, a profit of 80 cents.

Scenario 2) Using 2 horses to win; Average 50% wins and 4% ROI
If you bet $8 to win on each horse you would bet $16 total and receive back $16.60 ($16.64) on average, a profit of .60 cents.

According to flat betting there is no advantage in adding a horse with a negative return to your bets.

But before passing final judgment let’s see what the Kelly Formula tells us:

Scenario #1) The single horse overlay: Average 25% wins and 10% ROI
Kelly Formula; ((.25 * 4.4) – (1-.25)) / 4.4 = 8%

Scenario #2) Using 2 horses to win; Average 50% wins and 4% ROI.
Kelly Formula; ((.50 * 2.08) – (1-.5)) / 2.08 = 26%.

The Kelly Formula says you should bet 8% of your bankroll on the 1 horse or 26% on the 2 horses. At first glance this may not make sense. Why would you bet more money on horses that don’t show a higher net profit?

The reason you bet more is the change in win probabilities. Because your potential losing streaks are shorter at the 50% win level compared to the 25% level, you’re able to bet a larger percentage of your bankroll on each race. This will be explained in greater detail in the second half of the book.

According to the Kelly formula the optimum bet size with a $100 bankroll is 8% or $8 to win in the 1 horse scenario. At a 10% return you would have a profit of 80 cents, same as the flat betting example.

For the two horse scenario the optimum bet with a $100 bankroll according to the Kelly formula is 26% or $26 to win split appropriately between the two horses. At a 4% return you would have a profit of $1.04 on the bet.

Because you can safely bet more money on each race with the higher win percentage you can make more profits, just like Professional X learned how to do.

So if you can find a second or third horse in the race which increases your win percentage without eroding your edge, you have found a path extra
money. The advantage is compounded if you reinvest your winnings or receive rebates.

An Alternative Approach

It’s difficult for many horseplayers to get used to betting more than 1 horse per race. If you fall into that category you can use an alternative method that works the same way. Instead of betting 2 horses to win you can look at the option of betting your horse to win and place.

It would work the exact same way. If your win percent is 25% with a 10% ROI and your win/place percent is 50% with a 4% ROI, you have the exact same situation I described earlier betting two horses to win. You would be better off betting your horses win/place as opposed to win only.

A word of warning playing this way; every study I’ve seen shows a much higher profit when you bet to win only rather than to place or win/place (except for favorites). Plus the place pools are smaller which limits the amount you can bet to a greater degree without adversely affecting your odds.

So I suggest only using this strategy if you are unable to bet more than one horse to win, you have maxed out what you can bet in the win pools without eroding your edge or your betting records warrant it.

Why Traditional Dutch Betting Can Be Bad

I do need to make one clarification in regards to multiple horse win betting for those that are familiar with Dutch betting. I am not advocating Dutch betting in the traditional sense. In the traditional sense you would bet more on the lower odds horse and less on the higher odds horse regardless of edge to achieve a set amount of profit.

For those unfamiliar with Dutch betting I’ll give a quick example as I understand it. Let’s say you bet 2 horses to win per race. That’s the general rule of thumb due to the popularity of the Sartin Methodology.

In this example race your handicapping says to bet two horses going off at 8-1 odds and 4-1 odds respectively. If your goal was to make $100 for the race you would bet the following amount:

$20 to win on the 4-1 horse
$12 to win on the 8-1 horse.
That way if either horse wins you would collect $100. Using Dutch betting this way can completely erode your profits potential.

What if the 4-1 horse is a 20% underlay and the 8-1 horse is a 20% overlay. If you bet more on the lower odds horse you have turned a break even bet into a losing bet.

And if you most of your betting profits for the year come from the longer odds horses, why would you bet that much less on them?

Instead of using traditional dutch betting, bet the proper amount on each horse and watch your profits soar. I’ll show you how later in the book. At the very least don’t bet more money on the underlay horse.

A Quick Note on Betting Low Odds Horses

While I’ll be the first to admit that it’s harder to make money on low odds horses, avoid the rigid rule of never betting a horse under 3-1 or 5-1 odds. That advice is rather shortsighted and dependent on the bettors handicapping ability.

I would much rather bet an 8/5 horse that’s a 25% overlay than a 5-1 horse that’s a 25% overlay. I can bet more money on the 8/5 horse without affecting the odds and the losing streaks will be much shorter.

So don’t be afraid to bet low odds horses. An overlay is an overlay no matter what the odds are.

Conclusion Win Betting

Amateurs measure success based on their win percentage and return on investment. Professionals measure their success based on how much money they’ve won at the end of the year.

In 1979, Daniel Kahheman and Amos Tversky outlined Prospect Theory. One of their biggest insights was that the emotional intensity of a loss was about two and half times greater than an accompanying gain of the same size. Prospect Theory helps explain why people gravitate towards destructive betting habits.

Professional Player X also struggled with the negative emotions that came from losing streaks. He found a way around it by betting multiple horses to win. In doing so he was able increase the amount of money he could bet and win in a year, the amount of rewards and rebates he could collect.
in a year and he greatly diminished the losing streaks and the accompanying pain that came with them.

Betting multiple horses correctly is not an easy thing to do but if you master it, your betting profits can really improve.
Multi-Race Exotic Bets

For many experienced horseplayers the majority of their yearly profits come from big hits on exotic bets. It’s not how often they’re right that’s important; it’s how much money they win when they’re right that’s important.

That’s why it’s vital to learn proper betting strategies for the various exotic bets. It can be the difference between a fantastic year and a losing year.

Daily Double, Pick 3

The first rule of thumb for betting the daily double and Pick 3 is that the pay-outs must be greater than the corresponding win parlay. A winning daily double ticket has to pay more than the 2 horse win parlay. The pick 3 has to pay more than the 3 horse win parlay.

If the daily double and pick 3 pay-outs aren’t more than the corresponding parlay you are throwing your money away and taking unnecessary risk.

For those of you who haven’t heard of a parlay bet here’s a simple explanation. A parlay bet is when you carry over the winnings from one bet to the next. So if you bet on a race and won $20, you would take the $20 and bet it all on another race. That would be a 2 horse parlay. If your horse won the second race and you bet all your winnings on a horse in a 3rd straight race, that would be a 3 race parlay.

The easiest way to create a daily double or pick 3 that pays more than the corresponding win parlay is to bet against the favorite or 2nd favorite in the first leg of the bet (each race in a exotic bet is called a “leg”).

To help illustrate the concept here are some examples from Friday’s 2008 Breeders Cup. In these examples the top two favorites did not win the first leg of the bet.

If you bet $2 on the winner of the 4th race you would have received back $24.20. If you did a win parlay and bet it all back on Stardom Bound in the 5th race, you would have received back a total payout of $62.80 for your initial $2 bet-not bad.

But look at the Daily Double. The Daily Double for races 4-5 paid $84 for a $2 bet. That’s a 34% premium over the win parlay bet. That much of a difference can add up to a lot of extra money over the course of a year.
Let’s look at another example. If you bet $2 to win on the winner in the 6th race you would have received $11.80 for your effort. If you bet it all to win on Zenyatta in the 7th race you would have received a total of $17.60 for your $2 win parlay. The daily double for races 6-7 paid $19.40. That’s a 10% premium over the win parlay. It’s hard to get a big premium with a heavy favorite but 10% is still pretty nice. Every extra dollar helps at the end of the year.

The 3 horse win parlay for races 4-6 would have paid $214.10 for $1. The pick 3 paid $234.50 which was again greater than the corresponding win parlay. It’s like getting free money.

On the flip side let’s look at the parlay price when the favorite won the first leg of a daily double. If you bet $2 on Stardom Bound in the 5th race and parlayed it to the winner of the 6th race you would have collected $30.60. The Daily Double paid $29.80 which is a slight reduction in winnings. That’s a bad bet.

Generally it’s a lot harder to create more value with a low odds horse in the first leg of a multi-race bet, compared to later legs. But at times it can be done. You just have to track the probable pay-offs and then cross your fingers that they don’t go lower after you’ve placed your bet.

**Daily Double and Pick 3 Bet Structure**

As I mentioned in my previous book and as so many others have stated, the “secret” to winning at the races is learning how to beat the favorite. But what’s often forgotten is that the quickest road to the poorhouse is trying to beat all the favorites. The daily double and pick 3 strategies I present next take these two dichotomies into account.

With so many tracks now offering rolling daily doubles and pick 3’s, there’s more opportunity than ever to make money with them in the right situations. They’re an excellent option for the player with a small bankroll.

Not only do you increase your action over multiple races with a single bet, you also have the chance for a bigger pay-out. And it’s a great way to increase the value of your wagers if you like betting low odds horses.

Studies have shown that people feel the pain of a loss 2-1/2 more times compared to a gain of the same magnitude. People have an intrinsic desire to be right and avoid losses. This plays heavily into how most horseplayers structure their daily double and pick 3 tickets.
To give themselves the best chance of being right and avoiding a loss, many horseplayers focus on races where they can single the favorite or a low odds horse. This gives them the best chance to be alive to a winning ticket after the first leg. Then to further increase the chances of a winning ticket they spread or include all horses in the last leg. Their hope is that a longshot will win the latter leg and give them a nice payday. Overall this betting approach leads to many poor bets and underlaid prices.

If you’re going to make money in the daily double or pick 3, your best bet is do the exact opposite of what the majority of players do. Spread in the first leg and single an overlay or a couple low priced horses in the later legs.

After all, your chances of winning are the same whether you key an 8-1 odds horse in the first leg to a 2-1 in the second leg or the 2-1 in the first leg to an 8-1 in the second leg. But you have a much better chance of getting overlaid prices with the longer priced horse winning the first leg.

**Daily Double Template**

Here’s the process of constructing reverse strategy daily double tickets to find overlays.

1) Find a race that should be won by a horse that’s not one of the top 2 favorites in the first leg.

2) In the 2nd leg of the daily double find a predictable race that should be won by your key overlay horse or one of the top 2 favorites.

3) If you like a longshot (not top 2 betting choices) in the first leg and the favorite and/or second favorite in the second leg, play only those combinations straight.

**Pick 3 Template**

Here is the reverse strategy template to use for the pick 3. The first 3 steps are the same as the daily double.

1) Find a race that should be won by a horse that’s not one of the top 2 favorites in the first leg.

2) In the 2nd or 3rd leg find a predictable race that should be won by one of the top 2 favorites or a key horse(s) that you like.
3) If you like a longshot in the first or second leg, key that horse only on an extra ticket in that leg. This will improve your returns.

4) When 2 or more favorites win the pick 3 the pay-outs are almost always less than the 3 horse win parlay. Structure your ticket(s) so you don’t have more than one favorite winning on each Pick 3 ticket. If you can’t get past favorites winning two or more legs pass the pick 3.

5) Don’t bet combinations that only include choices beyond the 5th wagering choice in more than 2 legs without a good reason. They don’t win very often and people usually waste money hoping for a huge payday.

**Structuring Inter-Race Exotic Bets**

Let’s start with Saturdays 2008 Breeders Cup Racing Card to help further demonstrate how you can apply the daily double and pick 3 templates to your own handicapping. Here’s a look at Saturday’s Breeders’ Cup Card with my own analysis of the races;

Race 1: Two solid favorites.
Race 2: Open race-great chance for a price.
Race 3: Fairly heavy favorite and a key horse.
Race 4: Predictable with a solid favorite.
Race 5: Open race-chance for a price
Race 6: Open race-chance for a price
Race 7: Predictable with 2 solid favorites
Race 8: Open race-chance for a price
Race 9: Open race with a heavy (false) favorite = open

The best daily double opportunities where the favorite was vulnerable in the first leg and I could key a horse or two in the second leg were races 2-3 and 3-4. Here’s how I structured the tickets using the templates I gave you.

**Saturday 2008-Daily Double #1: Races 2-3**

Per rule #1 I started the daily double ticket with a race where I determined the favorites had a good chance to lose.

Per rule #2 of the daily double template I singled my key horse Albertus Maximus in the 2nd leg.

In the first leg, I couldn’t narrow down the contenders with conviction so I constructed two tickets: one with the most likely non-favorite horses winning and one with more non-favorite horses winning.
Ticket #1; 1, 3, 4, 6, 7, 8, 10, 14 with 7 Cost $16
Ticket #2; 1, 6, 8 with 7 Cost $6

Result; Lost $22. I left out the 35-1 winner of the first leg. More on that in the Pick 4 section.

Saturday 2008 - Daily Double #2: Races 3-4

Albertus Maximus was my key overlay horse in the 3rd race and turned out to be the 3rd choice in wagering. Goldikova appeared to be a solid favorite in the 4th.

For this daily double ticket I used rule #3. I keyed my non-favorite overlay in the first leg to a solid favorite in the 2nd leg.

Daily Double Ticket: 7 with 4

Result- Won. Each $2 bet paid $49.60.
The daily double paid almost 20% more than the $40.80 win parlay.

Saturday 2008 - Pick 3

According to my handicapping the only chances to construct overlay pick 3 tickets were in races 5-9. In all the other pick 3 sequences I had at least two legs being won by one of the two morning line favorites or they started with a favorite winning the first leg.

In the 7th race I thought that one of the two favorites (Street Boss or Midnight Lute) would win, so I keyed them in the pick 3. The 5th, 6th and 8th races were open so I included non-favorites that had a chance of winning at fair to overlaid odds.

Ticket #1: Races 5-7
3,7,9,12 with 4,7,8,12 with 2,4
Cost $32. Lost

Ticket #2: Races 6-8
4,7,8,12 with 2,4 with 3,5,6,8,9,11
Cost $60. Won $238.40.

The pick 3 in races 6-8 was a better play than betting the 2 favorites to win in the 7th, even without a high priced horse winning any of the legs. If you had bet $30 to win on each of the favorites ($60 total) you would only have received $111, compared to $238.40 for the pick 3.
Pick 4

The Pick 4 is a seductive bet that lures in horseplayers looking for fast cash and a nice score. When you win your first couple Pick 4’s the high fives from your buddies and the wad of cash from your winnings gives you an adrenaline rush that’s hard to achieve anywhere else. You feel alive and you wouldn’t want it any other way.

But over time, frustration sets in for most players. Horses that you were going to include on your ticket but didn’t or complete surprises end up winning and knocking you out of your Pick 4. You’re left holding yet another losing ticket while your bankroll slowly dwindles away. If this describes you to any degree, I may be able to help.

Steven Crist wrote an excellent book on exotic betting aptly titled Exotic Betting. In the book he talks about labeling your contenders A/B/C and then playing various combinations of tickets based on those designations. I don’t want to cover what he’s already written so if you haven’t picked up a copy, do yourself a favor and get one.

One downfall of Crist’s Pick 4 strategy is that it’s hard to use for casual or serious players with small bankrolls. If you’re betting $200-$400 on each Pick 4, you’re going to need a sizable bankroll to stay in the game. And if you plan on making a hedge bet of $1,000 to cover a $264 ticket as he describes in his book, you’d better come with deep pockets.

This isn’t a knock on the book, but I think Crist’s approach is best suited to very experienced handicappers and those with large bankrolls. I’d like to offer you a different approach that can be very effective if used right.

The 4 Big Mistakes

Because the pick 4 is a more complicated bet than the daily double or pick 3, you can generally find bigger overlays and make more money with it. This is due to the limited bankrolls and accompanying bet structuring mistakes that most bettors make.

Below are the four biggest mistakes that horseplayers make when structuring their Pick 4 tickets; other than bad handicapping. Avoiding them will give you a big edge over your competition.
1) The first mistake is not using overlay horses to structure their bets around. Players will often key the horse they think has the best chance of winning regardless of whether or not the horse is an overlay. They believe they can create an edge by adding other horses onto their pick 4 bet.

That’s typically a very poor approach. If you can’t find an overlay in at least one leg (each race in the pick 4 is considered a “leg”) or preferably two, it’s best to pass the pick 4.

2) The second mistake is eliminating too many low odds horses. Many bettors are taught to play against underlays (horses odds are lower than their perceived chances of winning), particularly at low odds. They end up hoping the low priced horse runs a bad race leading to a big pay-out.

Hope is not a good pick 4 strategy.

It’s better to include some underlay and low odds horses in legs that don’t contain your key overlays. Underlaid favorites still win their fair share of races and if you leave them off your tickets, you’re exposing yourself to some nasty losing streaks.

3) The third mistake is related to the second, but opposite. Many players don’t cover the unpredictable race outcomes. They only include horses they think have a decent chance of winning and miss out on the big paydays that occur when an unexpected long shot wins. How many times have you been knocked out of your ticket by a horse that you gave little or no chance of winning?

It happened to Crist in his *Exotic Betting* book when he made a hedge bet of $1,000 to cover the surprise horse. It still happens to me as you’ll soon find out. You need to learn to go beyond the most probable winners in the right situations.

4) The 4th mistake is creating tickets with more than 2 favorites winning. If 3 or more favorites win a pick 4 sequence the outcome is obvious and the pay-out is underlaid compared to the 4 horse win parlay. Therefore it’s a losing proposition in the long run.

*A Template for the Pick 4:*

I’d like to present an effective strategy for betting the pick 4 with a small bankroll. This template negates the four biggest mistakes that most horseplayers make.

Step 1) Find a race with one or two overlays that are preferably not one of the top three morning line betting choices to key in one leg.
Step 2) Find a second leg that has a high probability of being won by your top or top two handicapping choices regardless of whether they will be an overlay or not.

Step 3) Spread deep in one of the legs that doesn’t contain your key horses (steps 1 and 2). Include any long-shot horses that have even the slightest chance of winning if the race unfolds in their favor.

The best way to increase your chances of hitting a surprise horse are by opening up races that often have chaotic results. These include races with vulnerable favorites, extreme pace scenarios or young horses trying something new for the first time (like two-year-old maiden turf races). Some computer programs and past performances label races that are won a low percentage of the time by the favorite and are volatile. This can be of great help.

Step 4) Don’t include favorites in more than 2 legs on any ticket. If two of more favorites win the pick 4 the pay-offs tend to be very underlaid relative to the win parlay.

A recent example of this is the late Pick 4 on Saturday’s edition of the 2009 Breeders Cup. Even though a 20-1 long shot won one leg of the pick 4, it was still an underlay because favorites won the other 3 legs. If the 20-1 shot hadn’t won, the pay-outs would have been even worse.

Pick 4 Example

To illustrate the Pick 4 template in action I’ll again use an example from the 2008 Breeders’ Cup run on Saturday, October 25. The Pick 4 consisted of the turf sprint, dirt mile, turf mile and the juvenile race.

I expected a very fast pace in the first leg which was the turf sprint. Storm Treasure had the best late speed and appeared to be an improving horse. He wasn’t much of an overlay, but I thought he offered fair to slightly overlaid odds given the pace set up. Otherwise I thought the race was wide open to any horse that could close well and the favorites were vulnerable. This is the race I would spread deep in per step #3 of the Pick 4 template.

I really liked Albertus Maximus in the Dirt Mile. I thought he was an excellent play even with Well Armed in the race. I knew Well Armed would rightly take a lot of money leaving Albertus as an overlay, I just didn’t know by how much. He was my horse for step 1 of the template.
In the Turf Mile Goldikova had finished first or second 7 of 8 times and was coming into the race in very sharp form. Goldikova had earned Racing Post performance figures of 123 in her last two starts, which is very strong for this race. Plus she had never run a race worse than her previous one. She was the logical favorite and a good single. I wasn’t sold on Kip Deville. I thought he was a good bet against, but he ended up running a good race to finish second. Goldikova would be used for step 2 of the pick 4 betting template.

The final leg was the Juvenile and I’m not great with two year old races. The favorites are well known and the long shots are a guess. They’re a puzzle to me when it comes to showing a profit. Nonetheless I thought Midshipman, Bushranger, and Street Hero had the best chance to win in the Juvenile. It appeared that Terrain, Power of the Nile, and West Side Bernie had a chance to win at long odds. Munnings had talent without Polytrack experience and Square Eddie had just run a great race so I couldn’t exclude them either. This was a race I was going to have to go very deep in.

Employing the small bankroll strategy I’ve presented, the ticket was as follows: I keyed Albertus Maximus in the second leg of the Pick 4 and Goldikova in the 3rd leg. I spread deep in the turf sprint and the juvenile looking for a long shot to win in at least one of those legs. My ticket looked like this: 8 x 1 x 1 x 6 for a total outlay of $48. I could have played multiple tickets in various combinations but I wanted to keep this pick 4 under $50, simple for the example and with a good chance of hitting (smaller bankroll).

If you had more money you could have played multiple tickets to give you a better chance of hitting. Here’s one approach. It’s very uncommon for 2 legs of the P4 to be won by horses ranked 6th or higher in betting choice. Therefore you could have bet the following tickets spreading for a longshot in one leg and playing the most likely winners in the others based on your handicapping;

2, 6, 8, 13 with 7 with 4 with 3, 4, 8, 9, 11, 12

1, 2, 5, 6, 7, 8, 12, 13 with 7 with 4 with 4, 11, 12

Both Tickets Cost $24 for a total outlay of $48

I wanted it to work out and have a nice winning ticket to show you but it didn’t. To my embarrassment I didn’t have Desert Code who was the surprise winner of the turf sprint on my ticket. Desert Code paid $75 to win. I had looked long and hard at Desert Code and considered him for a
spot. But the fact that he had never run well breaking worse than second in a race loaded with early speed horses caused me to throw him out. I would have never guessed based on his past performances that he would break 12th and win with a nice late run. Desert Code had a chance to win based on figures and experience at the track, so I should’ve had him on my tickets given his odds.

Albertus Maximus won the Mile paying $14.60 to win. Godikova didn’t disappoint as the favorite in the turf mile paying $5.60 to win. Midshipman won the Juvenile paying $9.20 to win. The $1 pick 4 paid a nice overlaid price of $6,286.20. I had 3 of 4 and if I would’ve gone a little deeper in the sprint with the surprise horse, I would’ve had a nice pay-out.

A Valuable Learning Lesson

Before we get to the intra-race exotic bets I’d like you to do an experiment that could help your results in the Pick3 and Pick 4. It’s worked well for many horseplayers.

In many handicapping books the authors advise you to rank each horse in a race by its chances of winning according to your handicapping. For example, you would have the following designations suggested by Steve Crist in his book; Exotic Betting. A’s are assigned to your top picks, B’s the next most likely winners, C’s for horses with a small chance of winning and horses with no chance of winning not being included. Others use an odds line or rank to designate their choices.

If you follow traditional advice you would put more money on your most likely winners or A combinations. For example;

A, A, A might have $5 on it
A, B, B might have $3 on it and
C, A, B might have $1 on it.

I say this is wrong for most horseplayers because there is almost always one leg that knocks them out of their pick 3’s and pick 4’s using only their A and B horses.

It is less profitable over time for a lot of horseplayers to bet the most money on their top contenders only. I say most people, not all. There are some very sharp handicappers that do well betting more on their top choices but not very many. You have to confirm this with your own betting records.

This experiment and the results of my own play remind me of all the sports bettors I know that love to bet parlays and teasers. They come so
excruciating close to winning that they keep getting sucked in and come back for more. They play a 3 teamer and two of the games cover, they play a 4 teamer and 3 of them cover etc. There’s almost always that one game that knocks them out of a winning bet. They’d have much better results if they just played each of the games straight up.

Such is the case with many horse racing fans. They chase the big score but are constantly knocked out of a winning ticket because of an unexpected result. Or they get lucky, hit a big score and spend most of their playing days chasing after another one using faulty strategies.

If you’re consistently getting beat out of your A or your A-B tickets due to unexpected results, consider making some changes. I found that I almost always have one leg that surprises me and knocks me out of my bets if I use my top 2-3 contenders only. So I don’t play the most money on those combinations.

If you’re constantly getting beat by an outsider or your top contenders don’t win all the legs, consider betting the same base bet amount on all ticket combinations.
Intra-Race Exotic Bets

The 4 General Guidelines

Most bettors make the mistake of structuring their intra-race exotic bets the exact same way as their inter-race exotic bets. That’s a huge mistake. The statistics and foundation are totally different for the two as you’ll soon learn.

Before we get to the statistics though I’ll introduce guidelines that are the foundation for successfully mastering the intra-race bets for profit.

Guideline #1

If your goal is to make a profit start by only making exotic bets when your key horse is an overlay. A key horse is the horse you structure your bets around.

Players will often key the horse they think has the best chance of winning regardless of whether or not the horse is an overlay. They feel they can increase the value enough in the exotic bet by using other horses to create an edge. That’s typically a very poor approach.

If you start with an underlaid horse you have 3 probable exacta outcomes. You can bet your underlay to an overlay, your underlay to a fair value horse (odds approximately even to the horses chances of winning) or your underlay to another underlay.

Here are the 3 scenarios:

Underlay-Overlay
Underlay-Fair
Underlay-Underlay

In only 1 of the 3 situations can you increase your underlay into an overlay. And that’s only if the odds on the overlay horse are high enough to offset the odds of the underlaid horse. If you bet an underlay to a fair odds horse or another underlay your losses are compounded because the combinations are over bet.

However if you start with an overlay you increase your chances to compound your winnings. Here are the 3 exacta scenarios using an overlay horse to key in the win spot;
Overlay-Overlay
Overlay-Fair
Overlay-Underlay

The only time you will lose starting with an overlay is if an underlaid horse drags down the odds on your overlay enough to turn it into a loss. If you have two overlays in a row it can exponentially increase your winnings because they pay more than they should.

*Guideline #2*

Don't multiply the win odds of each horse together to determine if a vertical exotic bet is an overlay or underlay. If you calculate the probabilities of a horse finishing second or third using win odds, your calculations will be way off. Here’s why.

First of all lower odds horses have a much better chance of winning compared to finishing second. In a study of over 25,000 races the favorite finished first 35% of the time and placed 19% of the time. If you’re using win odds to calculate place odds for the favorite you will be severely overestimating the horses chance to place.

As the odds go higher on a horse to win the probabilities continually shift until the horse has about the same chance to finish first or second and then reverses itself slightly with extreme longshots.

But the differences don’t stop there. As the odds of the winning horse increase, the chances of a higher odds horse coming in second also increase. The higher the odds of the winner the more chaotic the place results are.

This can be illustrated by the following two examples.

1) When the 2nd betting choice won the race the favorite placed 36% of the time compared to 27% of the time when the 5th betting choice won.

2) When the favorite won the race the 2nd favorite placed 30%. When the favorite didn’t win the race the 2nd favorite placed only 16% of the time.

This has huge implications. When a low odds horse wins the place results tend to be formful. That makes it difficult to find good overlays in the exacta.
But when a non-favorite wins a race the place spot becomes more chaotic. *This creates inefficiencies in the exotic pools and professional players have learned how to take full advantage of it.*

Because the majority of handicappers don’t take the above factors into consideration, there are more opportunities to find overlays when the favorite or 2nd favorite doesn’t win the race.

*Guideline #3*

Ideally you would multiply the probability of a horse to place based on the probability of each horse to win. Then you would simply bet all combinations where the expected pay-out equals or exceeds the probability of the finish, collect rebates and get rich.

This approach requires a good odds line, a good computer program and typically access to last minute exacta pay-outs to maximize the advantage. Because this approach is beyond my reach and the typical recreational player I won’t go into any more detail.

*Guideline #4*

Understand the races you are betting into.

Does the race contain a false favorite or severe underlay to bet against? Is the race wide open? Do the favorites stand the best chance of winning? Is there a good chance of a longshot coming in second that you can use?

If the race is predictable you’ll want to narrow your tickets to a couple combinations. If the race is unpredictable you’ll want to include more combinations and the pay-outs will justify it.
Exacta Betting

Let’s look at some results from a study done by Jeff Platt of JCapper.com that looks at over 26,000 races in 2008 over various tracks. I have no affiliation with Jeff other than having used his excellent horse racing software program-JCapper. He graciously took time to do this study for me to answer some questions I had.

The return on investment on all the winning horses for all tracks in the study was 76 cents on the dollar for a loss of 24% for each dollar bet. The losses are due to the track take and breakage. The results for favorites were better with a loss of only 17% for each dollar bet. Nobody said this game was easy.

Now let’s see where you can improve on those results using the exacta. The 2nd-5th wagering horses placed almost 80% of the time if the favorite won the race. We’ll concentrate on those combinations first.

Here are the returns on investment for various exacta combinations using the favorite.

<table>
<thead>
<tr>
<th>Bet Type</th>
<th>ROI (return on investment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Favorite To Win</td>
<td>.83</td>
</tr>
<tr>
<td>Favorite To Place</td>
<td>.86</td>
</tr>
<tr>
<td>Favorite/2nd Favorite</td>
<td>.78</td>
</tr>
<tr>
<td>Favorite/3rd Favorite</td>
<td>.79</td>
</tr>
<tr>
<td>Favorite/4th Favorite</td>
<td>.80</td>
</tr>
<tr>
<td>Favorite/5th Favorite</td>
<td>.81</td>
</tr>
<tr>
<td>2nd Favorite/Favorite</td>
<td>.78</td>
</tr>
<tr>
<td>3rd Favorite/Favorite</td>
<td>.75</td>
</tr>
<tr>
<td>4th Favorite/Favorite</td>
<td>.78</td>
</tr>
<tr>
<td>5th Favorite/Favorite</td>
<td>.71</td>
</tr>
</tbody>
</table>

As you can see, it’s very difficult to improve your odds using the exacta compared to win betting if you like the favorite.

But what about non-favorites? All of the exacta combinations in Jeff Platts study that didn’t include the favorite had even worse returns. If you left the
top 3 favorites out of the win or place spot the results were downright abysmal. Returns were as low as .57 on the dollar.

Given the terrible numbers from the study, can you really make money betting exactas? With a resounding yes.

*Exacta Success*

Jeff did some more research that was enlightening. He used a proprietary rating for each horse in his JCapper computer program to see what the results would be based on the above findings.

He was surprised to find that he was able to show a flat bet profit using the ratings top choice over the 2nd and 3rd choice. The ratings also showed a flat bet profit with the 2nd-4th rated horse over the top rated overlay horse. But all the other combinations lost money. I don’t have to tell you what he did next.

I’ve seen similar data for other computer programs. They all show that the highest ROI comes from exacta combinations with their top pick keyed over the 2nd and/or 3rd choice or the 2nd, 3rd and sometimes 4th choice keyed over the programs top choice.

The most successful exacta player I know of generally limits his exacta combinations to 2-4 horses. He’ll structure his bets so that the majority of money is on his key horse in the win position and less on other combinations. Jeff Platt’s studies confirm that this may be the smartest way to bet exactas.

If you’re looking to make a profit at the track with exactas you should start with the same approach and see what your results are.

*Summary for Exacta Betting*

In practice you should take the data and betting templates I provide you and modify them according to your handicapping and betting strengths.

You can only do that by keeping records of your bets and why you made them. Your betting records will teach you more about winning and losing than anyone else can.

*Exacta Templates*

1) The best exacta returns for most bettors will be found when they:

- Bet their top choice to win over their 2nd and 3rd ranked horses or
-Bet their 2\textsuperscript{nd}-4\textsuperscript{th} ranked horses over their top rated horse.

*Either the top rated horse has to be an overlay or the horses you’re playing your top choice to have to be an overlay.

2) If you like the favorite to win the race it’s difficult to create a higher profit opportunity using the exacta. You have to severely limit your combinations in the place spot.

Otherwise you’re better off betting the low odds horse to win or even win/place. If you want a better pay-off, look at using the daily double, pick 3 and pick 4 strategies given earlier.

3) If a non-favorite wins the race there are more inefficiencies in the exotic pools, the 2\textsuperscript{nd} place finish tends to be more chaotic. In those instances it can be profitable to spread and include multiple horses in the second spot of the exacta. This effect also carries over to trifecta and superfecta bets.

4) The more horses in the race, the more overlays there are and the more combinations you can profitably play.

5) In an ideal world you would have a computer calculate the probable win odds for each horse and the corresponding place odds of all horses dependent on that horse winning. Then you would bet only those combinations that were overlays factoring in any rebates.

**Exacta Examples**

Here are some exacta examples from the 2008 Breeders Cup that will help demonstrate how to put into play what we’ve covered so far. There were more exacta bets made but these will give you a good overall feel for how to construct profitable exacta tickets based on the information I presented.

*Example #1: Friday Race 3-Expect Favorites to Win.*

This was a predictable race with one of the two favorites being the most likely winner. Both Ventura and Indian Blessing looked good on paper. They had different run styles so they wouldn’t both be compromised by the pace of the race.

Because I expected the favorites to do well I used the following exacta guidelines.
• Find 1-2 overlay horses among your contenders to bet the favorite to. The longer the odds the better. Or
• Pass the exacta.
Normally I would quickly pass the exacta in a race like this. The favorites looked strong and I couldn’t find an overlay using my other top contenders. However when I dug a little deeper my program showed Miraculous Miss and Magnificience at high enough odds to make the exacta combinations an overlay using them in the place spot. I ended up playing the following exacta ticket;

Ventura and Indian Blessing over Miraculous Miss and Magnificience. Cost: $8 for each $2 exacta bet.

Result: Indian Blessing ran an excellent race wearing down the other speed in the race. She lead briefly at the stretch. The early pace was too much though and Ventura came blowing by to win the race by 4. She paid $7.60 to win as the 2nd favorite. The race was run as predicted with Ventura winning and Indian Blessing finishing a clear second. My longshots weren’t able to make a dent in the top two spots.

Example #2: Friday Race 4-Keying a Longshot Overlay

Laragh and Consequence were my top 2 choices to win the race but appeared beatable. Heart Shaped was my key overlay win contender at just over 10-1 odds.

Because I was betting a longer odds horse I used the following exacta guidelines.

• Bet your key overlay over the remaining top 2 ranked contenders if there’s not a reason to eliminate them.
• If the key horse is a longshot the place results are more unpredictable so look for additional horses to include underneath.
• Consider making a reverse exacta using your top 2-3 highest rated contenders to win over your key overlay to place.

My first exacta ticket was constructed with my overlay horse Heart Shaped over my top two contenders, Laragh and Consequence.

Because Heart Shaped was a longshot, statistically the place spot would be more unpredictable if she won. So I played an additional ticket using Heart Shaped over two longshots, Emmy Darling and Beyond Our Reach along with Laragh and Consequence.

My last ticket consisted of using Heart Shaped under my remaining top two win contenders.
My exacta bets looked like this;

#1-Heart Shaped over and under Laragh and Consequence.

#2-Heart Shaped over Laragh, Consequence, Emmy Darling and Beyond Our Reach

Result; Laragh set the pace as expected leading by 2 lengths all the way to the stretch. But the pace caught up to her as Maram at 11-1 odds took the lead in deep stretch. Heart Shaped closed fast going from 7th place in the stretch to hit the wire at the same time as Maram. The result came down to a head bob. Maram won the photo by a nose with Heart Shaped finishing second. A very exciting finish but another loss. Laragh finished 3rd.

Example #3: Saturday Race 3-Keying a mid-priced overlay.

I used the same strategies in this race as I did the previous example. Albertus Maximus was my top pick to win the race. I had him as an overlay as the 3rd choice at 6-1 odds.

Well Armed was the only other horse I considered to have a very strong chance to win the race but he was over bet. I decided to include him underneath in spite of that fact. I did not include Well Armed over Albertus because Well Armed was too heavily bet.

Next I looked for price horses to include in the exacta. My handicapping had Rebellion at over 18-1 odds and My Pal Charlie at almost 20-1 odds as good exacta horses. They were both overlays so I also played them underneath.

Exacta Ticket; Albertus Maximus over Well Armed, My Pal Charlie and Rebellion.

Result; Albertus Maximus took the lead with less than 100 yards to go and won by over a length. Well Armed was wide on the first turn, ran into a little trouble after that and never was really in the race. My Pal Charlie challenged for the lead in the stretch and just missed 3rd. Luckily Rebellion who was steadied at the start rallied from last place at the ½ way point to finish second. The exacta paid $218.60 for each $2 bet. It made for a very nice day.
That’s one great thing about the Breeders Cup and full fields. There’s an abundance of competitive horses you can find at a price. On a normal racing day, not as much.

**Trifecta-Superfecta**

Horse racing fans love the huge pay-outs that the trifecta and superfecta bets produce. Their minds start racing as they dream about big paydays and all the luxurious things they can buy with their new found wealth.

Racetracks love these bets too because they generally charge a higher take-out and can make a lot more money. They believe horseracing fans will chase these bets because of the high pay-outs and ignore the high take-outs. For the most part, they’re right.

Before you run out to play the trifecta and superfecta more seriously than a lottery ticket though, consider the amount of coverage you need on your bets to have a good shot at winning (coverage is a term used to define all the possible winning combinations you have bet).

Here are the number of possible winning combinations in an 8 horse field and a 10 horse field.

**Trifecta:**
- 8 Horses 8X7X6 = 336 combinations
- 10 Horses 10X9X8= 720 combinations

**Superfecta:**
- 8 Horses 8X7X6X5 =1680 combinations.
- 10 Horses 10X9x8x7= 5040 combinations to cover.

If you’re a small bettor and can only cover a small fraction of the total possible winning combinations you’re going to have a lot of long losing streaks. So make sure you have a big enough bankroll to play these bets properly if you’re doing it for more than entertainment.
Trifecta

The trifecta can be a great bet if you’re getting better odds than the exacta.

I don’t have any unique strategies to share with you in regards to betting the trifecta. You simply take the exacta strategies I presented earlier and add horses in the 3rd finishing position based on your handicapping.

The key is that you have to have an opinion. If you play all horses in the 3rd leg hoping to get lucky when a longshot comes in you’re just diluting your profits.

The best way to demonstrate what I mean is to show you some examples.

**Scenario #1; You like a low odds horse to win and you have found a horse(s) underneath that provides value.**

To construct your trifecta ticket you build on your exacta by including contenders and overlays in the 3rd leg. I suggest taking the horses running style into consideration when constructing your ticket. If you have front-runners in the top two spots you’ll want to concentrate on pressers and closers in the 3rd spot and vice versa. You typically don’t want all three spots to be the same running style.

Here’s an overview using the exacta example given earlier from Friday’s third race. Ventura and Indian Blessing were the favorites. Miraculous Miss and Magnificience were the overlay horses. The exacta ticket was Ventura and Indian Blessing over Miraculous Miss and Magnificence.

To bet the trifecta you would simply include your contenders in the 3rd leg. My handicapping had 4 contenders in the 3rd leg so my ticket looked like this;

Ventura and Indian Blessing over Miraculous Miss and Magnificence over 4 contenders.

The number of contenders will vary depending on your handicapping style.

If you think your overlays provide enough value in the show spot you can also play an additional ticket. In this example I also played Ventura and
Indian Blessing over my 4 contenders over Miraculous Miss and Magnificence.

I just missed the trifecta when Miraculous Miss finished 4\textsuperscript{th} instead of 3\textsuperscript{rd}.

Scenario #2; You like an overlay to win.

There are two options you can use to construct trifecta tickets if you like a non-favorite to win the race. I’ll use the example from Race 4 on Fridays 2008 Breeders Cup Card.

Option #1: The first option is to start with the exacta rule of betting your overlay horse over your next 2 choices.

Heart Shaped was my key longshot overlay to win at just over 10-1 odds. Laragh and Consequence were my next top 2 choices so I used them in the second spot. Then I simply added horses in the 3\textsuperscript{rd} spot based on my handicapping.

Option #2: The second option is to take advantage of the statistics that show a longshot has a higher probability of finishing 2\textsuperscript{nd} if another longshot wins.

Because Heart Shaped was a longshot, statistically the place spot would be more unpredictable if she won. Therefore I constructed a second ticket. I again keyed Heart Shaped on top; put my longshot contenders in the second spot and put my top two choices Laragh and Consequence in the 3\textsuperscript{rd} finishing position.

Maram (a longshot) ended up winning. Heart Shaped finished second by a nose and Laragh finishing 3rd.

Building on your exacta is not only one of the most profitable ways to play the trifecta, it’s also very cost effective for those of you that are playing with a smaller bankroll and want to take a shot at betting a little to win a lot.
Superfecta

I'm not much of a superfecta bettor myself but I've learned from two very successful superfecta players. I'll share their strategies with you here. Play around with them a bit and the superfecta may become your bet of choice.

Strategy #1: Tips From a Professional Player

Step 1: Only play the superfecta in fields of 8 or more horses.

Why? Most horseplayers have limited money to bet with so they only cover the superfecta combinations that have the highest probability of winning. Then they usually throw in a couple longshots in the 3rd or 4th spot hoping to get a bigger pay-out.

The professional superfecta player takes advantage of this style of play. Depending on the number of starters in the race he'll play tickets that cover 100-400 possible winning combinations on a regular basis.

He advised that you're better off in the long run playing a dime superfecta for $10-$40 that covers 100-400 winning combinations than you are betting a $1 superfecta for the same $10-$40 that only covers 10-40 winning combinations.

Consistently betting the ticket combinations that the average player doesn’t cover is what drives the professional’s profit. Coverage is king for this professional.

Step 2; Play all horses that are overlays to win in the top spot on every ticket.

What striked me about Step 2 and his overall approach is that the superfecta professional uses the same foundation as the professional win bettor I talked about earlier. By including multiple horses in the win spot when possible and spreading in the other legs, the superfecta pro is able to keep his winning percentage above 20-25% and avoid excessive run-outs.

Step 3: Use all horses in the 4th spot. It’s pretty fruitless to try to predict who will finish 4th.
It can depend on pace, trips, condition, effort of horse and jockey etc. There are just too many variables to take into consideration. So the professional almost always includes all horses in the 4th finishing position.

Step 4: The last piece of advice is to take running style into consideration.

You don’t want to construct your ticket with all front runners or closers filling the top 3 spots. Use a contrasting running style in at least one of the top 2-3 finishing positions. This is where the art of wagering comes into play.

Summary: If you like Superfecta bets try constructing tickets with only overlays on top and as much overage underneath as possible while taking run style into consideration. Then see if your results improve.

Strategy #2: Tips from A Successful Part-time Player

Step 1: This is the same as the professional superfecta player. Only play the superfecta when there are 8 or more horses running.

It’s too hard to overcome the high take-outs when there aren’t a lot of winning combinations to cover.

Step 2: Pass any race that contains a strong favorite or a low odds horse trained by a top trainer that has an extremely high probability of finishing first or second.

If a strong favorite finishes first or second everyone will have the horse on their ticket and it becomes difficult to gain enough of an advantage to overcome the high take-out.

Step 3: Key your overlay horses that are not in the top 2 betting choices over and under all longshot horses that have even a remote chance of finishing first or second.

You’re looking to beat the top 2 favorites in the win and place spot. That means there will be some long losing streaks in between the big hits.

When you look at the statistics I presented earlier in the section on exactas, this strategy makes sense. If a non-favorite wins there’s a higher probability of another non-favorite finishing second than betting odds dictate. This player takes advantage of those probabilities and the resulting overlays.
Step 4: Include all remaining contenders in the 3rd spot and use the all button in the 4th spot or use the all button in the 3rd spot and contenders in the 4th spot.

If the race doesn’t fit the model, he passes. Very often the key to superfecta profits is the same as it is for other bets. If the race is predictable and the favorites are strong, you can’t play a lot of combinations because the pay-outs and value don’t justify a large ticket. If the favorite is vulnerable and the race is unpredictable, you’ll be able to use a lot of combinations and the pay-outs will support it.
Bet Sizing and Money Management

For many years I was the typical horseplayer spending my waking hours trying to become a better handicapper. I thought little about proper wagering other than applying basic money management principles.

I didn’t begin to comprehend the dramatic impact that even a slight improvement in my betting skills would have.

Eventually I got a little smarter and started studying proper bet structure at a more advanced level. I went beyond the basic foundation of betting a percent of bankroll and focusing on overlays. This turned out to be as valuable and profitable as learning about handicapping. It just wasn’t as fun to talk about.

A good example is someone I know who wants to be a professional bettor that will talk about handicapping all day and night. He’s even laid out a 5 year business plan which really impressed me. But when I start to talk about money management techniques he just gives me a blank stare.

Although he understands not to over bet his bankroll, his bet amounts and discipline are all over the place. That mindset is the reason I wrote this book and why I started with bet structure first.

Reading the rest of the book will help you understand why the bet structures work, why they’re set up the way they are and how to further improve your betting results.

But before I get into bet sizing and money management there are three fundamental things to cover. They are;

1) For any money management technique to work profitably you need to have an edge in your bet.

2) You have to look at long-term results.

3) You have to believe at some level that you can win.

Fundamental Thing #1: You need to have an edge in your bet.

An edge is the positive advantage you have in your bet that allows you to win money. If you think a horse should be 4-1 odds but it’s going off at 6-1 odds, you have an edge in your bet if your handicapping is accurate.
If you don't have an edge in your bet there isn't any betting scheme that will turn you into a long term winner. Mathematically it's impossible to turn a negative expectation (losing) bet into a winning one over time.

People have tried countless ways to turn a negative expectation bet into a positive one by using Due Column or Martingale type betting sequences. Essentially the contrived wagering schemes have you betting more money after each loss until you show a profit. When you show a profit, you start a new sequence of bets. While these methods show a profit a great percentage of the time for each betting sequence, eventually they blow up during a long losing streak and the player is wiped out.

I you don't have an edge I suggest betting the smallest amount of money you can afford to lose, while still keeping the game fun. Treat it as pure entertainment and an enjoyable past-time. That's how most horse racing fans should look at this game anyway, as an entertainment expense. Horse Racing is a very difficult game to beat long-term for many reasons.

*Fundamental Thing #2: You Have To Think Long Term*

You have to think of your betting results within the context of a long term timeframe. One reason people fail to win more is that they let short term losing streaks negatively impact their decision making. They fall victim to making decisions based on their most recent results.

Below is a chart showing the maximum number of consecutive losses a player can expect with a high degree of confidence over 10,000 plays at various win percentages.

<table>
<thead>
<tr>
<th>Sample size</th>
<th>Win Rate</th>
<th>Expected Consecutive Losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,000</td>
<td>10%</td>
<td>87</td>
</tr>
<tr>
<td>10,000</td>
<td>15%</td>
<td>57</td>
</tr>
<tr>
<td>10,000</td>
<td>20%</td>
<td>41</td>
</tr>
<tr>
<td>10,000</td>
<td>25%</td>
<td>32</td>
</tr>
<tr>
<td>10,000</td>
<td>33%</td>
<td>23</td>
</tr>
<tr>
<td>10,000</td>
<td>50%</td>
<td>13</td>
</tr>
<tr>
<td>10,000</td>
<td>60%</td>
<td>10</td>
</tr>
</tbody>
</table>

If you’re going to be successful you have to understand how bad your losing streaks can be based upon your average win percentage. That way you won’t panic and stop using a winning method just because it’s going through an expected losing streak.
If your normal win rate is 50% and you’ve just suffered through an 8 race losing streak, it shouldn’t matter to you because it’s to be expected over time.

But most people feel the pain of longer than normal losing streaks. With each successive loss their confidence is shaken and their decision making is affected. They start passing qualified bets “knowing” they’ll lose and curse the racing gods when the horse ends up winning. Then they’ll make the next couple of qualified bets which end up losing. This leaves the bettor mentally paralyzed and unable to make rational decisions. The downward spiral has started. If you ever find yourself in a situation like this, stop betting immediately and take a break.

Another note of caution when it comes to losing streaks; things do change in horse racing. What worked in the past may not work in the future. There’s not an easy answer as to whether you’re in a prolonged losing streak or if your method has simply stopped working. Most people know it by feel. The easiest way to be suspicious is if your average winning mutual has steadily gone down or your horses simply aren’t running the way they used to. It’s always a good idea to take a short break if you’re unsure.

Concentrate on your long term results and try not to get too down during a losing streak.

Fundamental Thing #3:
You have to believe at some level that you can win.

If you don’t believe you can win money betting on horses, you’ll find a way to lose.

There are two main reasons you may feel that you can “beat a race, but you can’t beat the races”. The first is that you’ve never known anyone that has. Everyone tells you that all gamblers eventually go broke and you haven’t seen any evidence to the contrary. If that’s the case, it can be fixed. All you have to do is find someone who is a long-term winner (they’re out there) or follow a winning method long enough to convince yourself that you can.

The second reason is a bit more troubling and difficult to overcome. If you don’t feel you deserve to keep your winnings for whatever reason (it’s gambling, you don’t deserve it etc), you will eventually find a way to give your money back.

In either case, if you don’t feel you can win long term you should treat the game as a form of entertainment until you’re able to change your mind set.
Maximizing Profits; Proper Bet Sizing

The foundation for maximizing profits starts with the Kelly Formula. The Kelly Formula has been used by professional black jack, poker and horseplayers among others to maximize winnings.

There’s already enough that’s been written about the Kelly Formula so I’m not going to cover the theory and history behind it. I suggest reading Fortune’s Formula if you’d like to pursue it further.

The important thing to know about the Kelly Formula is that it theoretically tells you how much of your bankroll to bet on each race to maximize your winnings over time. Mathematically if you bet the correct percentage of Kelly you’ll win more money than any other money management plan over time.

Here is a 6 step procedure for figuring out the correct amount to bet using the Kelly Formula to maximize winnings while reducing risk.

**Step 1: Use the Kelly Formula To Determine Proper Bet Size**

Here’s one version of the Kelly Formula. It’s a formula that’s easy to understand for the average horseplayer.

\[
\frac{((WP \times W/L) - (1 - WP))}{W/L}
\]

Where:

WP is your win percent  
W is your average win pay-out  
L is your average bet per win pay-out.

So if your expected or average win pay-out is $9 based on a $2 bet your W/L would be 9/2 or 4.5.

Here’s an Example:

Average or expected win rate is 25%.  
Average or expected pay-out per $2 win ticket is $9.00

Formula; 
\[
((.25 \times 4.5) - (1-.25)) / 4.5
\]
\[
= (1.125 - .75) / .083 = 8.3%.
\]

To maximize your profits you would bet 8.3% of your bankroll.
There are a few significant hurdles in being able to use Kelly with horse racing. Kelly works best when you know the true edge and expected win percentage of your bet. In horse racing it’s impossible to know. There are too many variables to take into account. The most visible being the odds constantly changing even after the race goes off. Because of that the Kelly Formula has to be adjusted to reduce the risk you are exposed to.

Your goal should not to be perfect but to get as close to betting the right percentage of bankroll as possible based on what you have to work with.

*Step 2: Determine Your Maximum Pain Threshold*

Everyone has a different tolerance for risk. Some people are risk averse and some are risk takers. This is an ingrained trait that is very difficult to change.

A highly risk averse person tends to be conservative by nature. They are drawn to high percentage plays and will happily grind out steady profits with win or win/place bets. They have a low tolerance for losing streaks and often don’t take full advantage of the various bet options to increase their edge; they leave money on the table so to speak.

High risk takers find it difficult and boring to grind out profits. They get more excitement out of big wins and are drawn to high risk/high reward bets like the pick 4. A 50% loss in bankroll to a risk taker is just the cost of doing business. Risk takers have the opposite problem of the risk adverse person. They pass up obvious high percentage/low pay-out situations and have to be careful that they don’t play so aggressive that they eventually tap out at some point.

Most people fall towards the middle of the spectrum. Identifying your psychological make-up and the risk you are willing to take (maximum pain) is the next step in determining what level of Kelly to bet at.

*Maximum Pain Threshold*

The possibility of losing all your money is known as risk of ruin. The percentage that your bankroll declines from peak to trough or high to low is known as the drawdown. For example; if your bankroll grows to $1,500 and then decreases to $750 before increasing again, your drawdown would be 50%.

Everyone has their own "maximum pain" level. That level is reached when the drawdown in your bankroll causes discomfort and prevents you from making good betting decisions. It’s very difficult for most people to handle
a 50% or more drawdown in their bankroll and still be able to make good decisions. You’ll have to determine where you comfort level is.

Here’s a chart that you can use to determine which percentage of Kelly to use depending on your maximum pain threshold. Looking at the chart below you have almost 0% chance of having a 50% or more drawdown in your bankroll at 1/4 to 1/5 of Kelly IF you are sure of your edge.

<table>
<thead>
<tr>
<th>Percent Kelly</th>
<th>Risk of Ruin</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>13.53%</td>
</tr>
<tr>
<td>1/2</td>
<td>1.83%</td>
</tr>
<tr>
<td>2/5</td>
<td>0.67%</td>
</tr>
<tr>
<td>3/10</td>
<td>0.13%</td>
</tr>
<tr>
<td>1/4</td>
<td>0.03%</td>
</tr>
<tr>
<td>1/5</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Because bettors always tend to overestimate their ability to make good decisions after losing money, I would suggest erring on the side of caution. Ideally you should bet at a level that allows you to sleep comfortably at night after a really bad run of luck.

**Step 3: Choose the Correct Percent of Kelly**

The foundation of any money management plan needs to include a safety net that allows you to survive the worst losing streak possible (plus some) with enough money left over to continue playing and take full advantage of your edge.

That’s why professionals use a percent of Kelly compared to full Kelly. Full Kelly takes on too much risk.

To help give you an idea of the fluctuations you could expect using full Kelly compared to a fraction of Kelly, I’ll run the Kelly Formula through one recent 200 race example that was profitable.

First we do the Full Kelly Formula for this sample.

\[
\frac{((WP \times W/L) - (1 - WP))}{(W/L)}
\]

Where:
WP is your win percent
W is your average win pay-out

Win Percent for Spot Play: 31%
Average win pay-out for each $2 bet = $6.20.

Win % = 31%
W/L = $6.20/2 = 3.1

\[0.31 \times 3.1 - (1 - 0.31) / 3.1\]
\[0.961 - 0.69\] / 3.1
= .0874 = 8.74% or 9% rounded up

1/4 Kelly = 9/4 or 2.25%
1/6 Kelly = 9/6 or 1/5%
1/10 Kelly = 9/10 or .9%

Let’s look at the results of the 200 race sample using full Kelly with a starting bankroll of $2,000. If you bet full Kelly the final bankroll was a disastrous $412 after wagering $18,656. You need to take into account the amount wagered if you’re getting rebates or rewards. If you were getting a 4% rebate you made an additional $746 for a final bankroll of $1158.

Even with a profitable betting series, high win percentage, and rebates you still would have lost 1/2 of your initial bankroll using full Kelly. You can see what a crippling effect betting full Kelly can have if the sample has a couple losing streaks, even if the overall results are positive. If the sample played out different you could have won a lot more.

The results were much improved betting 1/4 Kelly. The ending bankroll was $2,216 for a profit of $126 on $9771 wagered. A 4% rebate on the $9771 bet would have added another $390 in profit. The maximum drawdown was just shy of a 25% drop in bankroll.

The results for 1/6 Kelly is as follows. The ending bankroll was $2166 for a profit of $166 on $6536 bet. A 4% rebate on the $6536 would have added another $261 in profit. The largest drawdown was approximately 14%.

From the above you can see the risk in using full Kelly. That’s why I suggest betting 1/4 to 1/10 of Kelly depending on your risk tolerance.

To give you another context, consider the level of risk professionals in related occupations are willing to accept. Professional Blackjack teams tend to use 1/3 Kelly as the optimal bet amount. Financial Traders and Hedge Fund Managers tend to use 1/6 to 1/10 of Kelly depending on their specialty.
Blackjack teams use a higher percentage of Kelly because they work with known percentages, 52 card decks. They can quickly calculate their approximate edge and they know how much they will win or lose based on their bet size.

Professionals who participate in the stock or future markets deal with more uncertainly and volatility. They don’t know how much they will win or lose on each trade and thus have to use a more conservative amount. If they don’t, they are very susceptible to over trading their bankroll and losing all their money.

Horse Racing is a little different. As a bettor you know what you will lose on each bet and have an idea of how much you will win, but you can only approximate your edge.

Therefore I would suggest starting with 1/4 or 1/6 of Kelly with 1/4 only for those that have a higher winning percentage and/or a lot of experience. If you’re very conservative or play a lot of longshots you may want to consider using 1/10 of Kelly.

In the end it’s up to each individual to decide how much risk they will take based on their results and personality.

Percent of Kelly and the Small Bankroll

The biggest complaint I hear from bettors when I suggest using as little as 1/4 or even 1/10 of Kelly is that it’s hard to make a lot of money with a small bankroll. I don’t have a good answer for that, other than you have to deal with reality.

One of the biggest bankroll killers for bettors is that they base their bets on what they want to win as opposed to how much risk they’re taking on.

Jim Cramer covers this in his book; Stay Mad For Life. In the book he lists 10 things that professional fund managers do right and amateurs do wrong. Number 8 on the list is that amateurs worry about how much money they’ll make and professionals are concerned about how much risk they’re taking. Here’s an excerpt from page 198 that will help reinforce the need to bet within your means in regards to the risk your taking. “Sure you’ll be limiting your upside, but I never stop; it’s the downside that we need to worry about because if we do, the upside will take care of itself. When I was running my hedge fund I was most worried, most frightened, when I was making huge money. Anybody can make a ton of money all at once by taking too much risk. There were people in 1999 to 2000 that were coining money daily, making more than they had ever dreamed. You
never hear about them anymore, though….they’ve been blown out of the
game”.

This happens in horse racing all the time too. Bettors don’t respect their
bankroll and lose it all through loose betting. I suggest betting the proper
amount in the beginning and if you’re any good, your bankroll will grow
faster than you realize.

Using Historical Betting Records to Determine Percent of Kelly

Most people use their past betting records or expected win percentage to
determine what their starting bet amount should be. I highly caution
against using just your historical betting records or expected win
percentage without an extra buffer.

Use the current financial crisis as a learning experience. Because many
financial managers based their risk on historical results, they didn’t know
how to react to the “new” financial landscape until it was too late. As Jerry
Webman, chief economist at Oppenheimer Funds Inc said. “People
couldn’t get a grasp because there were not obvious historical
precedents”.

Horseplayers can also fail if they base all their decisions on historical
betting records without accounting for situations without historical
precedent… i.e. “the losing streak from hell”. Always take into
consideration worst case scenarios and bet a little less than what your
betting records say to. If you put good risk controls in place you have
protection against worst case scenarios.

Another reason why it’s good to start at a conservative level is because
successful handicapping approaches tend to get noticed and attract
bettors. If you test a system it will almost always underperform historical
averages going forward.

This has happened to a few vendors that have made their data public. The
data was profitable when it first came out, but the profitability soon
disappeared once it became public.

Step 4: Adjust Your Bet Size by Odds and Edge

To properly use the Kelly Formula you have to figure out your expected
win rate and edge for every horse you bet, run it through the Kelly Formula
and bet the suggested amount. If you don’t you can severely over bet your
bankroll exposing yourself to nasty losses or under bet your bankroll and
not win nearly as much as you should.
A Simpler Way

This constant adjustment to bet size is one of the biggest constraints to using Kelly. It’s the main reason why most folks give up and just bet the same amount for all horses regardless of odds or edge.

Because I usually have to bet in advance I don’t use the correct Kelly percentage for each individual bet either. To deal with this limitation I came up with the idea of using a betting matrix and adjusting bet size by estimation. Then I rely on the averages to take care of the rest. It’s not perfect, but it still produces much better results than betting the same percentage of bankroll on each horse.

To help paint a picture and make it easier for you to understand, I’ll go over the process and end with a simple betting matrix to help guide you. I’ll use the following sample;

25% win rate.
Average pay-out per $2 win ticket was $9.00

Kelly Formula; 
\[(.25 \times 4.5) - (1-.25)\] / 4.5
= (1.125 - .75) / 4.5 = .083 = 8.3%

If you use your average win rate and pay-out you would bet 8% of your bankroll for each race according to Kelly. But let’s look at the implications of betting this way. What does Kelly tell you to bet if your edge stays the same and your horses odds are 10-1 instead?

Kelly Formula; 
\[(.10 \times 11.25) - (1-.10)\] / 11.25
= (1.125 - .9) / 11.25 = .02 = 2%

How about a 2-1 favorite with the same approximate edge;

Formula; 
\[(.5 \times 2.25) - (1-.5)\] / 2.25
= (1.125 - .5) / 2.25 = .277 = 28%

If you bet the suggested 8% of your bankroll based on your averages on a 10-1 odds horse you are severely over betting your bankroll. The 10-1 horse should only be bet at 2% of bankroll, not 8%. Conversely if you’re betting your 2-1 odds horse at 8% as opposed to the suggested 28%, you’re severely under betting the horse.

Not adjusting bet size based on odds and edge is one reason why most people lose more than they should or win less than they could when using a fixed bet percentage.
So how do you work around this if you’re a recreational player? The best option I’ve found for myself is to adjust my bet size based on the expected win odds and edge of the horse in relation to my historical average odds.

It’s not perfect but it’s helped improve my ROI and every little bit counts. If you keep improving incrementally, it really adds up over time.

I’ll go over all this in a little more detail and then you can decide if you’d like to use it. To start with I’ll present the betting matrix.

**Betting Decision Matrix**

<table>
<thead>
<tr>
<th>Lower Edge</th>
<th>Higher Edge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Odds</td>
<td>Bet same</td>
</tr>
<tr>
<td>Higher Odds</td>
<td>Bet less</td>
</tr>
<tr>
<td>Same Odds</td>
<td>Bet less</td>
</tr>
</tbody>
</table>

Basically you bet more when your edge is higher and the horses odds are approximately the same or lower than your average. You bet less when your edge is lower and the odds of the horse are approximately the same or higher than your average. The rest of the time you’re betting your base bet amount.

**Adjustments**

Now I’ll go into more detail on the suggested adjustments to make based on the Kelly Formula. If you don’t like math, don’t sweat this next section. The calculations are just to give you an idea of how to adjust your bet size. To help you determine the appropriate adjustments here are the Kelly percentage bets with the same edge for various odds.

**2-1 odds**
Formula: \( (\frac{.5 \times 2.25 - (1-.33)}{2.25}) \)
\( = \frac{1.125 - .66}{2.25} = .206 = 20.6\% \).

**5-2 Odds**
Formula: \( (\frac{.4 \times 2.8125 - (1-.4)}{2.8125}) \)
\( = \frac{1.125 - .6}{2.8125} = .186 = 18.6\% \).

**3-1 odds**
Formula: \( (\frac{.33 \times 3.375 - (1-.33)}{3.375}) \)
\( = \frac{1.125 - .66}{3.375} = .134 + 13.4\% \).
4-1 odds
Formula: \((.25 \times 4.5) - (1-.25)\) / 4.5
\[= (1.125 - .75) / 4.5 = .08 = 8\%.

5-1 odds
Formula: \((.2 \times 5.625) - (1-.2)\) / 5.625
\[= (1.125 - .8) / 5.625 = .057 = 5.7\%.

6-1 odds
Formula: \((.167 \times 6.75) - (1-.167)\) / 6.75
\[= (1.125 - .833) / 6.75 = .043 = 4.3\%.

8-1 odds
Formula: \((.125 \times 9) - (1-.125)\) / 9
\[= (1.125 - .875) / 9 = .027 = 2.7\%

10-1 odds
Formula: \((.10 \times 11.25) - (1-.10)\) / 11.25
\[= (1.125 - .9) / 11.25 = .02 = 2\%

Overview of Kelly percentage using different odds with the same edge:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2-1</td>
<td>20.6%</td>
<td>5/2</td>
</tr>
<tr>
<td>4-1</td>
<td>8%</td>
<td>5-1</td>
</tr>
<tr>
<td>8-1</td>
<td>2.7%</td>
<td>10-1</td>
</tr>
</tbody>
</table>

You can use this as a guide to adjust your bet size according to average win odds. As you can see it’s not perfect but there’s a 2-1 to 3-1 ratio when you double or halve the odds. It’s a decent approximation to go by to help simplify things and make it usable for most horse racing fans.

Now let’s look at what happens when you have the same odds but a different edge in your bet.

4-1 odds
Formula: \((.25 \times 4.5) - (1-.25)\) / 4.5
\[= (1.125 - .75) / 4.5 = .08 = 8\%.

4-1 odds 10% increase in edge
Formula: \((.25 \times 4.95) - (1-.25)\) / 4.95
\[= (1.2375 - .75) / 4.95 = .098 = 9.8\%.

4-1 odds 20% increase in edge
Formula: \((.25 \times 5.4) - (1-.25)\) / 5.4
\[= (1.35 - .75) / 5.4 = .1166 = 11.11\%.
4-1 odds 30% increase in edge
Formula: \(((.25 * 5.85) - (1-.25)) / 5.85\)
= \((1.4625 - .75) / 5.85 = .1217 = 12.17\%\).

4-1 odds 50% increase in edge
Formula: \(((.25 * 6.75) - (1-.25)) / 6.75\)
= \((1.6875 - .75) / 6.75 = .1388 = 13.88\%\).

As you can see, the higher your edge the more the Kelly Formula has you betting.

Again it’s very hard to be too precise because of odds changes and the fact that you’re only approximating the edge you have in each bet. For those reasons I wouldn’t worry about pinpoint accuracy unless you have the resources available. Just try to improve on betting the same amount on each horse.

**Step 5: Don’t Quit On a Valid Handicapping Approach During A Losing Streak**

The law of large numbers states that the more bets you make, the closer your overall results will be to your average results.

The more out of whack the results are, the more they have to adjust to get back to their averages. So if you go through a normal losing streak and stop betting, you’ll miss out when the percentages start working in your favor and your method goes on a hot streak. Conversely if you bet too much when you’re on a winning streak, you’ll give most of it back when you start losing and your win percent regresses to your expected win rate.

You’ll lose your ass if you start betting too much when things are at their highest and get out when they’re at their lowest. Don’t give up just because your method is in the midst of a losing streak. And when it starts turning around, it’s a good time to bet more aggressively.

**My Caveat**

I have one caveat to add to this step. If you are making bad decisions, continuing to bet during a losing streak can compound your losses. You can only continue to bet if you are still making good wagering decisions but are simply going through a losing streak and catching some tough breaks.

If you’re making bad decisions and passing on horses you should be betting, betting on horses you shouldn’t or betting too much trying to play
catch up, take a short break. You'll compound your mistakes and losses if you continue betting when you're not in the right frame of mind.

**Step 6: Keep some of the profits along the way**

Many professional horse race bettors and investors (not math majors) have learned on their own to take money off the table after a really big win or an especially strong winning streak.

If you get too overconfident during a winning streak and over bet your bankroll by increasing your bet size too fast, you'll end up giving back most or all of your profits plus some when the corresponding losing streak comes along.

Winning streaks only last so long. I know some of my worst losing streaks have come after my biggest wins and vice versa. It's essential to take profits after a big win at long odds and on large jumps in your bankroll for all the reasons I've given.

I'll go back one last time to Jim Cramers book *Stay Mad For Life*. In rule #8 he talks about taking profits along the way. Quoting from page 199; “Almost every time after I took money off the table after I had been making too much money, I was able to avoid a real debacle. It never cost me any money when I did that. The secret to great professional money management is to get out before you blow yourself up. If you are killing the averages, making much more money than you ever dreamed, you are doing something very wrong. You are setting yourself up for a huge fall. Go take something off, and as my mother always said after a particularly productive day at the ponies or the casino, "Go buy yourself a nice sweater!" Or put it in some stocks with higher yields that will not swing so much. You will sleep better and make more money.”

The doing something wrong part refers to taking on too much risk to get those great returns. It does not refer to making bad decisions. In horse racing taking on too much risk is akin to over betting your bankroll.

The killer winning streaks never last. If your average win rate is 20% and you’ve been winning at twice that rate, eventually you’ll have a losing streak that will get you back to your average.

So after making a killing or going on a great winning streak, it’s important to protect your profits and take some money off the table because profitability and losing tend to run in cycles. Winning streaks and losing streaks are rarely linear. You never know when they’re going to start and when they’re going to end.
Take A Break

In reality, you never know when the best time to take a break is. I’ve given general guidelines. Take a break when:

1) You are forcing bets and making bad decisions or

2) You’ve just had a hot winning streak well above average, you’re starting to lose and you just don’t “feel” it anymore.

Some people have a very good feel for betting. They know when they’re on a hot streak and will bet very aggressively during this time. Then when they cool off they’ll scale their bets back. If you have a good feel for it, don’t be afraid to play to your strengths and adjust your bets accordingly.
Flat Betting

A Short-Cut Betting Plan for the Average Player
And Those That Bet in advance

If you don’t want to be at the track for 5-8 hours every day or stay glued to a computer monitor all day long, betting as a percentage of bankroll on each race is not an option.

If you want to have a life outside of horse racing there’s a modified approach you can use based on all the principles I’ve already outlined. It’s not optimal like Kelly, but it can really improve your results.

I’ve tried other methods that had me adding or subtracting a certain amount to my bets depending on where my bankroll was at the end of the day. The problem I found with that approach was that if I didn’t set the percentages right I could turn a winning bankroll into a losing one if I wasn’t careful. I wasn’t about to accept that risk, it’s hard enough to win at this game as it is.

So here’s what I came up with. It’s been helpful to others so I’m sharing it here.

Step 1: Determine your average win percentage.

Step 2: Determine the maximum drawdown in bankroll that you can endure given your personality and your goals.

Step 3: Re-invest your profits at a steady rate.

Step 4: Bet more when your chances of winning or your edge is higher than normal. Bet less when the odds are higher or your edge is less than normal.

Step 5. Take some profits out of your bankroll after a really big win or a longer than normal winning streak.

Step 6: If you play a lot of tracks and bet in advance never risk more than 25-50% of your bankroll in any one day.
Let’s put it all together.

Step 1: Determine your average win percentage

The first thing you have to know is what your approximate long term winning percentage is. In this example I’ll stay with the 31% I used earlier in the book.

Step 2: Determine your maximum drawdown in bankroll

If you consistently over bet your bankroll you’ll eventually lose it all at some point unless you’re incredibly lucky.

Below is a table that provides you with the longest probable losing streak you can theoretically expect based on your average win rate. It doesn’t mean that you won’t have a longer losing streak or that you won’t hit another losing streak right after.

Here are the results for various win percentages over 10,000 plays.

<table>
<thead>
<tr>
<th>Sample Size</th>
<th>Win Rate</th>
<th>Longest Probable Losing Streak</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,000</td>
<td>10%</td>
<td>87</td>
</tr>
<tr>
<td>10,000</td>
<td>15%</td>
<td>57</td>
</tr>
<tr>
<td>10,000</td>
<td>20%</td>
<td>41</td>
</tr>
<tr>
<td>10,000</td>
<td>25%</td>
<td>32</td>
</tr>
<tr>
<td>10,000</td>
<td>33%</td>
<td>23</td>
</tr>
<tr>
<td>10,000</td>
<td>50%</td>
<td>13</td>
</tr>
<tr>
<td>10,000</td>
<td>60%</td>
<td>10</td>
</tr>
</tbody>
</table>

If your win rate is 33% percent the table shows the longest probable losing streak to be 29 over 10,000 bets. Therefore you use 1/29th of your bankroll as the starting point for figuring out your base bet. From experience I believe this to be on the high side but we’ll stick to the math in this example.

Now let’s figure out how much you should bet as a flat percentage of bankroll depending on your personality. Let’s say you are a risk taker and you’d still be comfortable and able to make good decisions after losing 50% of your money.

You take your expected 29 race losing streak and double it which is 58. Now if you lost 29 races in a row you’ve only lost 50% of your bankroll. If your starting bankroll was $2,000 you’d only be betting 1.7% (1/58) of it or $34 to start. This is a LOT less than what most people would start betting
with a $2,000 bankroll and a 33% win percentage. But then again it’s estimated by some that only 1% of horseplayers make money today.

Most professionals bet a smaller percentage of bankroll than the average player. As I’ve mentioned, professionals are more concerned with the risk side than the growth side. They know that if they manage risk, re-investing profits will take care of the growth side if their bets carry a positive expectation.

I find that the approach I’ve just described is similar to using 1/4 Kelly.

Step 3: Re-invest profits

The key to growing a bankroll is reinvesting profits. The more profits you keep adding into your bankroll, the faster your bankroll will grow in the long term. It’s the power of compounded growth and why percentage of bankroll methods provide more profits than flat betting over time.

At the end of each day take your total bankroll and multiply it by the percentage that you figured out in step 2. In this example you take your bankroll at the end of the day and multiply it by 1.7% (1/58) to figure out your base bet for the next day. Never go below your initial bet size though.

Re-calculating at the end of the day as opposed to after every race is an easier way for most recreational bettors to achieve a higher return than flat betting.

This step has you re-investing your winnings and takes advantage of compounded growth to maximize your returns.

Step 4: Use the Betting Matrix to adjust your base bet size.

The goal of this step is to decrease risk and incrementally improve your betting returns. A small improvement on each wager adds up to large amounts of money over time.

I use a very simplistic approach when adjusting my bet size. Due to family and other commitments, the majority of my bets are placed well in advance of post time. Based on past experience I know I can do much better tracking live play but there’s a trade-off in doing it that way.

Therefore I’ve settled for using a rough estimation of expected final odds. I adjust my bets upwards or downwards based on those estimations and
how much of an overlay (my edge) I expect the horse to be. Here’s the betting matrix that I use as the foundation.

**Betting Decision Matrix**

<table>
<thead>
<tr>
<th>Lower Edge</th>
<th>Higher Edge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Odds</td>
<td>Bet same</td>
</tr>
<tr>
<td>Higher Odds</td>
<td>Bet less</td>
</tr>
<tr>
<td>Same Odds</td>
<td>Bet less</td>
</tr>
</tbody>
</table>

I increase my bets in those situations where my chances of winning are greater than average and my edge is greater than normal. I bet less when my horse is going off at higher odds than normal and has a lower edge (lower overlay) than normal.

Keeping it simple I adjust my bet upwards or downwards about 50% for each 100% difference in odds I can expect compared to my average. I don’t adjust as much as Kelly would suggest all the time. This is a hobby for me and not a job so I keep it relatively simple and fun.

Here’s an example. If your average win odds were 5-1 and your base bet was $20 you would bet about $15 to win if you expected the horse to be around 10-1 odds and about $10 at around 20-1 odds. If the horse was expected to be 3-1 or 5/2 odds you would bet about $25-$30 depending on what you thought your edge was.

These are very, very rough estimations with an added buffer because you don’t know what the final odds will be. If you want to improve your results further I would suggest creating a chart ahead of time that lists odds ranges based on your historical win rate and edge using the Kelly Formula. Then adjust your bet amounts according to your chart.

If you get nothing else out of this section remember this. As the odds on your horse go higher compared to your average win odds; bet progressively less than your base bet. Although most of your profits may come from the longer odds horses, the losing streaks are also longer and you don’t want to over bet your bankroll.

**Step 5:** Take profits out of your bankroll after a really big win or a longer than normal winning streak.
I’m a firm believer that winning and losing occurs in cycles. If you’ve been playing really well and you start to cool off, take some profits and set them aside. Then start over with a new bankroll.

I don’t have any hard and fast rules but a decent rule of thumb is to set aside half your profits after any big hit or anytime you’ve come close to or have doubled your bankroll and then start losing.

Step 6: If you play a lot of tracks and bet in advance, never risk more than 25-50% of your bankroll in any one day.

I haven’t gotten to the point yet where I’m betting 10-12 tracks and placing 40 or more win bets in one day, some people do. If you find yourself betting that many races I certainly wouldn’t recommend betting more than 50% of your bankroll in any one day. That way if something bad happened technologically or all your bets lost you’d live to see another day.

If you are betting that many races in a day you can afford to start smaller anyway. You’re churning so much through the betting windows everyday that your bankroll will grow at an extremely fast rate, even with small bets if you have an advantage.
Odds And Ends

If you don’t have a big bankroll to start with it’s hard to balance the desire to win a lot of money with the discipline of not over betting your bankroll.

What ends up happening for most horseplayers is that desire wins out and they over bet their bankroll going after the big wins. That invariably leads to remorse and guilt when their bankrolls consistently get wiped out.

If you have a small bankroll to start with there are two things you can do. The first is to bet more aggressively in the beginning by betting a higher amount than is prudent, perhaps 1/3 of Kelly as opposed to 1/4 for example. Luck can play a big role when you first start out. If you hit a nice winning streak in the beginning and get off to a fast start you may never look back.

You can quickly build up your bankroll and then throttle it down a bit and start betting the proper amount. It’s better to be more aggressive in the beginning with a small bankroll than it is later with a large bankroll. If you lose a small bankroll it’s easier to start saving again to build a new one and start over.

Before you decide to take this option though, think about the following. Many people make the mistake of burning through many small bankrolls because it’s only x amount of money and they can afford to lose it. Over time those little lost bankrolls add up to a nice big bankroll. If you lose $1,000-$2,000 a year due to over betting your bankroll you would have lost $5,000-$10,000 after 5 years. That’s a nice starting bankroll.

That leads us to the second option, accept reality and bet small. If you’re disciplined and have a decent edge, your bankroll can grow very rapidly and you’ll be betting bigger amounts sooner than you realize.

For example; let’s say you follow proper management and don’t over bet your bankroll. The first year you start with a $1,000 and make $10-$20 win bets. The second and third year you add another $1,000 to your bankroll. By the 3rd year you’d be betting a $3,000 bankroll (plus or minus depending on wins/losses). Your $10-$20 win bets have turned into $30-$60 win bets; even more if you’ve been winning. You would find your bet sizes growing very quickly as opposed to starting over every year.

Overall it’s better to start by betting smaller and letting your bankroll gradually grow as opposed to over betting hoping to get lucky and having to start over every time.
Taking it to the next level

Here’s some additional information that will be helpful to those who bet with a large bankroll or who want to maximize returns.

If you’re betting large enough you will eventually face the problem of negatively affecting the odds of your horses and thus your potential winnings, particularly at small tracks.

If your horse has approximately a 20% chance of winning you don’t want your $500 bet knocking the odds down from 8-1 to 5-1 making your bet unprofitable. But you want to bet to maximize the amount of money you can win.

Here’s a crude illustration to show you what I mean. Because the horse has a 20% chance to win, we’ll look at the results over 5 races to get an average.

<table>
<thead>
<tr>
<th>Bet</th>
<th>Odds</th>
<th>Total 5 races</th>
<th>Return</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200</td>
<td>8-1</td>
<td>$1,000</td>
<td>$1800</td>
<td>$800</td>
</tr>
<tr>
<td>$300</td>
<td>7-1</td>
<td>$1,500</td>
<td>$2400</td>
<td>$900</td>
</tr>
<tr>
<td>$500</td>
<td>5-1</td>
<td>$2500</td>
<td>$3000</td>
<td>$500</td>
</tr>
<tr>
<td>$800</td>
<td>4-1</td>
<td>$4,000</td>
<td>$4,000</td>
<td>$0</td>
</tr>
</tbody>
</table>

Although the highest return on investment occurs at 8-1 odds, the most profitable bet is made at 7-1 odds. Remember that your goal should not be to maximize your return on investment; it should be to make as much money as you can.

If you get to the point where your bets are affecting your horses odds, you should have a general idea in your head of where your maximum point of profitability is. Or have someone write a program that will do it for you. Depending on the track you’re playing and the day of the week the numbers will vary.

Know Your Strengths

Remember the 80/20 rule? It states that 80 percent of your results come from 20% of your efforts. The same applies to horse racing. If you look at your betting records you will tend to find that the majority of your profits come from certain bet types; whether it’s exactas, win betting or pick 4’s.

Every professional I learned from understood this and specialized in one bet type. They honed their craft and maximized their profits leveraging
their specialty. If they needed to expand their horizons they took that bet type and applied it to other tracks.

I would suggest taking the same approach as the professionals. Focus all of your initial handicapping time and energy on your most profitable races and bet types.

Then if you have the time and energy, go back to the remaining races and look for profitable situations to use other bet types. You will see a large jump in your results if you focus all your efforts on what you do best when you’re the sharpest.

Another Option

Another excellent option is to partner up with someone who specializes in races and/or bets you don’t do well in. You can pool your expertise together and have a big edge over other players.

One area where this is relatively easy to do is the inter-race exotic bets like the pick 4 and pick 6. With these bets you have to bet into races you may have little understanding of and/or do very poorly in. For example; you may be good at dirt races but not at turf, excel at handicapping sprint races but stink at route races. Maybe you understand the form cycles of older experienced runners and can’t predict the improvement that young 2 or 3 year old horses experience. All these obstacles and a very high take-out make it difficult for most people to profit playing these types of bets. By partnering up with a person or two that excels in races or bet types that you do poorly in, you leverage each other’s expertise and can win more money.
Conclusion

Money Management and bet structure always seem to take a back seat to handicapping. Handicapping is the sexiest and the most fun of the two to talk about. You can easily have a two hour conversation with someone about handicapping and how to dope out the winners for the day. But if you start talking about risk management and proper bet sizing, you'll be lucky to get a 5 minute conversation.

But its money management and bet structure that will ultimately determine how successful you are betting on the ponies and much money you can win. It’s a beautiful thing when you finally understand the power of it.

I’ve taken what I’ve been taught, added to it based on my experience and have shared it in this book. The whole goal of this book has been to help improve your betting habits and to increase your profits or decrease your losses. At the very least I hope I have given you some ideas on how to hit some nice scores on a modest bankroll through exotic bets.

If my book puts more money in your pocket I’ll be a happy man and consider this unexpected endeavor a success.

Horseplayer Support

If you care at all about getting a fair shake at the betting windows, please consider joining the horseplayers association of North America (H.A.N.A). Membership is free but donations are accepted.

http://www.horseplayersassociation.org/

H.A.N.A is doing some great things for horse racing fans everywhere. It’s time horseplayers had a voice. Other than being a member I have no association with H.A.N.A

Warning; Be responsible and never gamble your rent or food money. Only gamble what you can afford to lose as entertainment money. This book provides no guarantee that my suggestions will do better than another over time.