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**“Hedging Your Bets”**

The concept of "hedging your bets" is certainly one of the oldest betting strategies in horse racing. When used properly, it is, in our view, one of the most powerful tools horse players have to play the races profitably. However, it is also one of the least understood concepts and, consequently, one of the most neglected and underutilized. In this article, we are going to shed some light on hedging by looking at the multitude of ways this general concept can be used to help make money at the track.

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**What Is Hedging All About?**

At the most fundamental level, a hedge bet is generally considered to be an "insurance wager", sometimes referred to as a "saver bet". Perhaps the most frequently used and best examples of hedge wagering are multi-race wagers such as Pick 3s and Pick 4s. Let's say you have a \$1 Pick 4 ticket that has a total cost of \$72 and that your selections won the first three legs of the four race wager. Now suppose you have two horses in the final leg of the Pick 4. However, there is a third horse in the final leg that worries you a lot, a horse you left out of the wager in order to keep the cost down. When you look at the "will pays" you see that if one of your picks wins the final leg, your payoff will be \$600. If your other pick wins, the payoff will be \$840. If the worrisome horse you left out actually wins the race, your payoff will be zero. Now, let's say the worrisome horse is going off at odds of 6 to 1 meaning it will pay \$14 to win for a \$2 bet. One way to hedge your active Pick 4 wager would be to bet \$20 on the worrisome horse to win the final leg. Now, if your first or second pick wins, you are

paid \$600 or \$840 respectively as described above. But, if your worrisome horse comes in, you will now be paid \$140 instead of zero.

This is a pretty straightforward example of a "saver" hedge wager. Let's widen our thinking now to explore the multitude of ways the concept of hedging our bets can help us "turn a profit" at the track. Have you ever said or heard another horse player say something like "I had that horse in the show position, but not in the place position." or "I had that horse under, but not on top." or "If I had added that horse, it would have made the wager too expensive." or "I found that long shot, but didn't make a dime on it"? Good hedge wagering strategies can make many of these "woulda", "coulda", "shoulda" laments a thing of the past.

### Three Hedging Considerations

Before we look at specific types of hedge wagers, we thought it would be helpful to review three things that will influence your handicapping process and final wagering decisions. These three considerations are:

1. The Timing of the Wager
2. Hedge Oriented Handicapping
3. "Saver" versus "Prime" Hedge Wagering Objectives

We are going to look at these considerations in reverse order.

#### *"Saver" versus "Prime" Wager Objective*

A "saver" hedge wager is basically an insurance wager. You still want your prime wager to work because it is the wager aimed at making a nice profit. The objective of the "saver" hedge wager is to at least get back the costs of the prime and hedge wagers in case the prime wager does not work. The example discussed earlier regarding the final leg of an active Pick 4 ticket is a "saver" hedge wager. In the example, your preference is obviously to win the Pick 4 with payoffs of \$600 or \$850. If the Pick 4 does not work, you want the winning horse to be the horse in your "saver" hedge wager where you would collect at least \$140.

On the other hand, your hedge wagers can actually be part of your "Prime" wagers. In this case, you generally bet amounts on each part of the wager such that you will win approximately the same amount of money regardless of which of your individual wagers actually wins. For example, let's say you make a two horse win wager with one of your horses going off at 4 to 1 and the other going off at 6 to 1. The 4 -1 horse will

pay \$10 to win for a \$2 wager and the 6-1 horse will pay \$14 to win. In this case you might wager \$20 on the 4-1 horse and \$14 on the 6-1 horse to win \$100 if the 4-1 horse wins and \$98 if the 6-1 horse wins. This is called "dutching" the wager. These "dutching" prime hedge wagers always work best when you have a good idea of the potential payoffs so you can determine the amount to wager on each of the potential outcomes. This makes these wager strategies particularly well suited for Win, Exacta and Daily Double wagers.

### *Hedge Oriented Handicapping*

Your normal handicapping process should get you to the point of what you think will be the primary outcome of the race. For example, you may think the Exacta will be Horse A as the winner and Horse B as the place horse. This would be your primary Exacta wager. Now comes the hedge oriented handicapping part. There are two issues:

1. First, how confident are you that the A/B Exacta will be the outcome?
2. Second, what are the most likely scenarios if the A/B Exacta does not come in?

You may determine that if Horse "A" does not win, it would more than likely get beat by Horse "B". You may also determine that Horse "C" may be able to beat Horse "A" or Horse "B" but not both of them. In this case you would want Horse "C" only in the place position. In this scenario, you would play the following four Exacta combinations:

A/B      B/A      A/C      B/C

The next step you would then take is to determine if all four of these combinations are part of your prime wager, in which case you would "Dutch" the wager by betting an amount on each combination that would yield approximately the same payoff. Or, you could decide that the A/B and B/A combinations are your primary wagers and that the A/C and B/C combinations are "saver" hedge bets. In this case you would wager just enough on the A/C and B/C combinations to get back the overall total cost of the wagers.

### *Timing of the Wager*

It is always best to have a good handle on the probable payoffs associated with the prime and hedge wager(s) you are working on and to do so pretty close to post time so the payoff figures hold up. So, leave yourself enough time to look at payoffs that apply such as win odds and probable payoffs for Exacta and Daily Double combinations. If you are considering hedging the final leg of an active Pick 3 or Pick 4 wager, you will want to look at the "will pay" figures for the final leg horses. In any event, you will want

to make sure you allow enough time to complete your prime handicapping, your hedge handicapping and to structure your prime and hedge wagers. These efforts do take thought and time.

## The Best Hedging Opportunities

At this point, we are ready to look at some very specific ways to use hedging to play the horses and make a profit doing so. In the balance of this article, we are going to look specifically at the following:

- Hedging Win Wagers
- Hedging Exacta Wagers
- Using Exactas to Hedge Trifecta and Superfecta Wagers
- Using Doubles to Hedge Pick 3s and Pick 4s
- Hedging Final Legs of Multi-Race Wagers

### *Hedging Win Wagers*

There are two ways to hedge win wagers that we have found to be particularly effective. One is to make a two horse win wager and "dutch" the amount bet on each ticket so regardless of which horse wins, the payoffs will be similar. Earlier, we showed a 2 horse win wager where we bet \$20 on a 4 to 1 horse and \$14 on a 6 to 1 horse which would generate \$100 or \$98 payoffs respectively.

The second way we have found to be effective is a wager we call the Win/Insurance Wager. **We introduced this concept in ALL-Ways Newsletter #40.** This calls for a betting ratio of \$2 on the horse to win, \$4 on the horse to place and \$12 on the horse to show. Assume the win, place and show payoffs were \$10.20, \$5.30 and \$4.00 respectively. If the horse wins the total payoffs would be \$44.80. If the horse places, the total payoffs would be \$34.60. If the horse shows, the payoff would be \$24, enough to get your \$18 wager cost back plus a small profit.

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## *Hedging Exacta Wagers*

The Exacta wager is one of the most frequently played wagers in horse racing and, in our opinion, presents some of the best opportunities for hedge handicapping and hedge wagering. There are a host of reasons why this is so:

- First, it is easy to get a handle on the probable Exacta payoffs.
- Second, the Exacta is considerably less complex to hedge than Trifectas and Superfectas. In fact, a little later on we are going to show how to hedge Trifectas and Superfecta wagers using Exactas as the hedge wager.
- Also, many players make inefficient 3, 4 and 5 horse Exacta box wagers. Good hedge handicapping and hedge wagering can help you avoid these "boxed" wagers.
- Still another reason is that Exactas lend themselves very nicely to using pace handicapping in selecting "prime" and "saver" combinations.
- Finally, Exactas are easy to "dutch".

Continuing with the example we showed earlier in the "Hedge Oriented Handicapping" section, here is a chart that shows how we might "dutch" the Exacta wager.

<b>Combo</b>	<b>A/B</b>	<b>B/A</b>	<b>A/C</b>	<b>B/C</b>
<b>\$2 Pays</b>	\$24	\$36	\$48	\$68
<b>Bet</b>	\$ 6	\$ 4	\$ 3	\$ 2
<b>Payoff</b>	\$72	\$72	\$72	\$68

In ALL-Ways Newsletter #50, we make the case that horse players should become "expert at something" and that the Exacta wager was a great place to start. When you add hedge strategies, Exactas become a reliable source of consistent profits.

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### *Using Exactas to Hedge Trifectas and Superfectas*

Playing straight Trifecta and Superfecta tickets, such as an A/B/C/D Superfecta, rarely work. And, playing Trifecta and Superfecta boxed wagers is generally a losing financial proposition. Trifecta and Superfecta wagers lend themselves to the benefits of hedge handicapping and hedge wagering. **Now, this may be the single most important concept we present in this article on hedge wagering: Consider using Exacta wagers as hedges for your Trifecta and Superfecta wagers.**

There are two good ways to approach this:

First, consider an Exacta hedge bet consisting of the win and place horses that are in your Trifecta and Superfecta wagers. This will help in situations where you lose the Trifecta because of a missing show horse or you lose a Superfecta because of a missing show and/or 4th place horse. Let's say you have a Superfecta wager that looks like this:

**AB/ABC/ABCDEF/ABCDEF**

A \$1 Superfecta like this would cost \$48. In this case, we would play an Exacta hedge wager of AB/ABC, with the wager amount determined by the probable Exacta payoffs. We would want to bet an amount that would net at least our \$48 Superfecta wager cost in the event the "D", "E" and "F" horses did not come in 3rd or 4th.

Here is a second way. Let's say you have a horse or horses in the Trifecta show position or Superfecta show and/or 4th position that you are concerned may finish in the place position. But, if you add them to the place position, the Trifecta or Superfecta wager would be too expensive. This situation happens time and time again. In this case, consider adding the horse(s) in the place position of an Exacta hedge wager. In the example above, you could play an Exacta AB/DEF. You can do this relatively inexpensively in an Exacta and it can provide for a solid "saver" hedge bet. Think about this! You may not be willing to play the Superfecta with the "D", "E" and "F" horses in the place position because the cost of the wager would increase from \$48 to \$120. Using the AB/DEF Exacta "saver" hedge wager actually helps you make your prime Superfecta wager.

### *Using Doubles to Hedge Pick 3s/Pick 4s*

Here we have a situation similar to using Exactas to hedge the win and place positions in Trifectas and Superfectas as described above. More and more tracks now have rolling Daily Double wagers, meaning there is a Daily Double wager available in every race except the last race on the card. This situation lets us use the Daily Double as a

hedge against the first two legs of Pick 3s and Pick 4s. If you leave dangerous horses out of the first and/or second leg of a new Pick 3 or Pick 4 wager, most likely because of the increase in the cost of the ticket, consider including the horses in some combination as part of a Daily Double hedge wager. Once again, you can see the probable payoffs of all Daily Double combinations which makes it relatively easy to determine if the hedge wager makes sense.

### *Hedging Final Legs of Multi-Race Wagers*

We have now come "full circle". We actually used this wager earlier in this article as an example of a hedge bet in the section titled "What Is Hedging All About?"

### **Summary:**

Hopefully, this article has pointed out the many ways hedging can be used as an effective handicapping and wagering strategy. Our favorite is to use Exacta "saver" hedge wagers in support of our prime Trifecta and Superfecta wagers.

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