LEARN THEN TRADE

Risk Management Workbook

with the Trading Plan Template

Write your limits down before the market asks you to improvise.
Print it, fill it in by hand, and keep it where you can see it.

Educational material only. Not financial advice, and not a recommendation to trade.
Every figure in the worked examples is invented for teaching.

BEFORE YOU FILL ANYTHING IN

The one rule this workbook exists for

You decide how much you are willing to lose **before** you decide what to buy. Everything else in trading is a preference. This is the part that determines whether you are still here in a year.

Most people do it the other way round: they find something they like, buy an amount that feels right, and then work out where to put the stop so the loss feels tolerable. That sequence guarantees that the size is set by emotion and the risk limit is decorative.

How to use it

1. Print it. Fill it in by hand — slowly. Handwriting is slow enough that you have to think.
2. Answer every box, including the ones you would rather leave blank.
3. Keep page 7 beside your screen. That single page is the whole workbook compressed.
4. Review it monthly, and after any week that hurt.

Every number in the worked examples below is invented for teaching. They describe no real instrument, and nothing here is a recommendation to take any position.

What you will have at the end

- A maximum loss per trade, per day and per week, written as a number.
- A sizing method you can run in twenty seconds.
- A written answer to "what would have to happen for me to be wrong".
- A drawdown ladder that decides in advance what you do when it is going badly.
- A trading plan you can hand to someone else and have them follow.

WORKSHEET 1

Your risk limits

Three numbers. Write them in ink. They are not adjusted because a trade looks unusually good — that feeling is exactly the condition they exist to survive.

Account equity today

Currency | Amount

Use what is actually in the account now, not the high-water mark. Sizing off a balance you no longer have means risking a larger percentage than you think.

Maximum risk per trade

% of equity | In currency | Decided on (date)

Most written plans land between 0.25% and 1%. The right number for you is the one you can lose five times in a row without changing how you behave. Test it against that sentence, not against how ambitious it feels.

Maximum loss per day, and per week

Daily stop (currency) | Weekly stop (currency) | What I do when hit

A per-trade limit alone does not stop a bad day compounding into a bad month. Decide now what "hit" means in practice: close the platform, no new orders until tomorrow, write the review. Write that here, in the third box, in your own words.

The sentence that makes it real

Complete it. If you cannot finish the sentence honestly, the numbers above are wrong.

"If I lose my daily limit, I will …"

WORKSHEET 2

Position sizing

Size is not a decision. It is the output of three decisions you have already made: how much you will risk, where you enter, and where the idea is wrong.

The arithmetic

Step	Formula	Your number
1. Amount at risk	equity × risk % ÷ 100	
2. Risk per unit	| entry price – stop price |	
3. Position size	amount at risk ÷ risk per unit	
4. Notional exposure	position size × entry price	
5. Exposure vs equity	notional ÷ equity	

Step 5 is the one people skip. It is what tells you whether you are holding a normal position or a leveraged one, and the sizing formula will not warn you.

Worked example

Invented numbers, for teaching. This describes no real instrument.

	Wide stop	Tight stop
Account equity	$10,000	$10,000
Risk per trade	1% = $100	1% = $100
Entry	$50.00	$50.00
Stop	$45.00	$48.00
Risk per unit	$5.00	$2.00
Position size	20 units	50 units
Notional exposure	$1,000	$2,500
Money at risk	$100	$100

The stop moved 150% further away and the position shrank by 60%. The money at risk did not change. That is the whole point of the method: you never have to choose between a stop wide enough to survive noise and a position large enough to matter.

What the formula quietly assumes

- **The stop fills at the stop price.** Gaps and thin liquidity break this. Your realised loss can exceed the planned one.
- **Fees are zero.** They are not. The real loss is the stop loss plus the round trip.
- **This is your only position.** Correlated positions add up. Five 1% risks that move together are not 5 independent risks.
- **Equity is current.** Size off today’s balance, not last month’s.

WORKSHEET 3

Invalidation

A stop is not a safety net. It is the price at which you have agreed the idea was wrong. Those are different things, and the difference shows up in where you put it.

For the setup you trade most often, answer these

What has to be true for this idea to work? Write it as something observable, not as a feeling.

What single event or level would prove it wrong?

Is that level somewhere the market would actually have to reach, or somewhere convenient for my size?

If it is hit, what do I do next — stand down, reassess, or re-enter on a defined condition?

The test

Read your answer to the second question aloud. If it contains the word "probably", or a price you picked because the loss there felt acceptable, you have written a budget, not an invalidation. Go back and find the level.

WORKSHEET 4

The drawdown ladder

Decide now what you will do at each level, while nothing is happening. A rule written during a drawdown is written by the part of you that caused it.

Why the ladder is not symmetric

Drawdown	Gain needed to get back to even
–5%	+5.3%
–10%	+11.1%
–20%	+25.0%
–33%	+49.3%
–50%	+100.0%

Losses and recoveries are not mirror images, because the gain is calculated on the smaller balance that is left. This is arithmetic, not opinion, and it is the entire argument for keeping per-trade risk small.

Your ladder

At this drawdown	What I do	What I do not do
–5%		
–10%		
–20%		

A workable pattern: at –5% review the journal; at –10% halve the size; at –20% stop trading live entirely until a written review is finished. Yours can differ — but it has to be specific, and it has to be decided before you need it.

TEMPLATE

Trading plan

A plan someone else could follow without asking you a question. If a section is vague, it will be vague under pressure too — which is the only time it matters.

Markets and instruments

What you trade, and explicitly what you do not.

Sessions and timeframes

When you trade, when you review, and when the platform is closed.

Setup, written as testable conditions

Conditions someone else could check on a chart without your commentary.

Entry rules

What must be true at the moment of entry.

Invalidation and exits

Where the idea is wrong, and how you leave when it is right.

Risk limits

Per trade, per day, per week — copied from Worksheet 1.

What I will not do

The list that saves the most money. Be specific.

KEEP THIS PAGE BESIDE YOUR SCREEN

The one-page summary

My numbers	
Account equity	
Risk per trade	
Daily stop	
Weekly stop	
Maximum open risk at once	

Before every order

- ☐ **It is in my plan.**
- ☐ **I can name the level that proves me wrong.**
- ☐ **Size came from the arithmetic, not from the size I wanted.**
- ☐ **I have subtracted the cost of the round trip.**
- ☐ **I am not trading because of the last trade.**

A loss taken exactly as planned is a good trade. A win taken by breaking your own rules is a bad trade that happened to pay. Score the decision, not the result.

Free lessons, calculators and the journal template that pairs with this workbook: learnthentrade.com