

The risk plan on one page

THE RISK PLAN

A risk plan is one page of numbers chosen before trading: the risk fraction per trade, the sizing rule, the stop rule, a per-currency exposure cap, a rule for gap windows, and a loss threshold that pauses trading. Every number on it is the reader's to choose; what makes a chosen number defensible is arithmetic - the drawdown it permits and the ruin probability it implies - and a plan whose numbers have passed that test exists precisely so that no decision needs making mid-trade.

Eight lessons produced perhaps a dozen numbers and rules. This one puts them on a single page - and is clear about what it is: a template with the module's arithmetic attached. The numbers are yours. The test of whether they are defensible is not opinion, and it is the only part this lesson supplies.

What lines does the page contain?

Six. The risk fraction per trade, from lesson 1. The sizing rule that turns it into lots - lesson 2's chain, written as a formula, not a habit. The stop rule: how failure levels are set and what volatility yardstick guards them, from lesson 3. The per-currency exposure cap that closes lesson 5's trap. The gap-window rule from lesson 8: which windows you size for and which you are flat for. And a drawdown threshold at which trading pauses for review - a number lesson 6's curve prices and lesson 7's calculation tests.

Notice what the page does not contain: entries, pairs, targets, opinions about the market. Those belong to a strategy, which module 6 constructs. The risk plan is the container any strategy of yours must run inside.

How does a number earn its place?

By surviving two calculations run with your own inputs. First, the drawdown a plausible losing streak produces at your fraction - if that depth's recovery climb, from lesson 6, is one you would not stay in the game for, the fraction is too large, whatever it is. Second, the ruin probability your fraction implies against your measured win rate and payoff - and if you have no measured record yet, that fact itself sets the fraction's direction: an untested method is the least defensible place for a large one.

Run both tests and every number on your page has a reason attached that is arithmetic rather than adjective. That is the entire standard. What the number should be, this platform does not say - a percentage that passes both tests for your account, your record and your tolerance is defensible, and one that fails either is not, and both of those sentences hold whatever the percentage is.

Why one page, and why written?

Because the plan's use happens at the worst possible moments - mid-drawdown, mid-streak, mid-doubt - and an unwritten rule renegotiates itself exactly then. The page is short so it can be checked in seconds, written so it cannot drift, and finished before trading so that following it is the only decision left. Following it is a discipline, and discipline has its own module: module 7 owns what happens between you and this page. This module's work ends when the page exists and its numbers have passed their tests.

Worked example - figures in USD

Testing a plan's chosen numbers on a \$12,000 account: a measured 42% win rate at a 1.8 payoff, the plan's own risk fraction, and the drawdown its writer called intolerable.

1. A plan's numbers under test, with the writer's own inputs: a measured 42% win rate at 1.8 payoff - an edge of 0.176 - risking 1% per trade against a 40% intolerable-drawdown line.
2. The buffer those choices create: 40 units between the account and the line.
3. The verdict the plan's writer reads: a 0.0467% probability of ever breaching it. Whether that number is acceptable belongs to the writer; that it is known before trading is what makes the plan's fraction defensible rather than felt.

What this means for you

Write the page this week, before the next trade, with every line filled and both tests run on your own numbers. Where an input is missing - no measured win rate yet, no drawdown history - write the conservative placeholder your own reasoning defends and mark it for revision when the record exists. The page you write is the one module 7 will teach you to keep faith with, and the one every strategy you ever build must live inside.

Try it yourself with the trade-journal-stats calculator: <https://ticksprout.com/tools/trade-journal-stats>

Check your understanding

1. What makes a chosen risk fraction defensible?

- a. Matching what experienced traders use
- b. Passing two calculations run with your own inputs: a tolerable drawdown from plausible streaks, and an acceptable ruin probability
- c. Being below 1%

Answer: b. Defensibility is arithmetic attached to your account, record and tolerance - not conformity to anyone else's number, and not any specific threshold. A fraction that passes both tests is defensible whatever it is; one that fails either is not, however popular.

2. Which of these belongs on the risk plan's page?

- a. The pairs you trade and your preferred entries
- b. The per-currency exposure cap
- c. This month's profit target

Answer: b. The plan is the risk container: fraction, sizing rule, stop rule, exposure cap, gap rule, pause threshold. Entries and pairs belong to a strategy, which runs inside the container - and profit targets are forecasts, which belong to neither.

3. Why must the page be written before trading rather than held in mind?

- a. Unwritten rules renegotiate themselves at exactly the moments the plan exists for
- b. Brokers require documentation
- c. So it can be shared with other traders

Answer: a. The plan's use is mid-drawdown and mid-doubt, when a rule that lives in memory bends. Writing fixes it while you are calm and solvent. Nobody requires the document but you - and module 7 is about honouring it, not sharing it.