

Business Plan for Trading

Last updated August 22, 2009

A. Vision

Add your one sentence vision statement

B. Purpose

Add your own detailed list of why you are doing this. Don't worry about duplications, just write it down and edit them as time goes on. Here are some samples:

1. Have the time to enjoy life and not be restrained financially due to XXX's medical condition or by lack of time.
2. To replace my current job.
3. Eliminate business travel unless I want to go.
4. To allow myself the privilege to do the things I love and enjoy, projects and hobbies that make living fun, instead of jobs that I must do just to live.
5. To be in a position to help others achieve financial success by investing in them and their trading education.

C. Objectives and Goals

1. Achieve complete and total financial independence
2. Become completely debt free to include eliminating my mortgage as a first priority
3. Make sufficient monthly income to cover all major living expenses
4. Achieve annual income goals from trades as defined later in this document.
5. Control my time and enjoy life
6. Experience and live life. Pursue golfing with a passion
7. Help others in financial distress meaning to be generous by helping those that are sick, down on their luck, homeless etc.

D. Self Assessment

Ask yourself the following two questions. Be brutally honest with yourself. You are not trying to impress anybody.

1. What stopped me in the past and what am I doing about it?
 1. Not enough education about the market and how to trade and invest properly.
 - a. Bought Investools Master's and PhD courses.
 - b. Bought Optionetics course.
 - c. Obtained a personal mentor.
 - d. Joined several user groups.
 2. Not enough time left because of home projects and XXX's requirements.
 - a. Work more at home using my new home office.
 - b. Look for in-home caregivers
 3. Too much time spent working on my employers' issues when it really wasn't required.
 - a. Stop working so hard and start studying options.
 4. There was no real need for additional money.
2. What is different now?
 1. Engineering projects are minimal now due to overall economic downturn.
 2. XXX is requiring more attention at home.
 3. Expenses, especially medical, have increased significantly.
 4. Job security at my employer has disappeared for the first time in my 40+ year career. I recently went to part time regular (PTR) status.
 5. Income has diminished significantly thus requiring additional sources. (trading)

6. I have started to hate business travel.

E. Educational Goals

Ask yourself what you need to do so that you will really, really understand the trading world.

1. Start my own investing program and treat it as a business venture. **Done**
2. Study 2-4 hours a day, every day, and learn to be an active market trader/investor. **Done and on-going.**
3. Focus on options trading after learning the basics of stocks. **Done**
4. Obtain personal coach and trade his methods in a separate account. **Done**
5. Start my own Investools User Group in north county San Diego to “force educate” myself and help others at the same time. **Done**
6. Be part of a Master Mind Group by mid 2009.
 - 6.1. FX started but not completed (Dan, Mike, Wendy and Steve)
 - 6.2. Advanced Options using High probability trading techniques started in August. (Teresa, Nancy, and Dan) **Done and on-going.**
7. Attend other user group meetings in the local area **Done**
 - 7.1. San Diego user group at Kaiser **On going**
 - 7.2. Orange County user Group in Irvine **Intermittent**
8. Start PTA mentoring in December 2008 and complete it by April 2009. **(Stalled for now)**
9. Complete the Master’s Course by Aug 2008. **Done**
10. Complete FX Course in Oct 2008. **Done**
11. Complete PhD Course by Nov 2009. **Done early**
12. Complete the High Probability Trading on-line class and live class in Chicago by June 2009. **Done**
13. Enroll in Active Investor’s class in August 2009. **Done**
14. Start the basic Futures course by November 2009. **Enrolled but not started yet**
15. Continue Virtual Coaching thru March 2010. **On going**
16. Continue with Basic Options Capstones at least twice a week through March 2010. **On going**
17. Continue with Advanced Options Capstone twice a week through March 2010. **On going**

F. Business Plan Details

Income Strategies

I will develop an income strategy which will:

1. Replace 25% of my current salary by June 2009. **Done**
2. Replace 50% of my current salary by Dec 2009 so I can be comfortable on my PTR salary. **Almost there**
3. Replace 100% by July 2010.

General Trading Philosophy

1. **Educate myself.** Educate myself on each and every trading plan (system) before developing it as my own.
2. **Real money.** No real money trades are taken until a trade system is created, back-tested and a clear trading plan is in a written format. Real money can only be used if a written trading plan is in hand.
3. **Trade the Plan.** No matter what the situation trade only what the plan allows, do not deviate or change in the middle of a trade. I would rather a trade go wrong showing a plan’s weakness allowing me to review and alter the plan in a less stressful situation than change a plan mid-stream ultimately weakening the system.
4. **Celebrate my losses.** Use losses as an opportunity to find weaknesses in a trading plan. You must take risks in order to trade. If I am not willing to lose what has been determined by my plan’s money management as an acceptable risk then I must stop trading until I can determine what in my psychology has changed. Scared money will always lose.

5. **Single trades.** No Single Trade Should Have an Effect on My Capital. I will follow correct money management and position sizing at all times. I will never adjust my trade size based upon any decision other than my money management rules for each system. I found this out the hard way.

General Rules for Discipline

1. Prepare a Daily Plan Before the Market Opens and Follow It.
 - 1.1. If intra-day trading, complete my daily prep sheet before the market opens. If I am not prepared to trade I cannot trade.
 - 1.2. If swing trading, complete my weekly prep sheet before the market opens for the week.
2. Review Each System's Performance Monthly. Evaluate and revise goals as necessary.
3. Patience, Patience, Patience and then more Patience. The market will show its hand if you are patient. Wait for the trade to be compelling vs. feeling compelled to trade. When I feel I must be in a trade I will stop trading. Wait for good reasonable entries as defined by the trading system. Do not chase a trade.

G. General Money Management

Initial Money Management Rules (here are some samples....)

1. Trade only the number of contracts/shares so that I cannot lose more than X% from any one trade based upon the required stop loss for that trade.
2. Set a target profit for each day of X% of capital employed each day if intraday trading. Once I hit that target I am done for the day when intraday trading.
3. If intraday trading, I will stop intraday trading if I lose XX% of my daily profit. This is my daily stop loss barrier. In other words, if I hit my daily stop loss I will stop for the day and not take any more trades until the next business day.

H. Record Keeping, Feedback and Improvement

1. Every Trading Day

Before market opens ask the following two questions before I turn on my computer:

1. Did I get a good night's rest last night?
2. Am I tired, feeling sick, angry or depressed?

If any of the above applies to me, I turn off my machine, and take the day off. Sounds silly but it works. I learned the hard way.

Do my pre-market preparation myself, completely. Don't rely on anyone else, ever – I am the master of my own destiny, and I need to believe in myself completely. There is nothing wrong with checking my planning with someone else, but I need to take responsibility for my business.

- Follow my written trading plans.
- Plan my day, identify key areas of support and resistance for the day that will give an indication of the days trend, where I will look to sell, buy, exit if long or short and when I will stop trading based on my daily \$ loss amount.
- Know exactly how many contracts/shares I can trade, and enter that number in the trade sheet.

After market opens

- Follow my written trading plans.
- Enter the market at my price, never at the "computer" price.

2. **After trading for the day**

- Record all trades in trade log.
- If profitable, leave my desk and enjoy the rest of the day by doing something that is a small reward.

3. **Every Month End**

- Calculate monthly profit/loss, and update accounting system.
- Pay bills, rent, living expenses and trading expenses.

- Estimate potential tax liability on profits.
- Set this amount aside, in a separate bank account, and leave it there.
- Update this amount each month, either reducing or increasing as needed.

I. Equipment and Backup Protocols

I will take the following actions because a real business would do these.

1. Purchase a second computer. **Done**
2. Back up my files on my computer weekly using an external hard drive. **On going**
3. Establish a plan of action if the following occurs:
 - My internet connection fails and I must adjust a trade. **Done**
 - What phone numbers do I call to manually execute a trade? **Done**

J. Develop Trading Plans

I will not trade with real money until a written trading plan has been developed AND it is supported by detailed notes from research and study I have done. I will develop the following list of complete Trading Plans with detailed notes to support them:

Strategy	Written Plan	Detailed Notes	Comments
Stocks	Done	Done	
Long Calls	Done	Done	
Short Calls	Done	Done	
Long Puts	Done	Done	
Short Puts	Done	Done	
Long Verticals	Done	Done	
Short Verticals	Done	Done	
Butterflies	Not started	Not started	Not sure I will do it
Broken Wing Butterflies	Not started	Not started	
Calendars	75% completed	Done	
ITM Diagonals	50% completed	Done	
OTM Diagonals	50% completed	Done	
Iron Condors	Not started	Not started	
1 ATR Call Swing Trade	Done	Done	
1 ATR Put Swing Trade	Done	Done	
20/40 Trend Trades	Done	Done	
5/10/20 Crossover Trades	Done	Done	
Bullish Gap Trades	Done	Done	Not sure I will do these
Bearish Gap Trades	Done	Done	Not sure I will do these
Short term Bull Flag Trades	50% completed	started	
Short term Bear Flag Trades	50% completed	started	

Note: Revisions to the rules will be evaluated and changed to reflect the maturity of the plan after the first month and the second month. Revisions based upon obvious errors or trade feedback is allowed immediately.