

Trader's Checklist -

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Steps to Trading Success

By Lance Beggs

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If you are not yet achieving consistent profits, then we encourage you to continue educating yourself on the business aspects of trading, risk management, money management and trading psychology. And **NEVER RISK MONEY THAT YOU CANNOT AFFORD TO LOSE.**

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About the Author



Lance Beggs is a full time day-trader with a current preference for emini-futures and forex markets. His style of trading is discretionary, operating in the direction of short-term sentiment within a framework of support and resistance.

As an ex-military helicopter pilot and Aviation Safety specialist, Lance has an interest in applying the lessons and philosophy of aviation safety to the trading environment, through study in human factors, risk management and crew resource management.

He is the founder and chief contributor to <http://www.YourTradingCoach.com>, which aims to provide quality trading education and resources with an emphasis on the 'less sexy' but more important aspects of trading – business management, risk management, money management and trading psychology.

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“A goal without a plan is just a wish.”

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...Antoine de Saint-Exupery

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Trader's Checklist – Steps to Trading Success

Introduction

Would you like to become a trader? At www.YourTradingCoach.com, we don't believe this is possible through just purchasing an ebook or completing a weekend seminar. The road to trading success is a long, hard, winding road, with many potholes, false turns and dead-ends. Sorry, but that's a fact. There is no Holy-Grail trading solution.

Just as peak performance in sport requires years of exposure to the sport, trading success comes from years of exposure to the markets, allowing constant improvement in the trader's ability to read changes in market sentiment and to react without fear.

Disciplined application of the following steps will get you off to a great start to becoming a trader. Please print it out and get started from step one immediately. And as you travel along this long journey to profitability, don't forget to enjoy the process and marvel at the complexity of the challenge and the personal psychological insights that you WILL make along the way.

Cheers, Lance Beggs

<http://www.YourTradingCoach.com>

Checklist

Tick when completed	Step	No
☐	Understand why you want to trade. ✓ What do you want out of life? ✓ How does trading fit into this life plan? ✓ What are your beliefs about the markets? ✓ What are your beliefs about your ability to trade the markets?	1
☐	Are you up to the task of becoming a trader? ✓ What personal strengths will you bring to your trading? ✓ What personal weaknesses will impact your efforts? ✓ What is your attitude to risk? ✓ How motivated are you to achieve success? ✓ What are the consequences of failure, and are you prepared to face this possibility?	2
☐	Do you wish to trade part-time or full-time? ✓ Why? ✓ If full-time, how do you plan to make the transition from working for a living to trading for a living? - When will you quit work? - Will you phase it out? - How will you support yourself or your family during this period? ▪ What is your fallback plan?	3
☐	What timeframe do you wish to trade? ✓ How much time do you have to devote to trading? ✓ Would you prefer daytrading, swing trading or position trading?	4
☐	What are your goals from trading? ✓ What return on investment are you seeking? ▪ Daily, weekly, monthly or annual? ✓ Why? ✓ Consider whether that return is realistic? ✓ Are you trading for cashflow or capital growth? ✓ How long are you expecting it to take for you to learn to trade and achieve this result?	5

	Review your financial situation. ✓ What initial capital will you have available to commence your trading? ✓ How much can you afford to spend on trading education? ✓ How much are you willing to lose during the 'learning' period?	6
	Review your current time schedule. ✓ How much time can you commit to learning to trade? ✓ Produce a weekly planner to ensure that time is always available.	7
	Seek advice from a licensed financial adviser. ✓ Discuss your desire to trade, and how it can best be safely incorporated into your wider portfolio and wealth management strategy.	8
	It's time for a reality check. ✓ Accept that approximately 95% of traders fail in their ability to consistently profit from the markets. ✓ Research the cause of trader failure. ✓ Why do you believe that you can be a part of the 5% consistently profitable traders? ✓ Accept that trading success will most likely take longer than you anticipate, and cost more than you expect. How will that impact your plans? ✓ Do you have realistic expectations with respect to the time and effort required to learn to trade, and the returns that are possible from trading?	9
	Confirm you have the full support of your family. ✓ Discuss any concerns you may have, and your plans to minimize any negative impact. ✓ Discuss any concerns they may have about the impact on relationships, or your financial future.	10
	Trading Psychology. ✓ Understand that you need to take personal responsibility for your trading decisions, and ultimately for your trading success or failure. ✓ Understand that the nature of the markets is uncertainty. ✓ Understand the probabilistic nature of the trading.	11

	What market do you wish to trade? ✓ Stocks, options, forex, futures, CFDs? ✓ Research the above choices and choose the market that you feel most comfortable with. ✓ Understand why you want to trade this market.	12
	Study your chosen market. ✓ Understand the fundamental drivers of that market. ✓ Is there sufficient liquidity in the market to allow ease of entry and exit? If not, consider selecting another market. ✓ Is there sufficient volatility in the market in order to achieve your profit objectives within your chosen trading timeframe? If not, consider selecting another market or timeframe. ✓ Define a broad strategic concept that could be applied to this market to produce profits, such as: - Capturing trends. - Capturing momentum swings. - Support or resistance. - Reversal from extremes. - Gap plays. - Volatility or time decay option strategies. ✓ What capital is required for trading your chosen market & timeframe? - What margin do you require? - What is the minimum position size? - If you cannot afford this market, then either ▪ Continue studying while saving more capital, or ▪ Consider finding another more suitable market or timeframe that suits your available capital. ✓ Understand the benefits and dangers of the leverage available in this market.	13
	Study price movement. ✓ Understand the movement of price from the perspective of supply and demand imbalances.	14
	What is your preferred analysis style? ✓ Technical Analysis? ✓ Fundamental Analysis? ✓ Statistical Analysis? ✓ A combination of the above methods? ✓ Research all of the above methods and find the style that you most relate to.	15

	Study your chosen analysis style. ✓ Become familiar with all analysis tools and choose those that you most relate to. ✓ For example, with technical analysis: ▪ Do you prefer bar, candlestick or point & figure charts? ▪ Will you use tools such as Level II, market profile or time of sales? ▪ Do you prefer price action analysis or indicator based analysis?	16
	Consider the need for personal coaching or mentoring. ✓ Do you prefer live trading rooms? ✓ Do you prefer after-market coaching? ✓ Do you prefer one-on-one coaching? ✓ Do you prefer a group or seminar setting? ✓ Do you prefer self-coaching?	17
	Risk Management. ✓ What is the maximum risk that you will allow per trade? ✓ What is the maximum portfolio heat that you will allow?	18
	Money Management. ✓ How will you determine position sizing? ✓ When will you increase or decrease position size? ✓ What are your plans for profit reinvestment? ✓ What are your plans for drawing capital?	19
	Rewards Program. ✓ All work and no play isn't fun, so please implement a rewards program. ✓ How and when will you reward yourself for progress towards becoming a trader? ✓ How and when will you reward yourself for profitability?	20
	Trading Psychology. ✓ Understand the qualities of a successful trader. ✓ Determine strategies to maximize these qualities within yourself. ✓ Understand the qualities of a losing trader ✓ Determine strategies to limit the impact of these qualities within yourself.	21

☐	Study basic business skills, such as: ✓ Time Management. ✓ Goal Setting. ✓ Record Keeping. ✓ Bookkeeping.	22
☐	Business Management - Business Setup and Planning: ✓ Seek advice regarding appropriate strategies for: - Business structure. - Asset protection. - Tax minimization.	23
☐	Business Management – Process: ✓ Documented trading plan – use this checklist as a guide for documenting your trading plan. ✓ Documented procedural steps to ensure consistent application of your trading plan. ✓ Documented routine: - Pre-market routine. - During trading. - Post-market routine. ✓ Documented record keeping and performance tracking process: ▪ Trading Journals, equity curves and Profit & Loss statements. ▪ Recording of personal trading performance and psychology. ▪ Will you use a spreadsheet, paper, or portfolio management software? ✓ Documented review process: ▪ Daily, weekly, monthly, quarterly, or annual reviews. ▪ Performance based review upon exceeding daily, weekly or monthly drawdown.	24
☐	Business Management – Personnel: ✓ Consider the need for the following support personnel: - Broker. - Adviser. - Coach / Mentor. - Trading Partner. - Accountability Partner. - Accountant / Bookkeeper. ✓ Will they be employed or outsourced?	25

	Business Management – Resources: ✓ Ensure appropriate office space for trading - Home office or dedicated trading office? - Desk. - Comfortable chair. - Suitable lighting. - Minimal distractions. ✓ Ensure appropriate hardware for implementation of your trading plan: - Computer system. - Internet Service Provider. - Telephone system. ✓ Ensure appropriate software for implementation of your trading plan: - Charting application. - Data provider. - Scanning software. - Research tools. - Testing software. - Trading journals (may be soft copy or hard copy). - Portfolio Management. - Record Keeping / Bookkeeping.	26
	Business Management - Contingency Planning: ✓ Develop contingency plans for hardware failure. ✓ Develop contingency plans for software failure: ▪ Of particular importance is your ability to contact your broker and exit all positions if you lose access to your charting and order entry applications. ✓ Develop contingency plans for additional income streams, if required. ✓ Halt trading criteria: - During a trading session. - Drawdown limits – daily, weekly or total.	27
	Personal Management: ✓ What is your plan to ensure maintenance or improvement of health? Establish plans for: - Physical health. - Fatigue management. - Time away from the markets. ✓ What is your plan to ensure a healthy mindset? Establish plans for: - Relaxation - Visualization / Affirmations.	28

	Learn how to use all your trading hardware and software resources. ✓ In particular, be familiar with all order types available. Understand the advantages and disadvantages of each, and when to use each type of entry or exit order.	29
	Do you prefer systems that are: ✓ Discretionary? ✓ Rule based? ✓ Why?	30
	Define your trading strategy. ✓ Will you develop your own, or purchase a system? ✓ Understand why the chosen strategy works. ✓ Does this strategy fit your beliefs for how and why the market moves? ✓ Does this strategy suit any time constraints you may have? ✓ Asset allocation – what percentage of your total capital will be applied to this strategy and/or market? ✓ Can this strategy provide the rewards you are seeking? ✓ Does this strategy provide a maximum drawdown that is within your financial and psychological limits? ✓ Document clear rules for: - Position sizing. - Risk control. - Trade setup. - Trade entry. - Trade management. - Trade exit.	31
	Ensure your strategy has a proven edge. ✓ Conduct back testing to ensure profitability, either by hand if your system is discretionary based, or with appropriate testing software if you system is rule based. ✓ Conduct forward testing to ensure profitability, using a demo or simulation platform if available, otherwise via paper-trading. ✓ Ensure any testing was conducted exactly in accordance with your trading plan, and over sufficient sample size to ensure valid results.	32

☐	Are you ready for live trading? ✓ Review the above steps and confirm all actions have been carried out. ✓ Is your trading plan documented? ✓ Is your trading routine and process documented? ✓ Why do you believe you are ready? ✓ What is your edge in the market?	33
☐	Commence trading with the smallest possible position size. ✓ Your goal is to consistently execute quality trades in accordance with your plan, not to make money. ✓ Remember, success comes from the disciplined and consistent application of a positive expectancy trading strategy, with proper application of risk management, money management, business management, personal development and trading psychology. ✓ Success comes from continued exposure to the markets and developing an intuitive feel for market sentiment. ✓ Success comes from unlearning the fear based decision making processes that were developed through your pre-trading life. As you continue to act in accordance with your trading plan, and eventually realize that the market cannot hurt you, your confidence will naturally build. You will learn to react to your system instinctively, without fear.	34
☐	Ensure ongoing performance tracking and review. ✓ Document all trades in your trading journal. ✓ Document your personal performance in your trading journal. ✓ Conduct regular reviews of your strategy and yourself, to identify areas of strength and weakness.	35
☐	Achieve consistency in implementing your trading plan ✓ Ensuring you NEVER allow your risk to exceed pre-planned limits.	36
☐	Achieve breakeven consistency. ✓ Reward yourself – breakeven is an excellent result.	37
☐	Increase position size gradually. ✓ Prove consistent success at each level, in application of the trading plan and profitability, before any further increase in position size. ✓ Gradually increase up to the maximum risk allowable for your capital base.	38

	Continue trading: ✓ Your goal continues to be executing quality trades in accordance with your plan, not to make money. Do this and the money will follow. ✓ Continue with your ongoing performance tracking and review process. Never stop learning. ✓ Commit to ongoing education and constant improvement.	39
	Well done – you're a trader!	40

Resources

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