How To Create A Trading Game-Plan

Edgewonk’s definite step by step guide
Congratulations, if you are reading this, you just completed the first module of your trader development course. Module 2 is all about creating an effective trading routine and understanding what it takes to take your trading to the next level.

A game plan defines everything you do in trading – it’s like the business plan for any business, and you should start treating your trading like a business. It also covers a few activities you do outside of trading in order to make sure you compete at top a level and become a complete and well-rounded trader.

In the following ebook we present you with a thorough example of a professional trading game plan which covers everything from strategy parameters, over risk principles and trading psychology, to your future as a trader.

Please, only see this as a kind of template which you can then use and modify to develop your own game plan. Just like your strategy, your game plan has to fit your personality as well. *(You will find our template at the end of this ebook)*

**The 3 questions every trader has about the game-plan**

**1 - What Are The Objectives Of A Game Plan?**

It’s simple, really. The aim is to never be in doubt, even for a single moment about what to do next and what defines you as a trader. A trading game plan will help you overcome the situations where you think: "what the heck am I going to do now?" or "what did the market just do, and how do I react to it?". A trading game-plan adds certainty to your trading, provides guidance and prepares you for success.

**2 – How Do I Write My Game-Plan?**

You can do it by hand and just use a pen and paper, if that stimulates your brain best. But we suggest using Word or any other writing software (Scrivener/Latex/Evernote) because of the possibility to easily navigate large documents - you will need this functionality because a real trading game-plan can be quite long *(don’t get discouraged just yet, we will show you exactly what to do)*.

These days it is very easy to integrate pictures into your documents and as you will see later you will add pictures of entries, exits, setups, flow charts, etc. For that, we recommend using Techsmith’s Sgnait, Evernote’s Sktich, but good old Paint will also work just as fine.
3 - **How Often Do You Read/Revise Your Game Plan?**

You could make a simple rule, for example, “I revise my game plan after every 50/100 trades I took and recorded in Edgewonk”.

Also, when changing something fundamentally in your trading approach, you should make a new entry in your game plan, put a date on it and save it as a new version. This way you will have a history of all the plans you have created and you can follow the changes over time.

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**The three pillars of a solid trading game-plan**

[Diagram showing the three pillars: Personal Traits & Goals, The Trading System, General Rules, and Your Edge]
1. Personal Traits & Goals

Now we are going to walk you through the different questions you have to answer for the first part of your trading game-plan: Personal traits & trading goals

a) Why Are You Trading?

Why did you start trading? Where do you want to end up in trading? What’s your goal for this year and for the next 5 years? Do you want to be an independent trader, a signal provider, an educator, an analyst, or a money manager?

There are many career choices in trading and it should be clear to you what you want. Making plans subconsciously influences your actions and decisions. You will usually not end up exactly where you intended to go, but, more often than not, it will be closer than you think.

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

b) Your Outlook In Life

What do you want from life in general and what is your philosophy? How are you going to achieve your life goals and how does trading fit into your overall life plan? You have to make sure to align your life goals with your goals in trading and adapt your trading style to your daily schedule. So often people want to become traders to enjoy more personal freedom and independence, but then they find themselves glued to their screens for 15 hours a day. Make sure you know what you are after.

c) Your Personal Strengths And Weaknesses - How Does This Translate To Trading?

A trading system has to fit your personality. In trading, you have to focus on your strengths and leverage them. Fighting your weaknesses usually takes a lot longer and makes become a good trader harder than it has to be. Your personal traits should be reflected in your strategy.

Are you patient or impatient, risk averse or a risk taker? How long can you concentrate? Can you hold trades for a long time without getting nervous? What time of the day are you at your best? Can you sleep at night with open positions? And so on. Ask yourself a lot of questions about your personality and develop your strategy around it.
d) What Kind Of Trader Are You?

Depending on your strengths and weaknesses and your current lifestyle situation, which you have defined in point b), you have to find your trader personality. Are you a discretionary trader or need a rule-based system? Do you prefer short-term or long-term trading? Are you a day trader or a swing trader? What time-frames are you trading? Are you actively managing your trades or just let them run? Do you prefer high or low risk?

Make sure to give this point a lot of thought and don’t be afraid to make changes to this as your personality, or situation in life changes. The only constant is change.

e) What Is Your Edge Over Most Other Traders?

In Poker, you sit next to your opponents, so it is very obvious that you need an edge over the other players in order to make money. And if you lose money, it is also very clear that you are the soft spot at the table, unless you are suffering from delusions of grandeur (like so many do).

In trading this is much more subtle, but it applies as well: If you do not have an edge over most of the other market participants, they will take your money. Not the market will take your money, they will. Period.

What is your personal edge? Emotional control? Outstanding self-reflection? A good understanding of probabilities and expected value? A well worked-out game plan? A very disciplined routine? Are you fast at cutting losses? Can you hold trades for a long time? You probably won’t excel in all those areas at the same time, but you absolutely must excel in at least some of them if you want to make it – and then tailor your strategy around those points. Depending on your personality, you should choose the ones you are already good at and get even better.

f) Quarterly, Monthly, Weekly and Daily Non-Monetary Trading Goals

To track your goals you can use a tool called Todoist, but you can also do it old-school and use pen and paper. Just make sure to check in on your goals regularly to see what you can do to get closer to them and how you live up to them. At the end of the day, scratch off what you have accomplished and reward yourself.

Break down what you want to achieve (non-monetary). Here are a few examples:

**Daily:** I will follow my checklist and my trading plan.

**Weekly:** I will have entered all trades into Edgewonk and made my analysis before the next week starts.

**Monthly:** I will have managed to keep my Tiltmeter green for the whole month.
**Quarterly:** I will have a profitable (non-losing) quarter and avoid major trading mistakes.

## Summing It Up – Personal Traits & Goals

<table>
<thead>
<tr>
<th>Why are you trading?</th>
<th>→</th>
<th>What do you want to accomplish with trading?</th>
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<tbody>
<tr>
<td>Personal outlook in life</td>
<td>→</td>
<td>What is your ideal life and how does trading help you get there?</td>
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<tr>
<td>Strengths &amp; weaknesses</td>
<td>→</td>
<td>How does your personal strengths make you a better trader?</td>
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<tr>
<td>Trader type</td>
<td>→</td>
<td>What is your trading style?</td>
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<td>Trading edge</td>
<td>→</td>
<td>What can you do better than other traders?</td>
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<tr>
<td>Non-monetary goals</td>
<td>→</td>
<td>Most important intermediate goals: Working on discipline, journaling more, avoiding big mistakes, learning fundamentals</td>
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</table>
2. General Trading Rules - The Framework

The general trading rules are the framework around your trading system. They provide guidance, keep you from losing too much money unnecessarily and make sure that you stay on the right path.

a) The most essential rule - Use Your Checklist

There is a reason why airplanes is the safest way of transportation; even after thousands of flights, pilots go through the same checklist before every flight.

Don't trade without your checklist; print it out and put it next to your monitor. Notice that none of these rules actually have much to do with the system itself – they provide guidance and are your safety-net.

*right-click* and choose *save target as* to save the checklist

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**Trade Checklist**

- ☐ #1 The setup meets all my **entry criteria**
- ☐ #2 The trade is in my **trading plan**
- ☐ #3 The trade is in the direction of the **trend**
- ☐ #4 No **news announcements** ahead
- ☐ #5 The **risk/reward** is acceptable
- ☐ #6 I **feel good** emotionally and physically
- ☐ #7 I accept to lose
b) General Money Management

How much percentage of your trading account do you risk per single trade? How much of your net worth do you have invested in trading? How much do you give yourself as a payout each month or do you add to your trading account to build it over time? When do you make the withdrawal and how does it affect your account growth? Do you have to live off your trading or do you plan on building a trading account that can support your lifestyle?

c) Total Risk And Exposure

What's the maximum risk you are willing to have on all open positions at any given time? For example, a maximum allowed exposure of 1.5% results in a maximum of 3 open trades with a risk of each 0.5%, or two open positions with a risk of 0.75%.

Defining risk parameters eliminates a lot of stress, decreases your account volatility and it avoids large losses.

d) Emergency Stops - When To Step Back

Do you stop trading completely when you lost 20% or 30% of your bankroll? When do you stop trading a certain strategy? What other emergency stops do you need? For example, when, god forbid, something unexpected happens in your private life which can impose a lot of stress, it will affect your trading performance. You have to define how to deal with difficult and uncertain situations.

We also recommend using daily loss limits that tell you when to stop trading for the day.

e) Pre-Trading Routine For The Trading Week / Day

In order for you to perform at a peak level you should have a daily routine before you start your trading day. Does it help when you sit down with your family and enjoy breakfast together? Do you go for a run to clear your mind or do some reading? Do you like to read the news and prepare yourself for upcoming events? Do you analyse what has happened in other markets while you were asleep? Do you review yesterday’s trades and trading journal entries?

Your pre-trading routine is one of the most important things you do on the way to success. It will prime your brain and put you in a state of peak performance. Just experiment what works best for you.
f) When To Enter Trades Into Your Trading Journal

When do you journal your trades? Do you prefer to make the entries during your trading session, after the session, or at the end of the week? Do you get distracted when journaling during your trading or does it actually help to remain focused? How good is your multi-tasking? Having a journal, a proper feedback-loop and a review-process in place is what makes the difference between an amateur and a winning trader.

g) When To Do Your Analysis, Performance Review & Trade Plan Revision

This is a very personal point and it depends on your daily and weekly schedule. You need a working and structured feedback loop in order to keep improving. Success in trading is a never-ending process.

An analysis and review process can usually be structures into 4 different parts as the graphic below shows.

- **After 50 trades**
  - A complete and thorough trades analysis

- **During the weekend**
  - Review all trades of the past week

- **At the end of each trading day**
  - A short review of all your trades of the day

- **After every trade**
  - Perform a quick sanity check to avoid revenge and over-trading

h) What To Do After A Winning Trade / Losing Trade

This describes the previously mentioned **sanity check**. Did you follow all your rules and adhered to the checklist? If not, what does the sanction look like? If it was a losing trade, were all the entry criteria given or did you break the rules? Could you have extracted more from a winning trade? Don’t focus on the outcome too much, but adopt a **process-oriented mindset**.
What you do after a trade will greatly affect your performance, especially when you are a day trader and prone to revenge trading. Often, stepping away after a losing trade and entering the trade into your trading journal can already make a huge difference and calm you – try what works best for you.

j) Improvement Loop: Learning and Education

How much time per week do you assign to improving and working on your skills? Learning by doing doesn't work in trading and the best traders understand that it is the work they do away from their charts that make the difference in their trading.

Reviewing the trades in your trading journal, studying trading books and pro-actively learning is very important on your path to becoming a better trader.

k) Punishments

What’s the punishment if you break one of your rules? Be creative and make it hurt. A great example is doing 20 burpees or cleaning the house, if you are not as physical. In case you never follow your rules, you will at least have a fit body or a clean house (don’t take this advice too serious ;)). However, the punishment should be something you’d like to avoid at any cost. Always remind yourself of it before taking a trade.

Some traders recommended putting $10 into a jar each time they break their rules. At the end of each quarter, they are donating the money, which is a brilliant idea.

l) How To Keep Emotions Out Of Business – Know Your Numbers & Probabilities

Write down the hallmark numbers of your strategies. Always know where you are at the moment. Are you currently in the middle of a winning streak? Then, don’t become overconfident. Did you just lose 5 trades in a row? Then stay away from revenge-trading or trying to make it up faster. Always ask yourself: Did you cause the losses or did you follow all your rules?

Our Losing Streak Calculator helps you understand the likelihood of losing streaks. Something might have happened that messed with your strategy and/or your performance. Don’t just blame the markets and look for a new strategy – losing streaks often provide great learning opportunities.

m) The Rule To Change All Rules

When are you allowed to change the rules of your trading? When can you add new markets? When can you change your risk management? When is it ok to switch time-frames?
A government, for example, can’t just change their laws whenever they want to. There has to be a viable process in place. As a trader, you have to develop one as well. We suggest reviewing your rules every 50 trades together with your overall performance check, or whenever you hit a huge roadblock. But make sure the changes have a sound foundation. Recency bias is every trader’s death.

## Suming it up – General Trading Rules

<table>
<thead>
<tr>
<th>Category</th>
<th>Question</th>
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</thead>
<tbody>
<tr>
<td>Trading checklist</td>
<td>What are the things to look for before entering a trade?</td>
</tr>
<tr>
<td>Money management</td>
<td>How much do you risk per single trade?</td>
</tr>
<tr>
<td>Total risk exposure</td>
<td>How much do you risk on all open positions at one time?</td>
</tr>
<tr>
<td>Emergency stops</td>
<td>Maximum allowed drawdown or personal life impacts</td>
</tr>
<tr>
<td>Pre-trading routine</td>
<td>What do you do before you start your trading day?</td>
</tr>
<tr>
<td>Journaling routine</td>
<td>When do you enter your trades into your journal?</td>
</tr>
<tr>
<td>Performance review</td>
<td>When do you review your performance?</td>
</tr>
<tr>
<td>Post-trade sanity check</td>
<td>What do you do after closing a trade?</td>
</tr>
<tr>
<td>Improvement-loop</td>
<td>When do you learn and study about trading?</td>
</tr>
<tr>
<td>Punishments</td>
<td>How do you deal with making mistakes?</td>
</tr>
<tr>
<td>Dealing with emotions</td>
<td>How do you deal with losing and winning streaks?</td>
</tr>
<tr>
<td>Changing rules</td>
<td>When is it ok to change trading rules?</td>
</tr>
</tbody>
</table>
3. Strategy Specific Rules

Now we are coming to the part where you define your actual trading system. We intentionally put it at the end to highlight the importance of the other two components in your trading game-plan. Most traders never think about their personal traits and how their trading has to match their lifestyle – and then they don’t connect the dots why they are not having the success they are after.

a) Name And Brief Description Of The Strategy

Name your strategy. Describe briefly which theories it is based on. What do you especially like about it? What are the most important cornerstones of the strategy?

b) Special Remarks & Notes About The Strategy

Do you need a broker with especially low spreads for this strategy or is execution speed more important? Does it require a lot of attention and do you need to ‘baby-sit’ your trades? Should it only be traded on news-days or on days without news? Do you avoid volatility or does it even require high volatility? Write it down.

c) Tools Of The Trade

Explain all your indicators, price action principles and concepts you use to analyze charts and to time entries. Which drawing and charting tools do you need? Are you charting and trading on two different platforms (we highly recommend separating charting from trading to remove emotional influences and impulsive decisions).

d) Markets Traded

Why are you trading the markets you chose? This should not be a random, but a deliberate decision. Volatility and other measurements vary greatly between different instruments, so you have to know why exactly you choose one market over another. Also having a process for adding new markets / getting rid of unprofitable markets is also very important.

e) Time-Frames
Which time-frame is the one for execution and which ones do you use for your analysis? Why did you choose your trading time-frame? Do you follow a top-down approach and analyse higher time-frames as well? Avoid flipping through charts and time-frames like a mad man and be clear of how to approach your trading.

f) Trading Times

If you are doing day trading, be clear about which sessions you trade, and why. If it is a pending order strategy, when do you set your pending orders, when do you review them and cancel them, or do let them expire? If you are a swing trader, when do you place your trades, how long do you generally trades and how do you deal with weekend-exposure?

g) Rules For Long/Short Entries – The perfect trade

After writing down the rules for an entry, insert at least 5 screenshots of perfect entry examples. Look at them every single time during your pre-session routine to train your brain. Pattern recognition is an important skill in trading and the more you understand what defines the ‘perfect’ trade, the less likely it is that you break your rules.

h) Different Qualities Of Setups

You should be able to differentiate a good from a mediocre setup. Also, you should know how to grade setups and bet more money on better setups, just like any other professional bettor. This will smooth out your equity curve and reduce your variance very effectively.

i) Rules For Exits

Exits are one of the most important factors that make or break your strategy and you as a trader. Most people want to find the perfect entry, whereas the “perfect” exit can be much more important. A world class trader can often enter the market at random and still come out ahead by good trade management. We suggest to save pictures of exits in different situations and be clear about your exit rules.

j) Rules For Trade Management

If you do not use a ‘set & forget’ approach, make sure you have solid rules for your trade management in place. When do you trail your stop, how do you protect your position and when is it time to cut losers or winners ahead of their order?
k) How To Deal With News And Fundamental Events

Don't trade on NFP day? Don't trade one hour before and/or after important news and earnings? Fundamentals can be a big influencing factor. You don’t have to be a macro specialist but you should have a basic fundamental understanding of the instruments and markets you are trading.

**Summing it up – The System**

<table>
<thead>
<tr>
<th>Description of your system</th>
<th>→ Brief description and principles it is based on</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tools of the trade</td>
<td>→ Indicators, price action, price formation and other concepts</td>
</tr>
<tr>
<td>Markets traded</td>
<td>→ Which markets and instruments do you trade?</td>
</tr>
<tr>
<td>Time-frames</td>
<td>→ Which time-frames do you trade or analyse? Why?</td>
</tr>
<tr>
<td>Trading times</td>
<td>→ When do you trade and when do you analyse trades?</td>
</tr>
<tr>
<td>The perfect trade</td>
<td>→ What classifies the perfect trade? Use trade screenshots</td>
</tr>
<tr>
<td>Qualities of trades</td>
<td>→ Grade trades by different qualities</td>
</tr>
<tr>
<td>Trade exit rules</td>
<td>→ Rules for how you define trade exits</td>
</tr>
<tr>
<td>Trade management rules</td>
<td>→ Active or passive approach?</td>
</tr>
<tr>
<td>Position sizing and risk</td>
<td>→ Flexible vs static positioning sizing?</td>
</tr>
<tr>
<td>News and fundamental data</td>
<td>→ Do you trade or avoid news? How do you handle it?</td>
</tr>
</tbody>
</table>
Conclusion

Of course, you can add or leave out a few points. Sometimes certain rules just run out of validity. Other times, you have to add a new rule.

Every company has a plan before they start their business. Before a plane takes off, they cross off the things on their checklist. Before a football team starts the game, they have a plan for very possible scenario. Why should it be different for traders? You can’t just start your trading platform, flip through a few time-frames and then expect to make a lot of money. You need to build a core understanding of the business and work your way up. Then, professional trading doesn’t become guesswork or depends on luck, but it’s a predictable and achievable goal.

Download the print-out version of the Game-Plan