

## CHAPTER 9

# Writing a Business Plan

**T**his is where the rubber hits the road. Putting your ideas on paper in writing will help you see if your boat will float. And if there are holes in the plan, better to find out now and fix them before hitting the high seas. Often it is the simple things that can undo a trader's or investor's success.

Back-office basics like creating a work space that has no distractions and managing your record keeping to be sure your profit/loss (P/L) performance is always in line are essential items that are often overlooked.

When you are ready to lay out your own personal plan, you can use the blank template provided in this chapter. Essentially, the idea is for you to fill in the blanks and customize the template we've given you so that it suits your current situation and needs. Going forward, after preparing your first plan, update it every year to take into account changing market environments and your changing personal needs.

### **BUSINESS PLAN: BLANK TEMPLATE**

This business plan blank template will be useful for you to organize your thoughts. You can customize it with your own information and tailor it to either a trader's plan or an investor's plan. Either photocopy the blank template from this book or write directly in the book; or for your convenience you can also download a free customizable template from the TradersCoach.com website by using the following link:

[www.traderscoach.com/survivalguide.php](http://www.traderscoach.com/survivalguide.php)

If you have any difficulty in accessing the link, you can also contact our office by calling 858-695-0592 (we are located in San Diego, California, in the United States) or by e-mailing us via [support@traderscoach.com](mailto:support@traderscoach.com). At the TradersCoach.com link you will also find sample business plans to help you get started. These samples were prepared by students of ours who have allowed us to share the plans with you on the website.

Anyone who is going to complete a business plan will probably have done a significant amount of trading and/or investing. At the very least, the person will have researched the topic extensively.

By filling in the blanks in the master template in this chapter, you may find that there are areas that you might not have realized that you need to address. In this way, this business plan template is a preflight checklist of sorts to ensure that you have addressed the primary areas necessary to be successful.

There will be a fair amount of decision making required to complete your plan. Let me give you a word of caution regarding the decision process. Try to give each plan item enough attention without getting stuck on any one item with the possibility of never completing the plan.

Depending on your personality, you may lean toward overthinking the plan and never finishing it. Or, instead, you might throw it together without much serious thought or substance. There is a happy medium that will suit you.

## Historical Monthly Averages

You will see a section in this business plan template that covers *historical monthly averages*. Section 1:D outlines information you may have that will assist you in estimating your future revenue probabilities. This data may be obtained from trading records you have taken from either your paper trading or live trading results.

What we are trying to do is develop a quantifiable history of your past performance, so that we can estimate your future performance. Of course, as you probably have heard many times, past performance does not guarantee future results when it comes to the financial markets and trading.

Market cycles change and human beings change, so the history we will be looking at is not a guarantee of what will happen in the future. But it is a good estimation tool. A minimum of three months of data is necessary as a starting sample size.

The more data you have to draw an average from, the more accurate your estimate and projection for the future will be. A longer historical trading period is more likely to cover a variety of market cycles and market events and how you, the trader, performed in each of these.

Individuals who are starting their trading business with no historical data on what to expect in terms of profit and loss will need to set up a

plan that allows for a period of paper trading for at least three months to develop historical monthly averages. This type of business plan will need to provide for a period when there is no incoming revenue, and must have adequate financing to allow for that.

### **Make a Promise to Yourself**

It is important to make a promise to yourself right now. If you are going to start designing this plan, then also promise yourself you are going to finish it and adhere to the plan. That commitment will go a long way toward ensuring your success.

## **FRONT MATTER: TITLE PAGE, TABLE OF CONTENTS, AND MISSION STATEMENT**

The title page of your business plan is a quick snapshot of your business (see Table 9.1). It lists the name of your business, the date of the business plan,

**TABLE 9.1** Business Plan Title Page—Template

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### **Business Plan Title Page**

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**Name of Business:**

**Date:**

**Contact Name:**

**Contact Title:**

**Address:**

**Phone:**

**E-Mail:**

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Fill in your information in the blank form above.

**TABLE 9.2** Business Plan Table of Contents—Template

<b>Business Plan Table of Contents</b>	
<b>Mission Statement</b>	<b>Outline of the Business Mission</b>
<b>1. Summary</b>	A. Business Concept B. Current Profile C. Key Success Factors D. Historical Monthly Averages E. Financial Situation F. Vision Statement
<b>2. Strategy</b>	A. Market Selection B. Entries and Exits C. Money Management Strategy D. Potential Threats and Risks E. Research and Development
<b>3. Operations</b>	A. Office Setup B. Order Execution C. Record Keeping
<b>4. Financials</b>	A. Starting Balance Sheet B. Cash Flow Forecasts C. Profit and Loss History D. Key Performance Ratios

the owner of the business, and pertinent contact information. Following the title page is the table of contents (see Table 9.2). The business plan main topics are outlined on this single sheet and will be developed in more detail when you fill out the blank template in the following pages.

The next important section of your business plan is your mission statement (see Table 9.3), because this is where you can make the case for starting your own business. In a conversational tone, you describe what your mission is and why you believe this will be a successful business. In very broad strokes, you outline what the plan is and how you will implement it. It is a summary of the concept of your business.

## **1. SUMMARY**

The summary portion of your business plan covers all the working parts of your plan, including the business concept, current profile, key success factors, historical monthly averages, financial situation, and your vision statement.

**TABLE 9.3** Business Plan Mission Statement—Template

**Business Plan Mission Statement**

Fill in your information in the blank form above.

This portion of the plan defines where you have been, where you are now, and where you are planning to go. Here you will be entering information on your historical profit/loss performance and also identifying your vision for your future profit/loss performance goals.

**1:A. Business Concept**

**1:A.1. Type of entity:**

- Full-time business, corporation
- Part-time business, corporation
- Other: \_\_\_\_\_

**1:A.2. Who is the business owner?**

- Full-time trader
- Full-time investor
- Part-time trader
- Part-time investor
- Student of trading
- Student of investing
- Other: \_\_\_\_\_

**1:A.3. Type of business plan:**

- New business start-up
- Annual update of existing plan
- Change of strategic direction
- Cash flow shortage
- Other: \_\_\_\_\_

**1:A.4. Other commitments and/or challenges of business owner:**

(Check all that apply.)

- Employed full-time with another company.
- Employed part-time with another company.
- Enrolled full-time in school.
- Enrolled part-time in school.
- Author is a caregiver (for children, parents, or other).
- Other: \_\_\_\_\_
- Other: \_\_\_\_\_

**1:A.5. Why is this business a good choice for the business owner?  
What skills does the owner have that are well suited for trading  
or investing?**

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**1:A.6. Why has the business owner decided to choose this business at this time and place? Why will it be fulfilling to the owner?**

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**1:A.7. Why does this business suit the needs of the business owner?**

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**1:A.8. What historical data supports the belief that this business will be successful?**

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**1:A.9. What measures will be instituted to improve the probability for success?**

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**1:A.10. Summary of short-term (12-month) goals for business, both financial and strategic:**

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**1:A.11. Summary of long-term (five-year) goals for business, both financial and strategic:**

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**1:B. Current Profile**

**1:B.1. Current net worth of business owner:**

- \$201,000–\$300,000+ in debt
- \$101,000–\$200,000 in debt
- \$51,000–\$100,000 in debt
- \$1,000–\$50,000 in debt
- Zero net worth
- \$1,000–\$50,000 in assets
- \$51,000–\$100,000 in assets
- \$101,000–\$200,000 in assets
- \$201,000–\$300,000+ in assets

• **Net worth formula:**

Total Assets – Total Liabilities = Net Worth

• **Net worth example:**

Assets \$995,000 – Liabilities \$537,000 = Net worth \$458,000

**1:B.2. Age of business owner:**

- 18–23 years old
- 24–30 years old
- 31–40 years old
- 41–50 years old
- 51–60 years old
- 61–70 years old
- 71–80 years old
- 81–90 years old

**1:B.3. Tolerance for risk of business owner:**

- High
- Medium
- Low



**1:C. Key Success Factors****1:C.1. Business owner's duration of experience in trading or investing:**

- One year
- Two years
- Three years
- Other: \_\_\_\_\_

**1:C.2. Business owner's experience in trading or investing:**

- Live trading experience—full-time
- Live trading experience—part-time
- Paper trading experience—full-time
- Paper trading experience—part-time
- Other: \_\_\_\_\_

**1:C.3. List employees, commitment of hours per week they will work for this business, and their job responsibilities:**

- 1. Name: \_\_\_\_\_ Hours per week: \_\_\_\_\_
  - Job responsibility: \_\_\_\_\_
  - Relationship to business owner: \_\_\_\_\_
- 2. Name: \_\_\_\_\_ Hours per week: \_\_\_\_\_
  - Job responsibility: \_\_\_\_\_
  - Relationship to business owner: \_\_\_\_\_
- 3. Name: \_\_\_\_\_ Hours per week: \_\_\_\_\_
  - Job responsibility: \_\_\_\_\_
  - Relationship to business owner: \_\_\_\_\_
- 4. Name: \_\_\_\_\_ Hours per week: \_\_\_\_\_
  - Job responsibility: \_\_\_\_\_
  - Relationship to business owner: \_\_\_\_\_
- Total of all employees' hours per week:** \_\_\_\_\_

**1:C.4. Total person-hours available for this business per week:**

(Tally up number of hours per week in section 1:C.3.)

- 20 person-hours available per week
- 40 person-hours available per week
- Other: \_\_\_\_\_

**1:C.5. Total person-hours available for this business per month:**

(Take figure from section 1:C.4 and multiply it by 4. Example: 20 hours per week  $\times$  4 weeks = 80 hours per month.)

- 80 person-hours available per month
- 160 person-hours available per month
- Other: \_\_\_\_\_

**1:C.6. Dedicated checking account with operating cash for this business:**

- \$1,000
- \$5,000
- \$10,000
- \$15,000
- \$25,000
- Other: \_\_\_\_\_

**1:C.7. List all trading and investing accounts, value and type of each, and broker used for each:**

1. Account value: \$\_\_\_\_\_ Account type: \_\_\_\_\_  
 Broker: \_\_\_\_\_
2. Account value: \$\_\_\_\_\_ Account type: \_\_\_\_\_  
 Broker: \_\_\_\_\_
3. Account value: \$\_\_\_\_\_ Account type: \_\_\_\_\_  
 Broker: \_\_\_\_\_
4. Account value: \$\_\_\_\_\_ Account type: \_\_\_\_\_  
 Broker: \_\_\_\_\_
5. Account value: \$\_\_\_\_\_ Account type: \_\_\_\_\_  
 Broker: \_\_\_\_\_
6. Account value: \$\_\_\_\_\_ Account type: \_\_\_\_\_  
 Broker: \_\_\_\_\_

**Total value of all accounts: \$\_\_\_\_\_**

**1:C.8. Total combined value of all trading and/or investing account(s):**

(Tally all account values from section 1:C.7.)

- \$ \_\_\_\_\_

**1:C.9. Current business liabilities and available credit:**

- 1. Credit Card Account Number: \_\_\_\_\_  
Annual interest rate on account: \_\_\_\_\_%  
Credit card type: \_\_\_\_\_  
Creditor backing the debt: \_\_\_\_\_  
Total credit line on account: \$ \_\_\_\_\_  
Current principal balance owed: \$ \_\_\_\_\_  
Minimum monthly payment due: \$ \_\_\_\_\_
  
- 2. Credit Card Account Number: \_\_\_\_\_  
Annual interest rate on account: \_\_\_\_\_%  
Credit card type: \_\_\_\_\_  
Creditor backing the debt: \_\_\_\_\_  
Total credit line on account: \$ \_\_\_\_\_  
Current principal balance owed: \$ \_\_\_\_\_  
Minimum monthly payment due: \$ \_\_\_\_\_
  
- 3. Business Loan Account Number: \_\_\_\_\_  
Annual interest rate on account: \_\_\_\_\_%  
Creditor backing the debt: \_\_\_\_\_  
Total credit line on account: \$ \_\_\_\_\_  
Current principal balance owed: \$ \_\_\_\_\_  
Minimum monthly payment due: \$ \_\_\_\_\_
  
- 4. Cash Advance Account Number: \_\_\_\_\_  
Annual interest rate on account: \_\_\_\_\_%  
Creditor backing the debt: \_\_\_\_\_  
Total credit line on account: \$ \_\_\_\_\_  
Current principal balance owed: \$ \_\_\_\_\_  
Minimum monthly payment due: \$ \_\_\_\_\_
  
- Other business liabilities and/or available credit:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**1:C.10. Existing equipment, technology, and other assets:****(Check all that apply.)**

- Computer—laptop
- Computer—desktop
- Printer
- Backup battery
- Telephone—landline
- Telephone—cellular
- Fax
- Internet—hard wired
- Internet—WIFI
- Cable line
- DSL feed
- Copier machine
- Data feed
- News feed
- Trading software
- Record-keeping software
- Office space—outside home
- Office space—in home
- Office furniture
- Other: \_\_\_\_\_
- Other: \_\_\_\_\_
- Other: \_\_\_\_\_

**1:C.11. Other supplemental reoccurring revenue (in addition to revenue from this business):**

- Full-time job—monthly salary is: \$ \_\_\_\_\_
- Part-time job—monthly salary is: \$ \_\_\_\_\_
- Other monthly revenue—source: \_\_\_\_\_ \$ \_\_\_\_\_
- Other monthly revenue—source: \_\_\_\_\_ \$ \_\_\_\_\_
- Other monthly revenue—source: \_\_\_\_\_ \$ \_\_\_\_\_

**Total supplemental reoccurring monthly revenue: \$ \_\_\_\_\_**

**1:C.12. Motivation level of all personnel and business owner:**

- Highly motivated, passionate about making this business successful.
- Moderately motivated; this is just another job.
- Not motivated; doesn't really feel that success is possible.

**1:C.13. Perseverance level and problem-solving abilities of all personnel and business owner:**

- Strong ability to persevere and problem solve.
- Moderate ability to persevere and problem solve.
- No ability to persevere and problem solve.

**1:C.14. Work ethic of all personnel and business owner:**

- Strong work ethic; enjoys hard work.
- Moderate work ethic; moderately lazy.
- Minimal work ethic; would rather be doing something else.

**1:C.15. Probability of success for this business estimated by business owner:**

- High success probability.
- Medium success probability.
- Low success probability.

**1:D. Historical Monthly Averages****1:D.1. Number of months (sample size) used to calculate historical monthly average figures in this business plan:**

- 3 months
- 6 months
- 9 months
- 12 months
- Other: \_\_\_\_\_

**1:D.2. Number of person-hours worked per month to achieve these figures:**

(Take figure in 1:C.5 and enter below.)

- 80 person-hours worked per month
- 160 person-hours worked per month
- Other: \_\_\_\_\_

**1:D.3. Historical monthly averages are based on:**

- Paper trading account
- Live trading account
- Paper investment portfolio
- Live investment portfolio
- Other: \_\_\_\_\_

**1:D.4. Gross historical monthly average profit/loss from trading or investing:**

- (\$500)
- (\$100)
- Breakeven
- +\$100
- +\$500
- +\$1,000
- +\$5,000
- +\$10,000
- Other: \_\_\_\_\_

**1:D.5. Per hour gross revenue:**

- \$20.00
- \$40.00
- \$80.00
- Other: \_\_\_\_\_

**Per Hour Gross Revenue Formula**

(Take figures from section 1:D.4 for revenue and section 1:D.2 for hours.)

Average Monthly Gross Revenue ÷ Person-Hours per Month = Per Hour Gross Revenue

**Examples for one person full-time:**

\$10,000 ÷ 160 hours per month = \$62.50 per hour

\$5,000 ÷ 160 hours per month = \$31.25 per hour

**Examples for one person part-time:**

\$1,000 ÷ 40 hours per month = \$25.00 per hour

\$500 ÷ 40 hours per month = \$12.50 per hour

**1:E. Financial Situation****1:E.1. Total combined value of all trading or investing accounts:**

(Enter figure from section 1:C.8 here.)

 \$ \_\_\_\_\_**1:E.2. Checking account operating cash dedicated to this business:**

(Enter figure from section 1:C.6 here.)

 \$ \_\_\_\_\_**1:E.3. Monthly salary to business owner:** \$ \_\_\_\_\_**1:E.4. Monthly estimated business expenses:**

- Salary to employee: \_\_\_\_\_ \$ \_\_\_\_\_
- Salary to employee: \_\_\_\_\_ \$ \_\_\_\_\_
- Health insurance: \_\_\_\_\_ \$ \_\_\_\_\_
- Office space—outside home: \_\_\_\_\_ \$ \_\_\_\_\_
- Office space—in home: \_\_\_\_\_ \$ \_\_\_\_\_
- Electric: \_\_\_\_\_ \$ \_\_\_\_\_
- Other utilities: \_\_\_\_\_ \$ \_\_\_\_\_
- Broker's commission fees: \_\_\_\_\_ \$ \_\_\_\_\_
- Front-end platform fees: \_\_\_\_\_ \$ \_\_\_\_\_
- Data feed: \_\_\_\_\_ \$ \_\_\_\_\_
- Exchange fees: \_\_\_\_\_ \$ \_\_\_\_\_
- Interest on debt: \_\_\_\_\_ \$ \_\_\_\_\_
- Computer equipment: \_\_\_\_\_ \$ \_\_\_\_\_
- Printer: \_\_\_\_\_ \$ \_\_\_\_\_
- Telephone: \_\_\_\_\_ \$ \_\_\_\_\_
- Internet: \_\_\_\_\_ \$ \_\_\_\_\_
- Cable line: \_\_\_\_\_ \$ \_\_\_\_\_
- DSL feed: \_\_\_\_\_ \$ \_\_\_\_\_
- News feed: \_\_\_\_\_ \$ \_\_\_\_\_
- Market entry and exit software: \_\_\_\_\_ \$ \_\_\_\_\_

- Record-keeping software: \$ \_\_\_\_\_
- Bookkeeper services: \$ \_\_\_\_\_
- Clerical services: \$ \_\_\_\_\_
- Education: \$ \_\_\_\_\_
- Periodicals: \$ \_\_\_\_\_
- Travel and entertainment: \$ \_\_\_\_\_
- Other: \_\_\_\_\_ \$ \_\_\_\_\_
- Other: \_\_\_\_\_ \$ \_\_\_\_\_
- Other: \_\_\_\_\_ \$ \_\_\_\_\_
- Other: \_\_\_\_\_ \$ \_\_\_\_\_
- Other: \_\_\_\_\_ \$ \_\_\_\_\_
- Other: \_\_\_\_\_ \$ \_\_\_\_\_

**Total monthly estimated expenses: \$ \_\_\_\_\_**

**1:E.5. Expenses—Total monthly estimated business expenses:**

(Tally items listed in section 1:E.4 and enter here.)

- \$ \_\_\_\_\_

**1:E.6. Gross Profit/Loss—Gross estimated per month from live trading account(s) for next fiscal year:**

(Take gross historical monthly average profit/loss from section 1:D.4 and enter here.)

- Profit +\$ \_\_\_\_\_ per month
- Loss –(\$ \_\_\_\_\_) per month
- Breakeven

**1:E.7. Net Profit/Loss—Net estimated per month from live trading accounts(s) for next fiscal year:**

(Take gross historical monthly average profit/loss from section 1:D.4 and subtract dollar amount of expenses in section 1:E.5 to equal your net profit/loss.)

- Profit +\$ \_\_\_\_\_ per month
- Loss –(\$ \_\_\_\_\_) per month
- Breakeven

• **Net profit/loss formula:**

Gross Profit/Loss – Expenses = Net Profit/Loss



- **Example for profitable net figures:**  
 $\$1,000 - \$600 = \$400$  net profit
- **Example for unprofitable net figures:**  
 $-(\$300) - (\$500) = -(\$800)$  net loss

**1:E.8. Funding needed for next fiscal year:**

- No funding needed.
- Amount of funding needed for next 12 months: \$ \_\_\_\_\_

**1:E.9. Potential source of funding for next fiscal year (if needed):**

- Available savings: \$ \_\_\_\_\_
- Loan: \_\_\_\_\_ \$ \_\_\_\_\_
- Interest rate on debt: \_\_\_\_\_%
- Minimum monthly payment on debt: \$ \_\_\_\_\_
- Liquidation of current assets:
  - Specify asset: \_\_\_\_\_ \$ \_\_\_\_\_
  - Specify asset: \_\_\_\_\_ \$ \_\_\_\_\_
  - Specify asset: \_\_\_\_\_ \$ \_\_\_\_\_

**Total potential funding: \$ \_\_\_\_\_**

**1:E.10. Projected “cash on hand” assets at conclusion of next fiscal year:**

- \$ \_\_\_\_\_

**1:F. Vision Statement**

**1:F.1. Where will the business be in six months to a year, both financially and structurally?**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**1:F.2. Where will the business be in five years, both financially and structurally?**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### 1:F.3. Identify and define basic milestones for the coming months and years:

- |  |                    |
|--|--------------------|
| <input type="checkbox"/> Become profitable in paper account.     | Target date: _____ |
| <input type="checkbox"/> Become profitable in live account.      | Target date: _____ |
| <input type="checkbox"/> Increase monthly revenue by 10 percent. | Target date: _____ |
| <input type="checkbox"/> Generate monthly revenue of \$5,000.    | Target date: _____ |
| <input type="checkbox"/> Increase win ratio by 10 percent.       | Target date: _____ |
| <input type="checkbox"/> Increase payoff ratio by 10 percent.    | Target date: _____ |
| <input type="checkbox"/> Attain a win ratio of 50 percent.       | Target date: _____ |
| <input type="checkbox"/> Attain a payoff ratio of 3 to 1.        | Target date: _____ |
| <input type="checkbox"/> Reduce monthly expenses by 10 percent.  | Target date: _____ |
| <input type="checkbox"/> Increase monthly hours by 10 hours.     | Target date: _____ |
| <input type="checkbox"/> Decrease monthly hours by 10 hours.     | Target date: _____ |
| <input type="checkbox"/> Test a new trading strategy.            | Target date: _____ |
| <input type="checkbox"/> Test a new investment strategy.         | Target date: _____ |
| <input type="checkbox"/> Test a new risk control strategy.       | Target date: _____ |
| <input type="checkbox"/> Attend an educational seminar.          | Target date: _____ |
| <input type="checkbox"/> Implement a new record-keeping system.  | Target date: _____ |
| <input type="checkbox"/> Implement a new computer system.        | Target date: _____ |
| <input type="checkbox"/> Implement a new software system.        | Target date: _____ |
| <input type="checkbox"/> Other: _____                            | Target date: _____ |
| <input type="checkbox"/> Other: _____                            | Target date: _____ |
| <input type="checkbox"/> Other: _____                            | Target date: _____ |
| <input type="checkbox"/> Other: _____                            | Target date: _____ |
| <input type="checkbox"/> Other: _____                            | Target date: _____ |
| <input type="checkbox"/> Other: _____                            | Target date: _____ |

## 2. STRATEGY

The strategy portion of your business plan identifies the markets you will be trading, what your specific entry and exit strategy will be, what your money management strategy will be, what potential threats and risks there are, and what research and development you will be doing.

Here you will specify the steps on how you will get from where you are now to where you want to be. This part of your plan is detailed and will be your guide to your day-to-day trading activities.

You may need to adjust and adapt your strategy from time to time, and this may require that you prepare an updated business plan. Changing market cycles can affect the profitability of your strategy, and you must always be testing, researching, and developing new and better ideas for the current market conditions.

## 2:A. Market Selection

### 2:A.1. What markets will be traded?

- Stocks—Specify symbols/exchanges:

\_\_\_\_\_

- Options—Specify symbols/exchanges:

\_\_\_\_\_

- Futures—Specify symbols/exchanges:

\_\_\_\_\_

- Forex—Specify symbols/exchanges:

\_\_\_\_\_

- Bonds—Specify symbols/exchanges:

\_\_\_\_\_

- Mutual funds—Specify symbols/exchanges:

\_\_\_\_\_

- Exchange-traded funds (ETFs)—Specify symbols/exchanges:

\_\_\_\_\_

- Indexes—Specify symbols/exchanges:

\_\_\_\_\_

- Other: \_\_\_\_\_ Specify symbols/exchanges:

\_\_\_\_\_

- Other: \_\_\_\_\_ Specify symbols/exchanges:

\_\_\_\_\_

- Other: \_\_\_\_\_ Specify symbols/exchanges:

\_\_\_\_\_

- Other: \_\_\_\_\_ Specify symbols/exchanges:

\_\_\_\_\_

### 2:A.2. What markets will be invested in?

- Stocks—Specify: \_\_\_\_\_

- Bonds—Specify: \_\_\_\_\_

- Mutual funds—Specify: \_\_\_\_\_

- Equity funds—Specify: \_\_\_\_\_

- Income funds—Specify: \_\_\_\_\_
- Treasury bills—Specify: \_\_\_\_\_
- Certificates of deposit (CDs)—Specify: \_\_\_\_\_
- Other: \_\_\_\_\_ Specify: \_\_\_\_\_
- Other: \_\_\_\_\_ Specify: \_\_\_\_\_
- Other: \_\_\_\_\_ Specify: \_\_\_\_\_
- Other: \_\_\_\_\_ Specify: \_\_\_\_\_

**2:A.3. Why have these markets and specific instruments been selected?**

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**2:B. Entries and Exits**

**2:B.1. Average time frame that transactions will be held:**

- Close out to cash every night (day trader).
- Hold transactions for one day to three months (position trader).
- Hold transactions for longer than three months (investor).
- Other: \_\_\_\_\_

**2:B.2. Style of trading or investing:**

- Trend trader
- Scalper
- Value investor
- Other: \_\_\_\_\_

**2:B.3. Method to be used in selecting entries and exits:**

- Fundamental analysis
- Technical analysis
- Combination of fundamental and technical analysis
- Other: \_\_\_\_\_

**2:B.4. Fundamental techniques and tools to be used:**

- News feeds—Specify: \_\_\_\_\_

- Economic reports—Specify: \_\_\_\_\_
- Scanning software—Specify: \_\_\_\_\_
- Adviser's reports—Specify: \_\_\_\_\_
- Other: \_\_\_\_\_ Specify: \_\_\_\_\_
- Other: \_\_\_\_\_ Specify: \_\_\_\_\_
- Other: \_\_\_\_\_ Specify: \_\_\_\_\_
- Other: \_\_\_\_\_ Specify: \_\_\_\_\_
- Other: \_\_\_\_\_ Specify: \_\_\_\_\_

**2:B.5. Technical analysis techniques and tools to be used:**

- Data feeds—Specify: \_\_\_\_\_
- Entry/exit software—Specify: \_\_\_\_\_
- Scanning software—Specify: \_\_\_\_\_
- Adviser's reports—Specify: \_\_\_\_\_
- Other: \_\_\_\_\_ Specify: \_\_\_\_\_
- Other: \_\_\_\_\_ Specify: \_\_\_\_\_
- Other: \_\_\_\_\_ Specify: \_\_\_\_\_
- Other: \_\_\_\_\_ Specify: \_\_\_\_\_
- Other: \_\_\_\_\_ Specify: \_\_\_\_\_

**2:B.6. Uptrending market—setup entry/exit rules:**

- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_

**2:B.7. Downtrending market—setup entry/exit rules:**

- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_

**2:B.8. Bracketed market—setup entry/exit rules:**

- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_
- \_\_\_\_\_  
\_\_\_\_\_

**2:C. Money Management Strategy****2:C.1. When will trading be halted after losing money?**

- Two losing trades in a row in one day.

- Three losing trades in a row in one day.
- \$500 loss in one day.
- \$1,000 loss in one day.
- Two losing trades in a row in one week.
- Three losing trades in a row in one week.
- \$1,000 loss in one week.
- \$2,000 loss in one week.
- 10 percent equity drawdown in your trading account in one month.
- Losing set of 25 trades where the result is a cumulative net loss.
- Other: \_\_\_\_\_

**2:C.2. When will trading be halted after a profitable period?**

- \$500 profit in one day
- \$1,000 profit in one day
- \$2,000 profit in one day
- \$1,000 profit in one week
- \$2,000 profit in one week
- \$5,000 profit in one week
- Other: \_\_\_\_\_

**2:C.3. What percentage of trading account will be risked on each trade?**

- 2 percent maximum risk on each trade.
- 1 percent maximum risk on each trade.
- Using average monthly win ratio and payoff ratio, mathematically calculate the optimal percent to risk using the optimal  $f$  formula.
- After a drawdown of 6 percent of trading account, reduce the percent to risk by 25 percent. For example, if normal risk amount is 2 percent on each trade, after a 6 percent drawdown only 1.5 percent will be risked.
- Other: \_\_\_\_\_

**2:C.4. How will optimum trade size be determined?**

- Use Trade Size Calculator software to calculate trade size for every trade.
- Manually calculate proper trade size using formula found in Chapter 12.
- Other: \_\_\_\_\_

**2:C.5. What percent of trading account will be risked at any given time?**

- 6 percent is the maximum active trading account risk. Example: There could be three live trades active, each with a separate risk of 2 percent. No new positions would be taken until one of the initial trades closed out.
- 10 percent is the maximum active trading account risk. Example: Five live trades could be active, each with a separate risk of 2 percent. No new positions would be taken until one of the initial trades closed out.
- Other: \_\_\_\_\_

**2:C.6. What percentage of business owner's total net worth will be risked on trading?**

- 10 percent of total net worth is the maximum amount to be risked in active trading account.
- Other: \_\_\_\_\_

**2:C.7. When will a trade be exited?**

- Will always determine initial stop-loss exit prior to entering the trade.
- Adhere to stop-loss exit when it is hit, and exit the market immediately.
- Use a stop-loss exit strategy that is based on market price activity, key support and resistance levels, volume, volatility dynamics, and/or fundamental rules (not on random and spontaneous decisions).
- Use trailing stops to lock in profit when the market moves in favor of the position.
- Use scaling-out rules to lock in profit and relieve psychological anxiety.
- Will not move stops for emotional reasons.
- When scaling into a position and increasing trade size, will adjust stop to allow for additional risk.
- When holding a position overnight, a day trader will adjust stop to allow for additional overnight risk.
- Set stops that breathe to avoid the expense of commissions in getting whipsawed in a choppy market.
- Other: \_\_\_\_\_
- Other: \_\_\_\_\_



**2:C.8. How will scaling out be implemented?**

- 30 percent for the first scale-out, 30 percent for the second scale-out, and hold 40 percent of the trade until stopped out.
- One-third of position for the first scale-out, one-third of position for the second scale-out, and hold remaining one-third until stopped out.
- When market gaps in a profitable direction of the trade, creating a 50 percent gain. Example: If you entered a long stock position at \$20 per share and it gaps up to \$30 per share, liquidate 30 percent of position to lock in profit.
- Other: \_\_\_\_\_
- Other: \_\_\_\_\_

**2:C.9. How will scaling in be implemented?**

- Only scale into a winning position.
- Do not double down.
- When scaling into a position, recalculate risk based on new trade size and stop-loss exit to compensate for the added risk.
- Other: \_\_\_\_\_

**2:C.10. How will portfolio be diversified?**

- 2 percent per sector can be risked at any given time. Example: If a total of 6 percent of trading account is at risk, have 2 percent in the technology sector, 2 percent in the energy sector, and 2 percent in the currency sector.
- Other: \_\_\_\_\_

**2:C.11. Establish record-keeping rules.**

- Track every single trade every day.
- Write down the entry and exit price, and calculate the profit/loss.
- Write down your emotions and feelings prior to, during, and after the trade is completed.
- Tabulate all totals for every day, week, month, and year.
- Determine adjustments that may improve performance for both your money management system and trading system based on the facts (not based on distortions). Avoiding the tabulation of totals can lead to distortions—so be sure to run the numbers every day.
- Fill out your scorecard so that you know your win ratio, payoff ratio, commission ratio, largest winning trade and largest losing trade,

average winning trade and average losing trade, largest number of consecutive losses, average number of consecutive losses, largest trading account drawdown, average trading account drawdown, and percent of profit or loss on account each and every period.

- Other: \_\_\_\_\_

## 2:D. Potential Threats and Risks

### 2:D.1. What are the most likely potential threats and risks to success?

- 1. Account drawdown.
- 2. Running out of operating capital.
- 3. Market risk. This type of risk could involve an event that would paralyze the markets. Examples: September 11, 2001; Pearl Harbor; Hurricane Katrina. Events include but are not limited to war, acts of God, weather, and financial collapses.
- 4. Lack of market liquidity.
- 5. Unprofitable system. Significant change in market dynamics rendering a previously profitable system suddenly not profitable.
- 6. Medical event. Risk of incapacitating one or more of the company's employees for a period of more than one week.
- 7. Internet interruption or reduction of Internet speed that would interfere with order execution, access to account status, and overall communication systems. Examples: Internet provider malfunction, unexpected shutdown of system, or excessive unexpected Internet traffic.
- 8. Energy supply interruption. This would interfere with order execution, access to account status, overall communication systems, and living and working necessities such as light. Example: brown-outs, blackouts, and generator failures.
- 9. Task saturation. Example: losing focus due to burden overload.
- 10. Other threat or risk:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
- 11. Other threat or risk:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

- 12. Other threat or risk:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**2:D.2. Preventions and remedies for section 2:D.1 threats and risks:**

- 1. Account drawdown.

Prevention: \_\_\_\_\_

Remedy: \_\_\_\_\_

- 2. Running out of operating capital.

Prevention: \_\_\_\_\_

Remedy: \_\_\_\_\_

- 3. Market risk.

Prevention: \_\_\_\_\_

Remedy: \_\_\_\_\_

- 4. Lack of market liquidity.

Prevention: \_\_\_\_\_

Remedy: \_\_\_\_\_

- 5. Unprofitable system.

Prevention: \_\_\_\_\_

Remedy: \_\_\_\_\_

- 6. Medical event.

Prevention: \_\_\_\_\_

Remedy: \_\_\_\_\_

- 7. Internet interruption.

Prevention: \_\_\_\_\_

Remedy: \_\_\_\_\_

- 8. Energy supply interruption.

Prevention: \_\_\_\_\_

Remedy: \_\_\_\_\_

- 9. Task saturation.  
Prevention: \_\_\_\_\_  
Remedy: \_\_\_\_\_
- 10. Other threat or risk: \_\_\_\_\_  
Prevention: \_\_\_\_\_  
Remedy: \_\_\_\_\_
- 11. Other threat or risk: \_\_\_\_\_  
Prevention: \_\_\_\_\_  
Remedy: \_\_\_\_\_
- 12. Other threat or risk: \_\_\_\_\_  
Prevention: \_\_\_\_\_  
Remedy: \_\_\_\_\_

## 2:E. Research and Development

### 2:E.1. What education will be planned for the next fiscal year?

- Live seminar(s)
- Live webcasts
- Online course(s)
- Other: \_\_\_\_\_

## 3. OPERATIONS

The operations portion of your business plan is the nuts and bolts of your back-office basics and outlines how you will physically get the job done on a day-to-day basis. This includes details on your office setup, order execution plan, and record keeping.

### 3:A. Office Setup

#### 3:A.1. Location of office:

- Home office space—dedicated space with door.
- Home office space—common area of home.
- Rented office space—dedicated space with door.

- Rented office space—common area such as cubicle.
- Other: \_\_\_\_\_

**3:A.2. Describe level of distractions, or lack thereof, in office space and how this may or may not impact performance:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**3:A.3. Functionality of office and amenities available:**

(Check all that apply.)

- Internet connection—hardwired
- Internet connection—wireless
- Computer—desktop
- Computer—laptop
- Electricity access (enough to handle all equipment)
- Cable feed
- DSL feed
- Television
- Phone/answering machine
- Live receptionist
- Fax machine
- Photocopier
- Personal filing storage cabinet
- Personal bookcase area
- Desk
- Chair—comfortable, ergonomic if possible
- Desk lighting
- Access to meeting room facilities

**3:A.4. Primary trading computer capabilities:**

(Check all that apply and fill in necessary blanks.)

- Desktop
- Laptop
- Year of issue: \_\_\_\_\_
- Random-access memory (RAM) amount: \_\_\_\_\_

- Central processing unit (CPU) type: \_\_\_\_\_
- Video card type: \_\_\_\_\_
- Monitors—How many? \_\_\_\_\_
- Monitors—What size? \_\_\_\_\_
- Battery backup in case of electrical blackout or brownout
- Ink-jet printer
- Laser printer

**3:A.5. Backup secondary trading computer capabilities:**

(Check all that apply and fill in necessary blanks.)

- Desktop
- Laptop
- Year of issue: \_\_\_\_\_
- Random-access memory (RAM) amount: \_\_\_\_\_
- Central processing unit (CPU) type: \_\_\_\_\_
- Video card type: \_\_\_\_\_
- Monitors—How many? \_\_\_\_\_
- Monitors—What size? \_\_\_\_\_
- Battery backup in case of electrical blackout or brownout
- Ink-jet printer
- Laser printer

**3:A.6. Identify who will be your technical support service or technician; include name, phone, and e-mail of service provider:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**3:A.7. Office hours of operation:**

- 9:00 A.M. to 5:00 P.M., Monday through Friday
- 6:00 A.M. to 2:00 P.M., Monday through Friday
- Other: \_\_\_\_\_

**3:A.8. Lunch break schedule:**

- 12:00 noon to 1:00 P.M., Monday through Friday
- 1:00 P.M. to 2:00 P.M., Monday through Friday
- Other: \_\_\_\_\_

**3:A.9. Vacation and time off schedule:**

- Two weeks off per year
- Three weeks off per year
- Four weeks off per year
- Other: \_\_\_\_\_

**3:B. Order Execution**

**3:B.1. Process of placing entry and exit orders:**

(Check all that apply.)

- Telephone order to broker.
- Automated order to broker.
- Manual order through broker platform.
- Manual order through front-end platform.
- Other: \_\_\_\_\_

**3:B.2. Person(s) authorized to place entry and exit orders with broker:**

- Name: \_\_\_\_\_
- Name: \_\_\_\_\_
- Name: \_\_\_\_\_
- Name: \_\_\_\_\_
- Name: \_\_\_\_\_

**3:B.3. Complete list of brokers with phone numbers and e-mail addresses (this list corresponds to item 1:C.7 but has more contact information):**

- 1. Account value: \$\_\_\_\_\_ Account type: \_\_\_\_\_  
Broker: \_\_\_\_\_  
Contact name: \_\_\_\_\_  
Phone: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Notes: \_\_\_\_\_

2. Account value: \$ \_\_\_\_\_ Account type: \_\_\_\_\_  
Broker: \_\_\_\_\_  
Contact name: \_\_\_\_\_  
Phone: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Notes: \_\_\_\_\_
3. Account value: \$ \_\_\_\_\_ Account type: \_\_\_\_\_  
Broker: \_\_\_\_\_  
Contact name: \_\_\_\_\_  
Phone: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Notes: \_\_\_\_\_
4. Account value: \$ \_\_\_\_\_ Account type: \_\_\_\_\_  
Broker: \_\_\_\_\_  
Contact name: \_\_\_\_\_  
Phone: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Notes: \_\_\_\_\_
5. Account value: \$ \_\_\_\_\_ Account type: \_\_\_\_\_  
Broker: \_\_\_\_\_  
Contact name: \_\_\_\_\_  
Phone: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Notes: \_\_\_\_\_
6. Account value: \$ \_\_\_\_\_ Account type: \_\_\_\_\_  
Broker: \_\_\_\_\_  
Contact name: \_\_\_\_\_  
Phone: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Notes: \_\_\_\_\_



**3:B.4. Complete list of front-end platforms and data providers:**

- 1. Vendor: \_\_\_\_\_ Account type: \_\_\_\_\_  
Contact name: \_\_\_\_\_  
Phone: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Notes: \_\_\_\_\_
- 2. Vendor: \_\_\_\_\_ Account type: \_\_\_\_\_  
Contact name: \_\_\_\_\_  
Phone: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Notes: \_\_\_\_\_
- 3. Vendor: \_\_\_\_\_ Account type: \_\_\_\_\_  
Contact name: \_\_\_\_\_  
Phone: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Notes: \_\_\_\_\_
- 4. Vendor: \_\_\_\_\_ Account type: \_\_\_\_\_  
Contact name: \_\_\_\_\_  
Phone: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Notes: \_\_\_\_\_

**3:B.5. When, why, and how will you place certain types of orders?**

(Check all that apply.)

- Market order: When, why, how: \_\_\_\_\_
- Limit order: When, why, how: \_\_\_\_\_
- Stop order: When, why, how: \_\_\_\_\_
- Trailing stop order: When, why, how: \_\_\_\_\_
- All or none order: When, why, how: \_\_\_\_\_
- Fill or kill order: When, why, how: \_\_\_\_\_
- Iceberg order: When, why, how: \_\_\_\_\_
- Other order: \_\_\_\_\_
- When, why, how: \_\_\_\_\_
- Other order: \_\_\_\_\_
- When, why, how: \_\_\_\_\_
- Other order: \_\_\_\_\_
- When, why, how: \_\_\_\_\_

**TABLE 9.4** Daily Trade Ledger

Daily Trade Ledger Worksheet - Filled Orders						Date:		
<b>Open Position Trades Carried Forward</b>								
Trade						Gross	Com*	Net \$
Number	Symbol	Position	Units	Bought \$	Sold \$	\$ P/L	\$	P/L
<b>Daily Total:</b>								
<b>New Trades Filled Today</b>								
Trade						Gross \$	Com*	Net \$
Number	Symbol	Position	Units	Bought \$	Sold \$	P/L	\$	P/L
<b>Daily Total:</b>								
<b>Grand Total:</b>								

\*Commission

### 3:C. Record Keeping

Record keeping is crucial to the success of your business. In this section of your business plan, you will outline what data you will be recording. Table 9.4 and Table 9.5 are starting examples of what kind of data you will want to track and analyze.

## 4. FINANCIALS

The financial portion of your business plan includes spreadsheets on your starting balance sheet, cash flow forecast, profit and loss history, and key performance ratios. The numbers part of the business equation is important to keep the machine working.

When your business is not staying in, or at least moving toward, profitable territory, it is a red flag. If you run the numbers with your business plan and find that the numbers are not sustainable with your current performance statistics or with your current resources, then adjustments will need to be made.

**TABLE 9.5** Weekly Trade Ledger

<b>Weekly P/L History for Account # _____:</b>					<b>Date:</b>		
<b>Broker Name:</b>					<b>Week (circle one):</b>		
<b>Account Notes:</b>					1 2 3 4 5		
<input type="checkbox"/> Paper Trading Account					<input type="checkbox"/> Live Trading Account		
Day	Total Trades	Number Wins	Number Losses	Gross \$ P/L	Com* \$	Monthly Net \$ P/L	Running Acct. Bal.
Mon.							
Tue.							
Wed.							
Thu.							
Fri.							
Sat.							
Sun.							
Totals:							

\*Commission

It is all about the revenue, and your financial statements will let you know when you need to address your balance sheet and cash flow.

### 4:A. Starting Balance Sheet

**TABLE 9.6** Starting Balance Sheet—Template

<b>Starting Business Balance Sheet</b>		<b>Date:</b>
<b>Description:</b>		<b>Balance:</b>
<b>Current Assets—from 1:C.6 and 1:C.7</b>		
Checking account		
1. Broker account		
2. Broker account		
3. Broker account		
4. Broker account		
5. Broker account		
6. Broker account		
<b>Assets total:</b>		
<b>Current Liabilities—from 1:C.9</b>		
1. Loan -		
2. Credit card -		
3. Other -		
<b>Liabilities total:</b>		

## 4:B. Cash Flow Forecasts

**TABLE 9.7** Monthly Cash Flow Forecast—Template

<b>Monthly Cash Flow Forecast</b>	
Starting cash position—from 1:E.2	\$
Estimated gross profit/loss—from 1:E.6	\$
Monthly Expenses:	
Salary to business owner—from 1:E.3	\$
Fixed expenses—from 1:E.4	\$
Net change in cash	\$
Ending cash position	\$

**TABLE 9.8** Yearly Cash Flow Forecast—Template

<b>Yearly Cash Flow Forecast</b>			
<b>Month</b>	<b>Starting Cash</b>	<b>Net Change</b>	<b>Ending Cash</b>
Jan.			
Feb.			
Mar.			
Apr.			
May			
June			
July			
Aug.			
Sep.			
Oct.			
Nov.			
Dec.			

### 4:C. Profit and Loss History

**TABLE 9.9** Annual Profit and Loss History Report

Cumulative Annual P/L History for All Accounts					YEAR:	
Month	Total Trades	Number Wins	Number Losses	Gross \$ P/L	Monthly Com* \$	Running Acct. Bal.
Jan.						
Feb.						
Mar.						
Apr.						
May						
June						
July						
Aug.						
Sep.						
Oct.						
Nov.						
Dec.						
Totals:						

**TABLE 9.10** Monthly Profit and Loss History Report for Individual Accounts

Monthly P/L History for Account # :					Month:	
Broker Name:					Year:	
Account Notes:						
<input type="checkbox"/> Paper Trading Account <input type="checkbox"/> Live Trading Account						
Week	Total Trades	Number Wins	Number Losses	Gross \$ P/L	Weekly Com* \$	Running Acct. Bal.
1						
2						
3						
4						
5						
Totals:						

Prepare a separate monthly P/L history report for each of your brokerage accounts, including test accounts, paper-trading accounts, and live trading accounts.

\*Commission

#### 4:D. Key Performance Ratios

**4:D.1. Current payoff ratio:** \_\_\_\_\_

**4:D.2. Current win ratio:** \_\_\_\_\_

Once you have completed your business plan, stick to it. You can make notes on it and adapt it along the way if needed, but be always mindful of the plan. If you need accountability to stay on track, assign someone to be your conscience—someone you can check in with weekly or monthly to debrief with and evaluate your progress with. Select someone you feel comfortable with, such as a spouse, coach, mentor, or friend. The person doesn't necessarily need to be experienced in the financial field but they must be respectful of your goals and dedicated to helping you attain them.

Investors and position traders creating this kind of business plan will approach it differently than a trader in that they most likely will have an additional source of income or salary. For them the plan will serve as a way to be sure that they are on track with their investment portfolios in the face of market fluctuations and changing personal needs.

Often a knowledgeable financial adviser can be a good partner in preparing this kind of business plan, but ultimately it is your vision that is the key in shaping the outcome of the plan. You know your goals and needs better than anyone else, and if you lay out this plan you will be taking greater control of your financial destiny.