

# Advanced Risk Management Checklist

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Signal Pilot Education Hub

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### From Lesson 25: Advanced Risk Management

Use this checklist for Kelly Criterion, dynamic sizing, and institutional risk protocols.

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### Daily Risk Assessment

#### Account Status Check

- [ ] **Current equity:** \$\_\_
- [ ] **Peak equity (all-time high):** \$\_\_
- [ ] **Drawdown:** % =  $(\$ - \$) / \$$
- [ ] **Daily P&L:** \$\_\_ ( %)

## Risk Limits

- [ ] **Max risk per trade:** \_\_\_\_% (1-2% normal)
  - If DD 0-10%: 2% max
  - If DD 10-15%: 1.5% max (reduce 25%)
  - If DD 15-20%: 1% max (reduce 50%)
  - If DD > 20%: STOP TRADING
  - [ ] **Portfolio heat:** \_\_\_\_% (sum of all open positions)
  - Must be < 6-8%
  - If > 8%: Close weakest position
  - [ ] **Max daily loss:** 3% = \$\_\_ (if hit, close all & stop)
  - [ ] **Max weekly loss:** 5% = \$\_\_ (if hit, no new trades until Monday)
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## Position Sizing Calculation

### Method 1: Kelly Criterion (Optimal Size)

#### Your strategy stats:

- [ ] Win rate: \_% (from last 50-100 trades)
- [ ] Average R:R: \_:1 (from journal)

#### Kelly formula:

- Kelly % = (Win Rate × Avg R - (1 - Win Rate)) / Avg R
- Full Kelly: \_% (usually 20-40%, TOO aggressive)
- **Quarter Kelly:** \_% (recommended: use 1/4 to 1/2 Kelly)

#### Example:

Win Rate: 60%, Avg R:R: 2.5:1

Kelly =  $(0.60 \times 2.5 - 0.40) / 2.5 = 0.34 = 34\%$

Quarter Kelly = 8.5%

But per-trade limit = 2% → Use 2% (lower of two)

### My Kelly calculation:

- Full Kelly: \_%
- **Quarter Kelly:** %
- Per-trade limit: \_%
- **Use:** % (LOWER of Kelly vs. limit)

## Method 2: Equity-Based Dynamic Sizing

- [ ] **Base risk %:** 2% of current equity (not fixed \$)
- [ ] **Current equity:** \$\_\_
- [ ] **Risk for next trade:** \$\_\_ × 2% = \$\_\_

**Benefit:** Automatically scales down during drawdowns, up during wins

## Method 3: ATR-Based Volatility Adjustment

- [ ] **Target risk:** \$\_\_ (2% of account)
- [ ] **Asset ATR:** \$\_\_
- [ ] **Position size:** \$\_\_ ÷ \$\_\_ = \_\_ shares

### Example:

Target risk: \$200

SPY ATR: \$4.00

Position: \$200 / \$4 = 50 shares

## Method 4: Setup Quality-Based Sizing

- [ ] **Setup grade:** A+ / A / B / C
- [ ] **Risk allocation:**
- A+ (Perfect): 2.0% (all factors aligned)

- A (Excellent): 1.5% (HTF + MTF aligned)
- B (Good): 1.0% (partial alignment)
- C (Marginal): 0% (SKIP)

**My setup grade:** \_ → **Risk:** \_%



## Drawdown Protocol

### Drawdown Tiers & Actions

Drawdown	Action	Position Size	Setup Quality
0-10%	Normal (no change)	100% (2% risk)	A/B setups
10-15%	Caution	75% (1.5% risk)	Review trades
15-20%	Warning	50% (1% risk)	A-grade ONLY
20-25%	Critical	25% (0.5% risk)	Or stop trading
> 25%	Shutdown	0% (STOP)	Full review

**Current tier:** \_\_ → **Action:** \_\_\_\_\_

## Recovery Protocol

### When drawdown < 10% again:

- [ ] Week 1-2: Stay at reduced size (verify stability)
- [ ] Week 3-4: Scale to 75% size (if consistent profitability)
- [ ] Week 5+: Return to 100% size (if 3 consecutive profitable weeks)

**Don't rush back to full size after one winning week!**

# Advanced Stop Loss Strategies

## Stop Type Selection

- [ ] **ATR-Based Stop** (gives room for volatility)
  - Entry: \$\_\_
  - ATR: \$\_\_
  - Stop:  $\$_{entry} \pm (1.5 \times \$_{ATR}) = \$_{stop}$
- [ ] **Structure-Based Stop** (invalidates setup)
  - Swept low/high: \$\_\_
  - Stop: \$\_\_ (below + buffer)
- [ ] **Time-Based Stop** (if no movement in X candles)
  - Expected move within: \_\_ candles/hours
  - If stalled: Exit at \$\_\_ (even if breakeven)
- [ ] **Trailing Stop** (lock in profits)
  - Initial stop: \$\_\_
  - Move to breakeven at: \$\_\_
  - Trail at: \_\_ points behind price

**Stop type used:** \_\_\_\_ **Stop price:** \$\_\_

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## Risk of Ruin Analysis

### Current Risk of Ruin

#### Formula (simplified):

-  $RoR \approx ((1 - \text{Win Rate}) / \text{Win Rate}) ^ (\text{Account Risk} / \text{Position Risk})$

### My stats:

- [ ] Win rate: \_%
- [ ] **Position risk:** \_% per trade
- [ ] Risk of Ruin: \_\_\_\_% (should be < 1%)

### Example:

Win Rate: 55%, Risk: 2%

$RoR = (0.45 / 0.55)^{(100/2)} \approx 0.01\%$  (very safe)

Win Rate: 55%, Risk: 10%

$RoR = (0.45 / 0.55)^{(100/10)} \approx 40\%$  (DANGER!)

### Reduce Risk of Ruin:

- [ ] Lower per-trade risk (2% → 1%)
- [ ] Improve win rate (better setups)
- [ ] Increase R:R (better targets)
- [ ] Diversify (uncorrelated positions)



## Regime-Based Risk Adjustment

### Volume Oracle regime:

- [ ] **Trending:** 2% risk (high edge, with trend)
- [ ] **Ranging:** 1% risk (lower R targets, reduced edge)
- [ ] **Volatile:** 0.5% risk OR sit out (unpredictable)

**Current regime:** \_\_ → **Risk adjustment:** \_\_\_\_%



## Pre-Trade Risk Checklist

### STOP. Before every trade, verify:

- [ ] Position size calculated (risk %, ATR-based) ✓

- [ ] Stop loss defined (structure/ATR) at \$\_\_
- [ ] R:R  $\geq$  2:1 verified (target \$\_\_ vs. stop \$\_\_)
- [ ] Portfolio heat after entry < 8% (current: \_\_%)
- [ ] **Drawdown < 15%? (current: %)**
- [ ] Setup grade: A/B (if C, skip) ✓
- [ ] Emotional state: CALM (not FOMO/revenge) ✓

**If ANY box unchecked → AVOID ENTRY**

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## Institutional Risk Rules

### Daily Loss Limit

- [ ] Max daily loss: 3% = \$\_\_
- [ ] Current daily P&L: \$\_\_
- [ ] If hit -3%: Close all positions, done for day ✓

### Weekly Loss Limit

- [ ] Max weekly loss: 5% = \$\_\_
- [ ] Current weekly P&L: \$\_\_
- [ ] If hit -5%: No new trades until Monday ✓

### Monthly Drawdown Limit

- [ ] Max monthly DD: 10% = \$\_\_
  - [ ] Current monthly DD: \_\_\_\_%
  - [ ] If hit 10%: Reduce to 50% size for rest of month ✓
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## Post-Trade Review

### Risk management execution:

- Position size correct (calculated correctly)? Yes / No
- Stop loss placed immediately after entry? Yes / No
- R:R achieved as planned? Yes / No
- Portfolio heat stayed below 8%? Yes / No
- Drawdown protocol followed? Yes / No

### What went right:

- \_\_\_\_\_

### What could be improved:

- \_\_\_\_\_

### Lesson learned:

- \_\_\_\_\_

Win/Loss: \_ R-multiple: \_

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## Weekly Risk Review

### Every Sunday, calculate:

- [ ] Win rate this week: \_% (**target: 55-65%**)
- [ ] **Avg R this week:** R (target: 2.0+)
- [ ] Max daily loss hit? Yes / No (if Yes: Why?)
- [ ] Portfolio heat exceeded 8%? Yes / No (if Yes: Why?)
- [ ] Drawdown increased? From \_% **to** %
- [ ] Risk management rules broken? Yes / No (if Yes: Which?)


### Action plan for next week:

- \_\_\_\_\_

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**Remember:**

-  3-tier risk: Per-trade (1-2%), Portfolio (6-8%), Drawdown (< 20%)
-  Use 1/4 to 1/2 Kelly (NOT full Kelly)
-  Dynamic sizing adjusts for equity, volatility, quality
-  Drawdown > 15% → Reduce size 50%
-  Drawdown > 20% → STOP trading
-  Daily loss > 3% → Close all, done for day

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