Position Sizing Calculator Template

From Lesson 9: Position Sizing - The Only Edge That Actually Matters

Use this template to calculate exact position size for every trade.

📊 Account Information

Total Account Balance: $_____

Maximum Risk Per Trade: __% (recommended: 1%)

Maximum Risk in Dollars: $_____ (Account Balance × Risk% = Max Risk)

🎯 Trade Setup Information

Asset: __ **Entry Price:** $_ **Stop Loss Price:** $___

📐 Position Size Calculation

Step 1: Calculate Risk Per Share/Contract

Risk Per Unit = Entry Price - Stop Loss Price

Risk Per Unit: $_____ (For shorts: Stop Loss - Entry Price)

Step 2: Calculate Position Size

Position Size = Max Risk in Dollars ÷ Risk Per Unit

Position Size: __ shares/contracts

Step 3: Calculate Total Position Value

Total Position Value = Position Size × Entry Price

Total Position Value: $_____

Step 4: Verify Risk Percentage

Actual Risk % = (Max Risk ÷ Account Balance) × 100

Actual Risk %: __%

✅ **Check:** Is this ≤1%? ☐ Yes ☐ No (adjust position size if No)

💰 Profit Target Calculations

Target 1 (1.5R)

Target Price: $__ **Profit Per Unit:** $_ **Total Profit:** $___ **% Position to Exit:** 30%

Target 2 (2.5R)

Target Price: $__ **Profit Per Unit:** $_ **Total Profit:** $___ **% Position to Exit:** 40%

Target 3 (Trailing)

Initial Target Price: $_____ **Trail with:** Pentarch Pilot / ATR / Fixed % **% Position:** 30%

📈 Risk/Reward Analysis

Initial Stop Distance: __ pts

Target 1 Distance: _ pts **Target 1 R:R:** _:1

Target 2 Distance: _ pts **Target 2 R:R:** _:1

Average R:R for Trade: __:1

✅ **Check:** Is average R:R ≥2:1? ☐ Yes ☐ No (skip trade if No)

🛡️ Advanced Risk Management

Portfolio Heat Check

Current Open Positions:

1. _ : _% risk

2. _ : _% risk

3. _ : _% risk

4. _ : _% risk

Total Portfolio Heat: __%

✅ **Check:** Is total heat <4%? ☐ Yes ☐ No

If >4%, wait before taking new trade

Correlation Check

Are open positions correlated? ☐ Yes ☐ No

If Yes, which assets: - _____

Action: ☐ Reduce size on this trade ☐ Wait for exit ☐ Skip

Correlated positions = all lose together. Treat as single risk.

📋 Pre-Trade Checklist

Before entering, verify:

- [ ] Position size calculated correctly

- [ ] Risk is exactly 1% of account (or less)

- [ ] Stop loss is placed beyond the sweep/structure

- [ ] Profit targets are realistic (minimum 2:1 R:R)

- [ ] Portfolio heat <4%

- [ ] No excessive correlation with open positions

- [ ] Trade setup is A-grade quality

📊 Example Calculation

Account Balance: $50,000 **Risk Per Trade:** 1% = $500 **Entry Price:** $100.00 **Stop Loss:** $98.50 **Risk Per Share:** $1.50

Position Size: $500 ÷ $1.50 = **333 shares**

Total Position Value: 333 × $100 = $33,300

Verification: - Risk: $500 (1% ✅) - If stopped out: Lose exactly $500 - If hit 2.5R target: Win $1,250

🚫 Common Position Sizing Mistakes

Mistake #1: Using Fixed Dollar Amounts - ❌ "I always buy $10,000 worth" - ✅ Calculate based on stop distance (varies per trade)

Mistake #2: Risking Too Much - ❌ "I'll risk 3% on this great setup" - ✅ 1% maximum, always (even on "perfect" setups)

Mistake #3: Ignoring Portfolio Heat - ❌ "I have 6 trades open, all risking 1%" - ✅ Total heat should never exceed 4%

Mistake #4: Not Adjusting for Correlation - ❌ "Long TSLA, NVDA, AAPL (all tech, all fall together)" - ✅ Treat correlated positions as single risk

📈 Position Sizing by Account Size

Small Account ($5,000-$10,000)

- 1% risk = $50-$100 per trade
- Focus on assets with tight stops
- Consider micros/fractional shares

Medium Account ($10,000-$50,000)

- 1% risk = $100-$500 per trade
- Can trade most setups comfortably
- Scale profits into larger account

Large Account ($50,000-$250,000)

- 1% risk = $500-$2,500 per trade
- Can diversify across multiple uncorrelated setups
- Consider position splitting for liquidity

Very Large Account ($250,000+)

- 1% risk = $2,500+ per trade
- May need to reduce risk % to avoid liquidity issues
- Consider 0.5% risk for larger positions

🎯 The One Rule That Saves Accounts

"No matter how good the setup looks, never risk more than 1%."

Why? - 10 losses in a row = -10% drawdown (recoverable) - 10 losses at 3% each = -30% drawdown (devastating)

The math is brutal: - Lose 50% → Need 100% gain to recover - Lose 30% → Need 43% gain to recover - Lose 10% → Need 11% gain to recover

Protect your capital. Always.

Remember: - ✅ 1% risk per trade, always - ✅ Calculate position size BEFORE entry - ✅ Check portfolio heat before adding positions - ✅ Account for correlation

This is your survival edge.

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