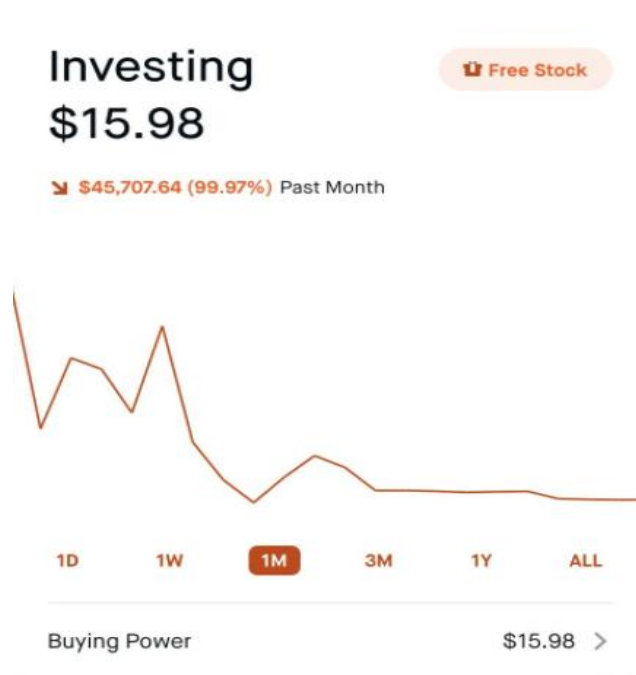


It doesn't matter what you do in life risk is everywhere. But there are proper ways to control risk the right way. In this document I will tell you some rules of thumb for stocks as well as for options.

Risk is inseparable from return in the investment world.

So, I cannot promise 0 risk. However, if you are diversified (but not over diversified!) you can mitigate potential large losses.

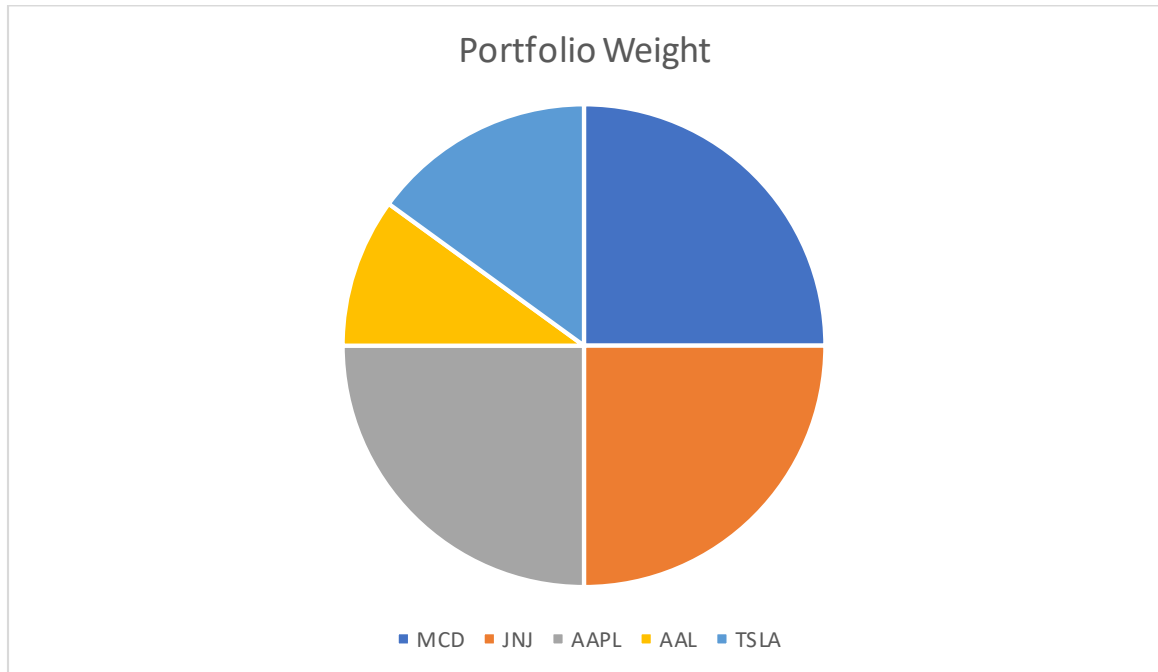


As you see above that is an example of a gambler. I do not teach gambling (although I do play poker and successfully make money), I teach investing. You know how you avoid the above? By not using your money like you are in a casino!

That means no buying call options with 50% of your account. Don't buy options with 20% of your account. Don't do anything with 20% of your account aside from maybe the safe strategies I teach in module 5 and 6. I personally use no more than 10% of my money in an account to invest in any given stock. As I write more please reference this document. Print it out. Don't be the guy above! You will want to reference this as you learn the strategies I use. Here's the rules I abide followed by some exceptions.

1. Keep stock positions to a maximum of 20% if you absolutely re in love with a stock and have good reason to own it. It's going up is a not a good reason! A good reason is Tesla is dominating EV's, producing cars at a rapid rate, expanding operations and profit margins are growing. That is a good reason!
2. If you want to buy calls, do not use more than 5% of your account. If I have 10k I would not use more than \$500 to buy an option. And guess what I still find losing \$500 painful. So, I go with 2.5%. That's what I find comfortable.

3. Have different industries! Have at least 3 different industries in your portfolio. Airlines, Healthcare, Technology is good. Here is a portfolio example:

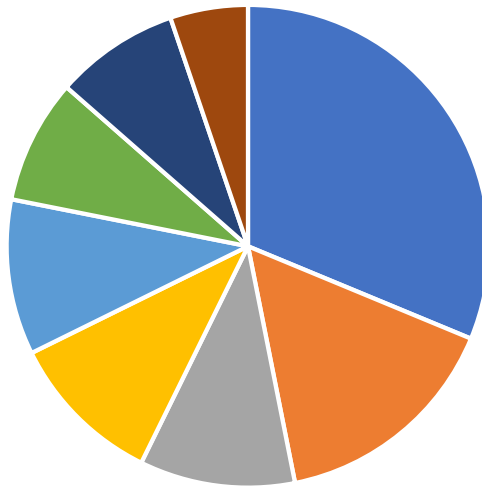


That's an okay portfolio. Fairly diversified. Not that much but it's okay.

Having 10 companies would be great. However, if you have 5 large companies such as above you should be in decent shape. **Textbook diversification is 12 stocks!**

This also depends on age, net worth, income and other factors. But if you have at least 5 stock positions and later have a portfolio with half stocks and half options you should be in good shape. Here is an example of my portfolio. I did not put exact percentages since portfolio fluctuate. Also, as you will notice Tesla sits at about 30%. I do that because I now earn a decent amount of money, have high conviction in Tesla and am a professional with a long track record so I allow myself to go higher. If you fit into a higher net-worth or high income, then you can go a bit riskier like me. Remember invest safe! If you lose 50% you now need to make 100% to get back to your starting point.

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