

RISK MANAGEMENT CHEAT SHEET

THE GOLDEN POSITION SIZING FORMULA

$$\text{Lot Size} = (\text{Account Balance} \times \text{Risk \%}) \div (\text{Stop Loss in Pips} \times \text{Pip Value per Lot})$$

Example: \$10,000 Account, 1% Risk (\$100), 25 Pip Stop Loss on EURUSD (\$10/pip standard lot):

$$\text{Calculated Lot Size} = \$100 \div (25 \times \$10) = 0.40 \text{ Standard Lots}$$

WIN-RATE REQUIRED BY RISK-TO-REWARD (RR) RATIO

Risk : Reward	Min Win Rate (Break-Even)	Expected Outcome (50% Win Rate)	Status
1 : 1	50.0%	\$0 Profit / Breakeven	Requires High Win Rate
1 : 1.5	40.0%	+\$250 per 10 Trades (at \$100 risk)	Solid Strategy Baseline
1 : 2	33.3%	+\$500 per 10 Trades (at \$100 risk)	Recommended Retail Target
1 : 3	25.0%	+\$1,000 per 10 Trades (at \$100 risk)	Elite Asymmetric Edge
1 : 5	16.7%	+\$2,000 per 10 Trades (at \$100 risk)	High Trend Payoff Model

ACCOUNT DRAWDOWN & THE MATHEMATICAL RECOVERY TRAP

Loss of Capital	Gain Required to Break Even	Difficulty Level	Risk of Ruin Warning
- 10% Drawdown	+ 11.1% Gain	Normal	Easily recoverable with strict risk
- 20% Drawdown	+ 25.0% Gain	Moderate	Requires 2.5x trading discipline
- 30% Drawdown	+ 42.9% Gain	High	Dangerous; Cut position size in half
- 50% Drawdown	+ 100.0% Gain (Doubling account)	Extreme	Psychological tilt imminent
- 75% Drawdown	+ 300.0% Gain (4x capital)	Nearly Impossible	Account blown; Restart required

THE 5 IRONCLAD RULES OF RISK PRESERVATION

1. Never risk more than 1% to 2% of total account balance on any single trade setup.

2. Daily Drawdown Stop: If you lose 3% to 4% in a single trading day, shut down terminals immediately.

3. Always set Stop Loss at trade entry. Never widen or remove a Stop Loss during an active trade.

4. Correlation Protection: Do not trade EURUSD and GBPUSD simultaneously in same direction with full risk.

5. Lock in Profits: Move Stop Loss to Break-Even (BE) once trade reaches 1:1.5 Risk-to-Reward milestone.