

Fine-Tuning Your Money Management System When you hear of someone making a huge killing in the market on a relatively small trading account, more likely than not it was a fluke: The trader was not using sound money management techniques. The trader probably exposed his trading account to obscene risk due to an abnormally large trade size. The trader may have just gotten lucky and experienced a profit windfall. Trading like this means it's just a matter of time before huge losses dwarf the wins, and the trader is devastated emotionally and financially. Money management in trading involves specialized techniques combined with your own judgment. Not adhering to a sound money management program can find you exposed to a deadly risk of ruin, and, worst of all, most probable equity bust. Keeping this in mind, you may find a few essential money management techniques can make a big difference to your bottom line. (See sidebar, "Proven money management techniques.") Here are some things to remember when it comes to money management. **CALCULATING PROPER TRADE SIZE** If you are trading the exact same number of shares or contracts on every trade, you may not be calculating the proper trade size for your own risk tolerance. Trade size can vary from trade to trade because your entries, stops, and account size are constantly changing variables. To help reduce your risk exposure, the first step is for you to believe you need this sort of program. Usually, this belief comes from suffering a few large losses that make you want to change. This kind of

experience can enable you to see how the wrong trade size and lack of discipline can sabotage your trading results. Calculating proper trade size is a relatively simple process and can ultimately reward you with greater profits and more efficient risk control. You can determine maximum trade size by using the following formula. (In addition, see examples A and B later in this article.) **by Bennett A. McDowell** **To read More, Please download The book.** [Download This Book](#)