

Table 18.2 Preparation and Commitment Checklist

Preparation + Commitment	Points
1. How well do I know who I really am?	<input type="checkbox"/>
a. Are you aware of your strengths and weaknesses? Are you aware of what edges you bring to trading? Are you aware of your psychological issues and how they impact your trading? Can you list several hundred beliefs about yourself? Can you list several hundred beliefs that you have about the market? If you answer no to any or most of these questions, you probably have a lot of preparation work to do before you begin trading.	<input type="checkbox"/>

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Table 18.2 Preparation and Commitment Checklist (Continued)

Preparation + Commitment	Points
Rate yourself from 0 to 10, with 10 being completely prepared and 0 being not prepared at all.	<input type="checkbox"/>
b. When you have an obstacle in the way of a goal, do you do a dance with the obstacle and get emotional, or do you simply walk around it and head toward the goal?	<input type="checkbox"/>
Able to deflect obstacles = 5 points, tendency to dance with obstacles = 0	<input type="checkbox"/>
Big Picture	Points
2. Have I written down my thoughts about the big picture, and have I defined a process to monitor it? Yes = 5 points, No = 0	<input type="checkbox"/>
Market Types	Points
3. Have I defined market types for myself, and do I follow a process that monitors the market type? Yes = 5 points, No = 0	<input type="checkbox"/>
Systems That Fit Me	Points
4. Have I developed a trading system that fits me, my view of the big picture, and the current market type? Your system should have, at minimum, an entry, a worst-case exit that determines what a 1R loss is for you, one or more profit-taking exits, and perhaps a re-entry should you get stopped out when your idea is still working. Do you have at least one system that meets these criteria? Rate yourself on a 0 to 5 scale on how well you've done in developing at least one such system that fits you, the big picture, and one market type. Give yourself a 0 if you don't have such a system.	<input type="checkbox"/>

Table 18.2 (Continued)**If you've been trading multiple systems already, answer questions 5-14. Points**

5. Do I understand that it's easy to develop a Holy Grail system for any one market type but impossible for one system to work well in all market types? Do I have at least one trading system for each of the following market types?

Give yourself 1 point for each market type for which you have one system that only trades that market type, and 2 points for each market type for which you have 2 or more systems that only trade that market type. Maximum of 12 points for this question.

- a. Quiet up market
 - b. Volatile up market
 - c. Quiet sideways market
 - d. Volatile sideways market
 - e. Quiet down market
 - f. Volatile down market
6. Have I defined my objectives for each trading system?
Give yourself one point for each system for which you've defined your objectives.

7. Do I have a sufficient sample of trade results for each system?
a. Do I know the expectancy of each system (mean R-value)?
Yes = 3 points, No = 0
- b. Have I collected at least 100 R-multiples for each system?
100 R-multiples = 2 points; >50 = 1, <50 = 0
8. Do I have any idea of how each system will perform in the various kinds of markets to which I'm likely to be exposed over the next 10 to 20 years?

Have I collected a sample of at least 30 trade R-multiples from each kind of markets in which I expect to trade this system?

Give yourself two points for each market for which you've collected at least 30 R-multiples for each system.

- a. Quiet up market
- b. Volatile up market
- c. Quiet sideways market
- d. Volatile sideways market
- e. Quiet down market
- f. Volatile down market

Trading Objectives

9. Have I given a lot of thought to and developed a set of strong trading objectives that fit me? These would include an earnings target and a point of ruin. Do I even have objectives?
Strong objectives = 10 points, No objectives = 0

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Table 18.2 Preparation and Commitment Checklist (Continued)

Position Sizing Strategy	Points
10. Do I have a position sizing strategy designed for each of my trading system's R-multiple distributions that helps me achieve my objectives? Yes = 20 points, No = 0	<input type="checkbox"/> <input type="checkbox"/>

Major Issues	Points
11. Have I identified major issues that could affect my trading, and am I doing everything possible to eliminate them? Each issue identified = 1 point, each issue solved = 1 point, 20 points max for this question.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Issue 1: _____ Solved: Yes _____ No _____	
Issue 2: _____ Solved: Yes _____ No _____	
Issue 3: _____ Solved: Yes _____ No _____	
Issue 4: _____ Solved: Yes _____ No _____	
Issue 5: _____ Solved: Yes _____ No _____	
Issue 6: _____ Solved: Yes _____ No _____	
Issue 7: _____ Solved: Yes _____ No _____	
Issue 8: _____ Solved: Yes _____ No _____	
Issue 9: _____ Solved: Yes _____ No _____	
Issue 10: _____ Solved: Yes _____ No _____	
12. Do I perform the top tasks of trading regularly so that I can prevent and eliminate mistakes? For each day of the last 20 on which you can honestly say you did all the tasks, give yourself 1 point; 20 points max	<input type="checkbox"/>

Mistakes	Points
13. Do I track mistakes, understand them, and help resolve them? Yes = 2 points for each question, No = 0	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
a. Have I tracked my mistakes in terms of R-multiples?	
b. Do I understand the impact of mistakes on my trading?	
c. Do I understand what produces my trading mistakes?	
d. Do I spend enough time working on myself to minimize the impact of mistakes?	

Table 18.2 (Continued)

Business Plan	Points
14. Have I prepared a business plan that incorporates all of this information to guide my trading journey? This plan is not the kind of business plan that people make when they want to raise money from other people. Instead, this is an attractive, enjoyable working document that will guide you as long as you are trading. It will probably never be complete because you'll constantly be working on it to improve your trading. Do you have such a document with each of the sections below? Yes + Complete = 2 points for each question, No = 0	<input type="checkbox"/> <input type="checkbox"/>
a. A list of beliefs about yourself.	<input type="checkbox"/>
b. All of the information you listed in the first item about your strengths, weaknesses, psychological issues, etc.	<input type="checkbox"/>
c. Your assessment of the big picture and the various events that will affect your trading.	<input type="checkbox"/>
d. Your beliefs about the market.	<input type="checkbox"/>
e. Three noncorrelated systems that tend to support your beliefs about the big picture.	<input type="checkbox"/>
f. A worst-case contingency plan.	<input type="checkbox"/>

Table 18.3 Score by Section

	Your Score	Max Possible Score
Preparation + Commitment—how well I understand myself and how I handle obstacles	<input type="checkbox"/>	20
Big picture—definition and monitoring process	<input type="checkbox"/>	5
Market types—definition and monitoring process	<input type="checkbox"/>	5
System that fits me, big picture and market type	<input type="checkbox"/>	5
At least one trading system per market type	<input type="checkbox"/>	12
Objectives for each trading system	<input type="checkbox"/>	6
100 R-multiples, plus the system expectancy	<input type="checkbox"/>	5
System performance by market type and 30 R-multiples from each market type	<input type="checkbox"/>	12
I use the system for the market type for which it was designed	<input type="checkbox"/>	4
Strong trading objectives that are well thought out and that fit me	<input type="checkbox"/>	10

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Table 18.3 Score by Section (Continued)

	Your Score	Max Possible Score
Position sizing strategy for each system	<input type="checkbox"/>	20
My major issues are identified and fixed	<input type="checkbox"/>	20
Regular practice of the top tasks of trading	<input type="checkbox"/>	20
Mistakes	<input type="checkbox"/>	8
Business plan to guide my trading journey	<input type="checkbox"/>	12
Total Score	<input type="checkbox"/>	164
Well-prepared to trade	<input type="checkbox"/>	>130 points
Above average; continue doing your prep work	<input type="checkbox"/>	115-130
Average; you still have a lot to do	<input type="checkbox"/>	90-114
You are not prepared at all, so stop trading	<input type="checkbox"/>	<90 points