

Risk and the mind: how accounts survive

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3.1 Risk per trade: the 1-2% rule

This lesson is about the word 'risk' as it appears on a trading platform. On a platform, risk is not a feeling. It is a number you type into an order box before you click buy or sell. That number is the most you are willing to lose if the trade goes against you. Everything else — the size of the trade, where you put the stop, where you aim to take profit — is worked out from that number. Many beginners pick a trade size first and then hope. This lesson shows why the order matters. We use a deposit of A\$1,000 and two different risk amounts: A\$10 and A\$200. You will see how the account path changes over 20 trades when the same market move happens.

Starting deposit	A\$1,000
Risk per trade — small	A\$10
Risk per trade — large	A\$200
Number of losing trades in a row	20

3.2 Working out position size

Position size is the number of lots you open. It is the last number you work out, not the first. You start with the money you are willing to lose on the trade, then the distance to your stop, then the value of one pip. Divide the first by the second, then by the third. This lesson shows the order, because getting the order wrong is how a small account disappears in a few trades.

Risk in money	A\$20
Stop distance	25 pips
Pip value per standard lot	A\$10
Position size	0.08 lots

3.3 Risk and reward

Risk and reward is the comparison between what a position risks if the stop is hit and what it aims to gain if the target is reached. On a standard lot of AUD/USD, one pip is worth 10 units of the quote currency, which at a rate near 0.6640 is about A\$6.64. This lesson shows what a chosen ratio does to the share of trades that must work before a series of trades ends in front.

Stop distance	20 pips
Target distance	40 pips
Value of one pip	A\$6.64
Loss when the stop is hit	A\$132.80

3.4 Drawdown and losing streaks

Drawdown is the distance between the highest point your account has reached and its current value. If your account peaked at A\$10,000 and now sits at A\$8,860, the drawdown is A\$1,140, or 11.4 per cent. This lesson shows how a normal run of losses produces that number, and why the run is not a sign that your method has stopped working.

Starting balance	A\$10,000
Risk on each trade	2 per cent
First loss	A\$200
Second loss	A\$196

3.5 Margin call and stop out

This lesson explains the two margin thresholds a broker uses on an Australian account: the margin call level and the stop out level. On a typical platform these are shown as percentages, often 100 per cent and 50 per cent, though the exact figures vary between brokers. You will see how a small fall in AUD/USD can move an account from a warning to forced closure, and which positions close first.

Account balance	A\$2,000
Position opened	0.10 standard lots AUD/USD at 0.6640
Margin required at 5 per cent	A\$332.00
Margin level at open	about 602 per cent

3.6 Fear, greed and FOMO

This lesson looks at three states that push people to break their own written rules: fear, greed and FOMO. The word FOMO is short for fear of missing out, and on a platform it shows up as an order placed after the move has already happened. The cost of that is measurable: on AUD/USD, one pip on one standard lot is 10 units of the quote currency, which at a rate near 0.6640 is about A\$6.64 per pip, so a 20-pip entry difference is about A\$132.80 on one standard lot.

Planned entry	0.6640
Chased entry	0.6660
Distance between the two entries	20 pips
Value of one pip on one standard lot	about A\$6.64

3.7 Overtrading and chasing losses

Overtrading means taking more trades than the plan allows. Chasing losses means making a losing trade bigger to win the money back. Both turn one bad trade into a bad week, and both have a price you can count in A\$.

Trades in the day	30
Spread cost per trade	A\$6.64
Cost of the 30 trades	A\$199.20
Cost if only the 3 planned trades were taken	A\$19.92

3.8 Discipline: the rules you do not break

This lesson is about the word discipline as it is used on a trading platform: a written routine you follow before, during and after each session. It is the part of trading that is the same every day, and it is what keeps a small account alive when a single trade goes wrong. In money terms, a routine is the difference between losing A\$20 on a bad trade and losing A\$200 because you moved your stop.

1. Direction and reason	AUD/USD near 0.6640
2. Entry, stop and target in pips	Stop 20 pips, target 40 pips
3. Position size from the stop	0.10 standard lots
4. Risk in A\$	A\$20

3.9 Signals, robots and copy trading

This lesson looks at three ways to hand your trading decisions to someone else: signals, automated systems, and copy trading. The aim is to see what each one actually copies, and which risks stay with you no matter who presses the button. By the end you will be able to put a dollar figure on one day of copied trading on AUD/USD, near 0.6640, and see what that costs in your own account.

Position size	0.10 lots
Pip value on this size	A\$1.00 per pip
Movement copied	20 pips
Gross result	A\$20.00

3.10 Checking a broker in the local register

This lesson is about checking a broker in the register before any money moves. The register is a public list kept by ASIC, the Australian regulator, and it answers one question: is this business allowed to offer you this product? A licence number on a website is not proof. The register is.

Standard lot size	100,000 AUD
One pip in the quote currency	10 USD
Conversion at the current rate	A\$15.06
Register check	licence number and what it covers

3.11 Tax on trading in your country

This lesson is about the word 'declaration'. On a platform you never see that word. You see 'withdrawal', 'deposit' and 'closed trade'. A declaration is the separate step where you tell the Australian Taxation Office what those closed trades did over a year, and it is the step that decides what you actually keep. A single closed AUD/USD trade at 0.6640 can move A\$66 on one standard lot for a ten pip move, so the record you keep is worth more than the memory of the trade.

Instrument	AUD/USD
Price at entry	0.6640
Position size	1 standard lot
Value of one pip	A\$10

3.12 Taking your money out

This lesson explains the word withdrawal as it appears on a trading platform, and then follows the route your money takes from the trading account back to your bank. The steps are the same for everyone, but the time each step holds your money can vary. A withdrawal of A\$500 may leave the platform on the same day and still reach your bank account two business days later. The lesson shows where the delays sit and why a request can be stopped before it is sent.

Withdrawal request	A\$500
Platform cut-off	Same business day if submitted before 3pm
Compliance check	1 business day
Payment provider	1 business day

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