



**HOW TO:  
MONEY MANAGE  
YOUR FOREX  
ACCOUNT**

# HOW TO MONEY MANAGE

PROFESSIONALLY IN 7 SIMPLE STEPS



If you want to be a successful trader, you must follow sound Forex Money Management rules. Don't be one of the beginners who neglects the importance of money management, or it will be too late and your account will be BLOWN.

In this FXLEARN.io issued ebook, we will be covering 7 key steps in money management, to keep you safe while you invest into the markets.



# 01

## QUANTIFY YOUR LOSSES

Whenever you open a trade, you must be aware of how much you are putting at risk in case the trade turns against you. This simple yet very important concept is called RISK-PER-TRADE

Usually, we express risk in terms of PERCENTAGE(%) in relation to your trading account. Let's give an example: Your trading account size is \$10,000 and you're only willing to risk 2%. Therefore, your risk will be \$200 on this trade before it hits stop loss.

Understanding your possible losses per trade will help you better manage your funds and adapt stake sizes to meet the needs of your account growth/decline

# 02

## UNDERSTANDING REWARD-TO-RISK

**EXPERT TIP: TRADERS WHO PLACE TRADES WITH A REWARD-TO-RISK RATIO OF AT LEAST 1:1 WERE SIGNIFICANTLY MORE PROFITABLE THAN TRADERS WHO RISKED MORE ON A TRADE THAN THEY COULD**

Another hugely important concept around money management is understanding your reward-to-risk ratio, otherwise known as R/R. This works by analysing the potential profit on a trade as a reward against risk ratio.

Here is an example, let's say we opened a trade on EURUSD with a profit marker (TAKE PROFIT) set at \$600 and a loss marker (STOP LOSS) set at \$200.

This trade would therefore have a... yes, you guessed it. \$600 divided by \$200 gives a 3:1 REWARD-TO-RISK ratio. In simple terms your potential profit is three times larger than your potential loss.



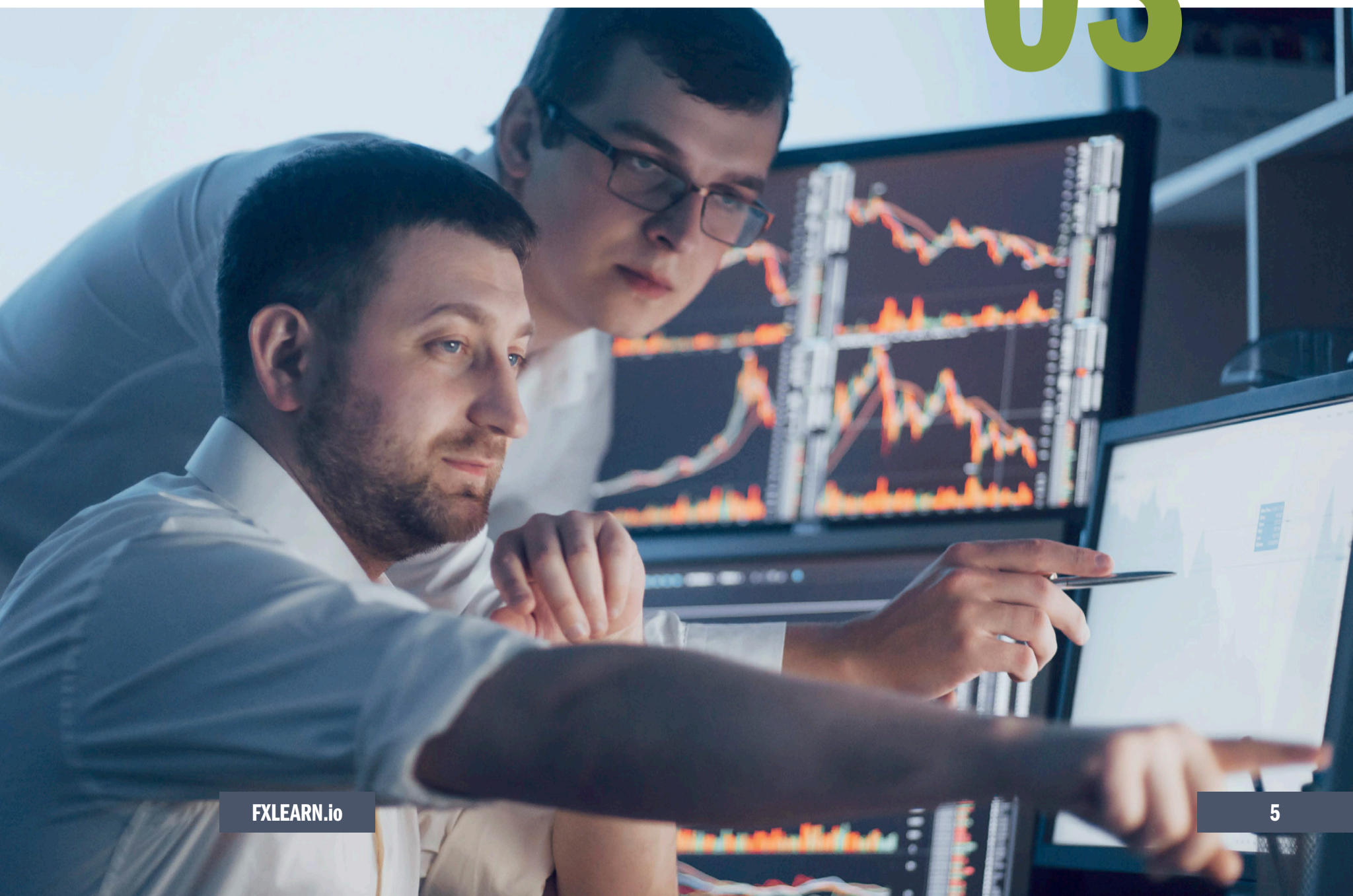
# DON'T CHASE THE MARKET

All traders have suffered from chasing the market and it can be detrimental to your account. We have all had the temptation to open a position that isn't quite ready to be opened, but we do it anyway. We may have done it because we've had a string of losses or maybe just because we were bored. Either way, it's no excuse.

Let us let you in on something ... The market doesn't owe you anything! The market is neither moral nor immoral - it's amoral.

Never open trades based on emotions such as fear or greed, as you'll most likely end up blowing your account and/or causing significant damage. Always trade with a level head.

# 03



# 04

## ALWAYS USE STOP LOSSES

Stop-loss orders play a vital role in Forex money management. They help you to quantify the amount you are willing to risk and avoid you losing control. In trading, there are four main types of stop loss orders:

- 01. Chart Stops** - This type of stop-loss order is based on important technical levels in a price-chart. Most of the time, chart stops return the best results.
- 02. Volatility Stops** - Volatility stops are used to close your trade once the traded financial instrument reaches a pre-determined volatility level.
- 03. Equity Stops** - Equity stops use a pre-determined amount of money, usually as a percentage of your trading account, to set your stop-loss levels. The main disadvantage of this approach is that equity stops don't take the current market environment or important technical levels into account.
- 04. Time Stops** - As the name suggests, time stops are used to close your trades by the end of the London trading session, end of the trading day or end of the trading week, to give a few examples. They're based simply on a pre-determined period of time after which you close your trades.

**EXPERT TIP:** We advise using **CHART STOPS** to adjust your position according to your risk-per-trade. Don't worry for now, because when you join us, we will show you how to do this!



# 05

## KNOW WHEN TO CUT YOUR LOSSES AND WHEN TO LET YOUR PROFITS RUN

If you feel that a trade setup doesn't perform well or that recent news reports could have a negative impact on the trade, simply close it before it's too late.

Successful traders are quick to stop trades that are losing but patient enough to let their winning trades run.

Inexperienced traders, on the other hand, tend to hope for a losing trade to return to break-even as they don't want to face a loss.

# 06

## HAVE FAITH IN YOUR TRADING STRATEGY

Whilst trades that turn out to be bad setups should be closed as soon as possible, you need to make sure to leave enough breathing room for a good setup to perform. There is a high chance that even good setups will be in loss at some time before picking up in the right direction.

If you believe in your trading strategy, you shouldn't feel nervous during those situations - simply let the trades perform .



# SEEK EXPERT GUIDANCE

Choosing the right Forex training partner is key to your development and success. When properly informed, key factors such as pricing, execution, education and quality of customer service can make all the difference to your trading experience!

FXLEARN.io have helped thousands of people break into forex trading and begin their journey ... We feel you're next! So please contact us using our website contact pages on FXLEARN.io and speak with one of our advisors.

# 07

