

## Twitter Thread by [Nick Drendel](#) ■ ■



**Nick Drendel** ■ ■

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**If I stuck to this one rule the day I started trading I would have...**

- **Saved \$1,000's of dollars in losses.**
- **Sped up my learning process.**
- **Avoided every major account drawdown I've had.**

**If you're new to trading, make sure you stick to this** ■ ■

### **The 1% Rule** ■

The 1% Rule states that you should risk, at most, 1% of your total account on every individual trade.

This 1% risk is a function of two flexible components:

- Your Position Size: % of your account in the trade
- Your Trade Risk: % between your entry price and your stop loss

Want to take a larger position size? Make your stop tighter.

Trading a volatile stock? Size down on the trade.

# 1% Total Risk

Position Size	Stop Loss
5%	20%
10%	10%
15%	7%
20%	5%
25%	4%
33%	3%
50%	2%

The most important aspect of trading is risk management.

It's great to make money, but worthless if you don't have a system to keep it.

Over 50% of my trades are losses, but I'm still profitable because of the 1% Rule.

Keep losses small & let winners run!

"Nick, 1% risk isn't enough, my account is small."

New traders are EXACTLY who benefits the most!

By limiting each trade's potential losses to 1% it will take you:

- 29 straight losses to fall 25%
- 69 straight losses to fall 50%

It's tough to be that consistently bad ■

You build trading experience with each trade you place. The more "at bats" you get the more you learn.

This doesn't mean overtrade. But it'll be nearly impossible to blow-up your account if you stick to 1% risk per trade.

This is how you speed up your learning process.

You will NEVER take a large loss again if you stick to 1% total risk.

Go through your past trades. How much \$ would you save if you eliminated every large loss.

No bag holding, no averaging down, no emotional attachment.

You INSTANTLY become a better trader.

TL;DR: If I followed "The 1% Rule" since I started trading, I would have saved \$1,000's of dollars.

Risk, at most, 1% of your total portfolio on each trade.

Portfolio Risk = (% Position Size) X (% Trade Risk)

Guarantee a trading career with no large losses!

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