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TRADING PLAN & JOURNAL

Your business plan for trading — and the journal that grades it.

Alpha Academy · Team Alpha Trading

Building Your Trading Plan & Journal

Imagine opening a small restaurant with no menu, no prices, no hours, and no budget — just buying whatever looked good each morning and hoping money was left at month's end. That is exactly how most beginners trade, and it is the main reason most beginners lose money.

A **trading plan** is a short written document that decides, in advance, how you will trade. Think of it as a business plan for your trading. A real business writes its rules before it opens its doors. You will write yours before you risk real dollars.

A **trading journal** is the notebook you keep after every trade. The plan says what you *intended* to do. The journal records what you *actually* did. Comparing the two is how a beginner turns into a trader.

After reading this chapter you will be able to write your own one-page trading plan, copy a simple plan skeleton word for word, and keep a journal that teaches you something new every week.

> **NOTE**
> This chapter is education only, from Team Alpha Trading. It is not financial advice, and it cannot make trading safe. Trading always involves risk, and most beginners lose money at first. A plan does not remove the risk — it stops the risk from being random.

Why a Plan Matters More Than Any Strategy

A **strategy** is a method for deciding when to buy and sell — for example, "buy when the price jumps above yesterday's high." Beginners hunt for the perfect strategy for months. Here is the honest truth: even a decent strategy fails without a plan, because the plan is what controls *you*.

When real money is on the line, your brain changes. A trade goes against you and fear whispers "sell now!" A trade goes your way and greed whispers "let it ride forever!" Neither voice is thinking; both are just reacting. Your plan is the calm version of you, thinking clearly on a quiet Sunday, leaving instructions for the emotional version who shows up Tuesday morning.

> **RULE**
> If a decision is not in your plan, you do not make it during the trading day. You write it down, study it later, and change the plan on the weekend — never in the middle of a trade.

The Seven Pieces of a Trading Plan

Every good beginner plan answers seven questions. We will go through them one at a time.

1. What You Will Trade

Pick a very short list of things to trade — called your **watchlist** — and ignore everything else. One or two familiar names is plenty. For example: "I trade the **SPY** ETF and Apple (**AAPL**) stock only." An **ETF** (exchange-traded fund) is a basket of stocks sold as one single product, so **SPY** moves with 500 large US companies at once.

Why so narrow? Every product behaves a little differently, and learning one deeply beats skimming twenty. Master a few tickers before expanding your list.

2. When You Will Trade

Write down your trading hours and your trading days. Maybe: "Weekdays, 9:30 AM to 11:30 AM Eastern only. No trades on days I work a morning shift." The US stock market's regular hours are 9:30 AM to 4:00 PM Eastern, but you do not need all of them. The first hour is fast and wild. Many beginners do better starting a little later, when prices calm down.

Naming your hours also protects your life — trading without a stopping time can eat a whole day and a whole mood.

3. Your Setups, in Plain Words

A **setup** is a specific situation you wait for before you trade — your recipe. It must be written so clearly that another person could follow it. "Buy when it looks strong" is not a setup. This is a setup: "If SPY opens, pulls back to yesterday's closing price, and then rises above the first 15-minute high, I buy."

Beginners should start with **one** setup. Not five. One recipe, cooked the same way, many times, until you know exactly how it behaves — how often it wins, how much it wins, and how much it loses when it fails.

4. Entry and Exit Rules

An **entry rule** says exactly what must happen before you buy. An **exit rule** says exactly what must happen before you sell. You need exits for both directions:

- **Profit exit:** where you sell when the trade works — for example, at a price target you picked before entering.
- **Loss exit:** where you sell when the trade fails. This exit price is set with a **stop-loss order**, an automatic order you place with your broker that sells your position if the price falls to a level you choose. It is your seatbelt: you hope not to need it, and you never drive without it.

Decide both exits *before* you enter. After you are in, your emotions will try to renegotiate. Your plan does not negotiate.

5. Position Size and Maximum Risk

Position size means how much money you put into one trade. **Risk** means how much you would lose if the trade hits your stop-loss. These are not the same number. If you buy $1,000 of stock with a stop-loss 5% below your entry, your risk is about $50 — because 5% of $1,000 is $50, and the stop-loss is designed to get you out near that loss.

A common beginner rule is to risk no more than 1% of your account on a single trade.

> **SETUP**
> The 1% rule, step by step. Your account has $2,000. One percent of $2,000 is $20. That means each trade may lose at most $20 if your stop-loss is hit. If your entry is $50 and your stop-loss is $48, you risk $2 per share, so $20 ÷ $2 = 10 shares maximum. Small? Yes. That is the point — you are paying for lessons as cheaply as possible.

6. Your Daily Stop

A **daily stop** is a loss limit for the whole day. When you hit it, you stop trading until tomorrow — no exceptions. Example: "If I lose $40 in one day (two full trade losses), I close the platform and I am done." Bad days exist. A daily stop keeps a bad day from becoming a destroyed account. Most blow-ups do not happen in one trade; they happen in one afternoon of angry, plan-free trading.

7. What You Will Never Do

Write your personal "never" list while you are calm. Common ones:

- Never trade money needed for rent, bills, or food.
- Never add money to a losing trade hoping it comes back.
- Never move a stop-loss further away to avoid a loss.
- Never trade when tired, sick, rushed, or upset.
- Never buy something just because someone online said to.

Your list is a fence you build around your future emotional self.

A Sample Plan You Can Copy

Copy this skeleton, fill in your own answers, and tape it where you trade.

Piece	My Rule
What I trade	**SPY** and **AAPL** only
When I trade	Weekdays, 10:00 AM – 12:00 PM Eastern
My one setup	Buy a pullback to yesterday's close that turns back up
Entry rule	Price rises back above the pullback's turning point
Profit exit	Sell at a gain equal to twice my risk
Loss exit	Stop-loss placed the moment I enter, never moved
Size and max risk	Risk no more than 1% of my account per trade
Daily stop	Done for the day after losing 2% of my account
My never list	No rent money, no revenge trades, no moving stops

A **revenge trade** is a rushed new trade placed right after a loss, trying to "win the money back." It is emotion, not strategy, and it has emptied many accounts.

> **TIP**
> Your plan is allowed to change — on paper, on a weekend, after studying your journal. It is never allowed to change in the middle of a trading session.

The Trading Journal: Your Personal Teacher

Your journal is where every trade gets written down, win or lose, the same day it happens. Memory lies. After a painful loss you will remember the trade differently than it happened. The journal does not lie.

Record these items after **every** trade:

- **Date and time** — when you entered and exited.
- **Ticker** — what you traded, like **AAPL** or **SPY**.
- **Setup** — which plan setup it was. If it was not in the plan, write "NOT IN PLAN" — seeing those words add up is powerful.
- **Entry and exit prices** — where you got in and out.
- **Size** — how many shares or contracts.
- **Result in dollars** — what you made or lost, after fees.
- **Result in R** — your result measured in units of your planned risk. **R** is simply the amount you planned to risk on that trade. If you risked $20 and lost $20, that is −1R. If you risked $20 and made $40, that is +2R. R lets you compare a $20-risk trade and a $200-risk trade fairly.
- **What you felt** — honest and brief: "calm," "rushed," "scared," "Revenge trade — angry about the last loss."
- **One lesson** — a single sentence: "I entered before my setup completed."

Here is one filled-in journal row:

Date	Ticker	Setup	Entry	Exit	Result $	Result R	Feeling	One Lesson
Mar 3	SPY	Pullback	$510.00	$512.00	+$40	+2R	Calm	Waiting for the full setup works

Journaling takes three minutes per trade. Those three minutes are the cheapest trading education in the world.

The Weekly Review Habit

Once a week — many traders use Sunday — sit down with your journal for 20 minutes and answer four questions:

- Did I follow my plan? Count how many trades matched the plan exactly.
- Which setup made money, and which lost money?
- What was my single most repeated mistake?
- What is the ONE thing I will improve next week?

Notice the focus: your *behavior*, not just your balance. A week where you lost a little but followed every rule is a good week. A week where you made money breaking every rule is a dangerous one — it teaches habits that will bill you later.

Paper Trading First

Paper trading means practicing with fake money inside a real broker platform. The prices are real, the charts are real, only the dollars are pretend. Almost every major broker offers it free.

Paper trading is where you learn the buttons, test your setup, and make your first fifty mistakes at zero cost. Treat it seriously: same plan, same sizes you could actually afford, and journal every paper trade like a real one.

> **TIP**
> Your first 30 trades should be practice. Make all 30 on paper, review them weekly, and only consider real money when you can honestly say: "I followed my plan on almost every trade, and I understand why each one won or lost."

Goals That Are Process-Based, Not Money-Based

A **money goal** says: "I will make $500 this month." You cannot control that — the market does not care about your goal, and chasing it pushes people to oversize trades and break rules.

A **process goal** says: "I will take only my one setup, risk 1% or less, place a stop-loss every time, and journal every trade this month." Every part of that is 100% in your control. Hit process goals for months and the money side becomes a fair question; skip them, and any money you make is luck waiting to be returned.

Set goals like these for your first three months:

- Journal 100% of trades, same day.
- Zero trades outside the plan.
- Zero days without a daily stop.
- One weekly review, every week.

Common Beginner Mistakes

- Trading for weeks with no written plan — just feelings and hope.
- Writing a plan, then ignoring it the first time a trade feels exciting.
- Changing the plan mid-trade: moving stops, adding to losers, skipping exits.
- Risking whatever "feels right" instead of a fixed percentage of the account.
- Skipping the journal after losses — exactly the trades that teach the most.
- Setting money goals ("$100 a day") and forcing trades to chase them.
- Judging success by one week instead of by months of journal data.

Chapter Summary

- A trading plan is a business plan for your trading: written in advance, while you are calm.
- A complete plan names what you trade, when you trade, your setups in plain words, entry and exit rules, position size and max risk, a daily stop, and a "never" list.
- Place a stop-loss order on every trade, and never move it further away.
- Risk a small, fixed slice of your account per trade; the 1% rule keeps early lessons cheap.

- A journal records every trade: date, ticker, setup, entry, exit, size, result in dollars and in R, your feelings, and one lesson.
- Review the journal weekly and fix one behavior at a time.
- Paper trade first — your first 30 trades should be practice.
- Use process goals you fully control, not money goals you do not.

Check Yourself

1. What is the difference between a trading plan and a trading journal?
2. Your account is $2,000 and your rule is 1% risk per trade. What is the most one trade may lose if your stop-loss is hit?
3. In that same account, your entry is $50 and your stop-loss is $48. Using your 1% rule, what is the largest position you may take?
4. What is a daily stop, and why does it exist?
5. Why is "journal every trade and take only my one setup this month" a better goal than "make $500 this month"?

Answers: 1) The plan is written before trading and states your rules; the journal is written after each trade and records what you actually did, so you can compare the two. 2) $20 — 1% of $2,000. 3) 10 shares: you risk $2 per share ($50 − $48), and $20 ÷ $2 = 10. 4) A daily stop is a fixed loss limit for the day; when you hit it you stop trading, which keeps one bad, emotional day from wrecking your account. 5) It is a process goal — every part is under your control — while a money goal depends on the market and pushes you to break rules chasing it.

> **RULE**
> Plan the trade before the session, journal the trade after it, review both every week. The traders who survive are not the ones with the fanciest strategy — they are the ones who can prove, in writing, that they followed their own rules.