STOPS, STOP-LIMITS, AND THE FINE PRINT

Vajgrt Labs - Education - Lesson 19 of 72 - 6 min read - Updated Oct 21, 2026

TL;DR

- A stop order sleeps until price touches its trigger, then becomes a market order. It guarantees an exit attempt - not an exit price. Gap through your stop and you fill at the open's price, not at your stop.

- A stop-limit order triggers into a limit order instead: your price is protected, your exit is not. Gap through the limit and you still own the position, falling.

- Time in force: DAY orders die at the close; GTC orders live on - dangerous when forgotten. And in a cash account, selling a purchase before the funds that paid for it settle is a good faith violation: three in 12 months restricts the account for 90 days.

THE TAKEAWAYS

- Stop-market mechanics: trigger price trades -> market order fires. Its job is to get you out; in a gap or a crash its fill is the next available price - Lesson 4's Flash Crash filled stops at stub quotes. This course therefore sizes positions so a stop is a convenience, never a lifeline (Stage 4).

- Stop-limit mechanics: trigger -> limit order at your limit price. A calm slide fills near the stop; a gap jumps clean over the limit and leaves you unfilled. Decide in advance which failure you prefer, because you are choosing one: a bad fill, or no fill.

- Time in force: DAY expires at today's close (4:00pm ET). GTC - 'good till cancelled' - keeps working across days until it fills, you cancel it, or your broker's cap on GTC order length expires it (caps vary by broker; check yours). Never leave a GTC order sitting on an options position through earnings or big news.

- Good faith violation (cash accounts, Regulation T): buy with unsettled funds - say, this morning's sale proceeds, which settle T+1 - and sell that purchase before the original funds settle. Brokers must track these: three within 12 months restricts the account to buying with settled cash only, for 90 days. Worse is free riding - selling before ever paying for the purchase - which brings the 90-day restriction immediately.

RULE: A stop is a trigger, not a floor - no order type can sell at a price that never traded. Your real floor is position size (Stage 4); orders are just how the exit gets delivered.

COMMON MISTAKES

- Believing a stop guarantees the stop price. It guarantees a market order; the fill is the market's choice.

- Placing a stop-limit and never checking whether it filled. An unfilled stop-limit is a hope with paperwork.

- Leaving GTC orders working through earnings, holidays - and your own vacation.

- Selling a same-day purchase in a cash account before the funding sale settles: one good faith violation; two more inside 12 months and the account is settled-cash-only for 90 days.

DO IT - TRIGGER BOTH STOPS ON PAPER

In your paper account, buy 1 share of SPY on paper, twice (two separate paper positions). Protect the first with a stop-market about 2% below the current price; protect the second with a stop-limit, same trigger, limit equal to the trigger. Over the next sessions, journal what each does - which fills, when, and at what price versus its trigger. Then cancel everything still working. Stage 3 teaches the chart you'll aim these at; this stage is about knowing what the tools actually do.

Education only - not financial advice. Account and order rules: FINRA (Rule 4210; Regulatory Notice 26-10, Apr 20, 2026), the Federal Reserve's Regulation T, and the SEC (Rule 15c6-1 settlement; Rule 606 disclosures) - checked Oct 15, 2026. Contract-fee example: Fidelity's published commission schedule, Oct 15, 2026. Chain quotes: real SPY chain data, Oct 9, 2026. Vajgrt Labs - Education.