POSITION SIZING: SIZE FROM THE RISK

Vajgrt Labs - Education - Lesson 28 of 72 - 7 min read - Updated Oct 21, 2026

TL;DR

- The course default (paper): risk 0.5-1% of the account on any one trade. On the course's $10,000 example account that is a $50-$100 budget - fixed before any ticker is mentioned.

- Size = risk budget ÷risk per share or contract, rounded DOWN. Entry $600, invalidation $588: $12 of risk per share, so $100 ÷$12 = 8 shares - planned risk $96, position value $4,800. Risk and position value are different numbers; beginners watch the wrong one.

- Defined-risk trades size off their printed maximum loss: budget ÷max loss per contract. If the answer is less than one contract, the correct size is zero - the trade does not fit the account, and 'zero' is a professional answer.

THE TAKEAWAYS

- The budget comes from the account, never from the trade. Course default for paper work: 0.5-1% of the account per trade. On $10,000 that is $50-$100; on $25,000, $125-$250. The budget is chosen in a calm moment, in advance, and it does not grow because a setup 'looks perfect' - Lesson 3 shows what ten straight losses do at each setting of this dial, and boring is the point.

- Risk per share = entry price - invalidation price, where invalidation is the level that proves the idea wrong - Stage 3's shelves and trend breaks are where it lives. No invalidation means no denominator, no division, no trade. Lesson 4 turns this into paperwork; here it is arithmetic: if you cannot point at the price that proves you wrong, you are not sizing a trade, you are buying a hope of a particular weight.

- Rounding is always down, and the remainder is not spendable. $100 ÷$12 = 8.33 shares is 8 shares (planned risk $96, not $99.96). The 'just this once' round-up is how budgets become suggestions - and it always happens on the trade that 'can't lose', which is the one position sizing exists for.

- Two dials that are not the same dial: risk-per-trade (this lesson's 0.5-1% - the slice of the account one trade may cost you) versus a position's maximum loss as a share of the account (some published house rules for defined-risk spreads run 1-3%). Conflating them is a real beginner error with real bills attached: sizing a spread by its max-loss percentage while believing you followed the per-trade rule can quietly triple your risk. This course's exercises use the 0.5-1% default; the other dial gets its own treatment in Stage 7.

RULE: Budget first, division second, order last - and the size is whatever the division says, rounded down, including when it says zero.

COMMON MISTAKES

- Sizing from the cash available ('I have $10,000, so?') instead of from the risk budget. The account balance is not a position size.

- Rounding 8.33 up to 9 'just this once'. The rounding rule is the budget rule; breaking it on the confident trades breaks it exactly where it matters.

- Moving the invalidation after entry to ’give it room’. That is resizing mid-trade without admitting it - the denominator changed, the size should have changed with it, and the journal (Lesson 6) will grade it as what it is.

- Counting five SPY positions as five separate risks. Five trades on one ticker are one idea wearing five hats - size them as a portfolio (Stage 8), not as strangers.

DO IT - RUN THE DIVISION THREE WAYS

In your journal, run the division cold on three cases, showing the budget, the denominator and the rounding each time: (a) shares - entry $250, invalidation $241, the $10,000 example account at 1% (answer: $100 ÷$9 = 11 shares, planned risk $99); (b) a defined-risk structure with a $180 printed max loss on the same budget (answer: zero contracts - it doesn’t fit); (c) that same structure on a $25,000 account at 1% (answer: a $250 budget buys exactly 1 contract, planned risk $180). Three divisions, in writing - the second half of Stage 4’s arithmetic gate.

Education only - not financial advice. Risk figures are arithmetic on the lessons’ labeled example numbers. Drawdown figures: SPY daily closes via Yahoo Finance, cross-checked against Nasdaq data, Oct 15, 2026. Streak probabilities are exact probability arithmetic on stated win rates, not predictions. Vajgrt Labs - Education.