Capital Protection Blueprint

Four rules for sizing trades in a prop firm evaluation

TRADEGUARD SYSTEMS

1. Your real risk limit is the drawdown, not the account size

A $50,000 evaluation does not give you $50,000 to lose. It gives you the trailing drawdown, for example $2,000. That $2,000 is the money you actually have to work with.

If your firm states the drawdown as a percentage, convert it to dollars from your starting balance: 4% of $50,000 = $2,000.

2. Know your floor and your buffer

- Floor = high-water mark − drawdown amount. The floor only moves up.
- Remaining buffer = current balance − floor.

> Your account peaks at $51,500, so your floor is $49,500 ($51,500 − $2,000).
>
> Your balance is now $51,000, so your remaining buffer is $1,500.

Some firms trail the floor during the day, including open profit; others update it only at the end of the day. Check your firm's current rules.

Run your own numbers with the free Prop Firm Drawdown & Position Sizing Calculator: tradeguardsystems.com/calculator.html

Go further with the Trailing Drawdown Survival Guide: intraday vs end-of-day trailing, sizing tables, a pre-trade checklist and a daily log.

3. Risk a fixed share of your buffer, not of the account size

Choose what share of your remaining buffer you are willing to risk on one trade. That share is your decision; the example below uses 10%.

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Max size = round down((remaining buffer × risk share) ÷ (stop
distance × value per unit of movement))
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EUR/USD: buffer $1,500, risk share 10%, stop 25 pips, $10 per pip per 1.00 lot.

$1,500 × 0.10 = $150. 25 × $10 = $250. $150 ÷ $250 = 0.60 lots.

Value per pip or point differs by symbol and broker. Check your platform's symbol info.

4. Recalculate before every session

Your buffer changes after every win and loss, so your maximum size does too. Before each session, write down:

- Today's floor
- Your remaining buffer
- Your maximum size for your planned stop

If the buffer is small, trade smaller or not at all.

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