



QUICK SCREEN

The Pre-Trade Risk Checklist

About a dozen essential questions before you commit capital.

A fast preliminary screen — not a substitute for the full 5-page checklist (42 checks, 12 sections). Work top to bottom before entering any stock or options position. It does not tell you what to trade; it helps you see what you are about to accept.

The Pause Rule: If you cannot answer one of these, pause. Slowing down costs a little; skipping the question can cost a lot. No trade is also a valid decision.

■ The idea

- ☐ I can state, in two sentences, why this position and why now.
- ☐ I know what evidence would prove the idea wrong — an observable price, date, or fact.
- ☐ I can describe exactly what I am buying or selling, and every obligation it creates.
- ☐ Options: a standard U.S. equity contract is 100 shares (adjusted contracts can differ), and a short American-style equity option can be assigned before expiration.

■ What it can cost

- ☐ I have written down the dollar loss in the worst realistic case — and the path to it (gap, assignment, forced exit).
- ☐ Short options: I know the loss can be far larger than the premium received.
- ☐ I sized this against my account, concentration, liquidity, time horizon, and maximum acceptable loss — there is no universal right percentage.
- ☐ I can accept that worst-case loss without needing to “win it back.”

■ Before you click

- ☐ I have looked at the bid–ask spread and know how I would exit in a hurry on a stressed day.
- ☐ I checked for earnings or scheduled events in my holding period, and I know prices can gap past my intended exit.
- ☐ Options: I know what the passage of time (time decay) does to this position if the stock goes nowhere.
- ☐ My profit exit, loss exit, and time exit are written down before I enter.

The decision

- | | |
|---|--|
| ☐ Proceed as planned | ☐ Resize or restructure |
| ☐ Research further first | ☐ Pass — no trade |

Checking every box does not make a trade safe or suitable. It only means you completed this preliminary screen.

Use the full checklist before committing capital → the 5-page Pre-Trade Risk Checklist (42 checks across 12 sections):

<https://thesmarterposition.com/downloads/pre-trade-risk-checklist.pdf>

Read this before using the checklist

Quick screen only. Use the comprehensive Pre-Trade Risk Checklist before committing capital. General education — not individualized investment, tax, or legal advice. Options involve risk and are not appropriate for every investor, and historical examples do not guarantee future results; read the OCC's “Characteristics and Risks of Standardized Options” (the ODD) before trading options. Prepared by The Smarter Position with AI-assisted drafting under human editorial review. Full disclaimer: thesmarterposition.com/disclaimer/