

Mini- Business Plan for SVOG 2014 Trading Business Exercise

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January 9, 2014



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Disclaimer

- Material is for educational purposes only
- Consult a professional before acting on any material in this presentation
- Mr. Norton is not an accountant nor an attorney, nor is he affiliated with any federal or state agency
- Material is thought to be accurate, but in fact it is the author's opinion



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James S. Norton

- A little back ground
 - Electrical Engineering, Oklahoma State Univ.
 - Business, University Santa Clara
 - Long career at IBM: engineering, product development, marketing, planning
 - Last 10 years – consulting and trading
 - And too many technical, busines and trading classes to mention
- Started first business – age 10
 - First “brick and mortar” – age 13



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2014 Mini-Business

- Believe this will provide the following benefits
 - Create a common vehicle for discussion
 - Practice the art of running a trading business
 - Foster the development of good trading skills
 - Allow the development of productivity tools and practices
- This is a learning vehicle and will be subject to many mistakes – there is no intention to start smart



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2014 Mini-Business Rollout

- Jan – Develop business plan & launch 1st trade
- Feb & Mar – (15 min) Status and decisions
- Apr – (at least ½ mtg) Updates & expand business
- May & Jun – (15 min) Status and decisions
- Jul – (at least ½ mtg) Updates & expand business
- Aug & Sep – (15 min) Status and decisions
- Oct – (at least ½ mtg) Updates & expand business
- Nov – (15 min) Status and decisions
- Dec – Review the business and lessons learned



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2014 Mini-Business Elements

- Business goals
- Administrative decisions (resource allocation, etc.)
- Financial reports and business controls
- Measurable milestones
- R&D components
- Manufacturing plans (trading plans if you like)
- Actual trades and tracking
 - Note: trades will be for tracking and analysis (educational only). You will not have access to timely tradable data.
 - Bulk of work will be outside meeting (possibly at Denny's after the regular monthly meeting) by volunteers running the business.



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What we are going to do Tonight!

- Understand trading as a business
- Learn what is in a trading business plan
- Develop a mini SVOG business plan to follow over 2014 as a learning tool
- Make initial assumption tonight
- Will revise the “The Plan” from time to time as we track expectations to actual
- Implement and track trades (paper trading) – starting tonight – if we choose to do so



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SVOG Trading Exercise

- 2014 Mini-SVOG Business (tonight)
 - Step I: Trading Business Model
 - Step II: Initial Plan and Assumptions
 - Step III: Revise Plan and Assumptions
 - Step IV: Exercise Operation Rules
 - Step V: Volunteers to Run the Exercise
 - Step VI: Launch 1st Mfg Line



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Outline

- What is a business plan?
- Why a business plan?
- Basic business plan structure
- Adapting a plan for trading



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What is a business plan?

- A business plan is a set of written statements that describe and analyze your business & provides detailed projections about its future.
 - Ref: “How to Write a Business Plan”
 - Author: Mike McKeever
 - Publisher: Nolo Press
 - 7th edition, January 2005
 - Retail: \$35



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Why a Business Plan

- It is a tool to help you put your business ideas into perspective
 - Benefits **You** by working out the details
 - Measure: Performance vs Expectations
- Other uses
 - Raise funds
 - Communicate with others



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Generic Plan Components

- Description of business/Vision/History
- Success factors/barriers to success
- Market – Description, Outlook, Penetration
- Human Resources – Labor, Compensation
- Product Development – R&D, Prototypes
- Manufacturing – Raw materials, Products
- Financial – Capitalization, Reports
- 5 year rollout with milestones



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My View of a Simplified Trading Business Model

● Management

- Define the Business
- Objectives: What/Why
- Critical Success Factors
- Barriers to Success
- Vision and Milestones
- ... and more ...

● R&D

- Discover Strategies
- Development Plans
- Tools Development
- Back Testing
- Forward Testing
- ... much more ...

● Operations/Mfg

- Education
- Networking
- Manufacturing
- Record Keeping
- ... execute the plan

● Business Controls

- Financial Reports
 - Cash Flow
 - Profit and Loss
 - Balance Sheet
- Measurements
- Taxes and other Filings



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BUSINESS PLAN FOR TRADING

QUADRANT I: MANAGEMENT & PLANNING

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Management & Planning

- Management

- Define the Business
- Objectives: What/Why
- Critical Success Factors
- Barriers to Success
- Vision and Milestones
- ... and more ...

- Basically 3 Elements (Top Down View)

- Definitional (wants)
 - Who/What/Why
 - Vision
 - Milestones
- Evaluative (know your limits/self-assessment)
 - Requirements for success
- Managerial (recurring)
 - Allocation of resources
 - Compensation



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How to Define the Business

- Write a small paragraph or two stating your business and the basic objectives
- State how you measure success
- It is important to name your business
- Example:
 - “Big Head Capital” is in the business of trading the capital markets for financial gain. The stated goal is to make 2x ROI per year. One half the ROI to grow the capital base and the rest to “Big Head” himself.



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What type of Business

- The type entity you choose determines
 - Tax structure
 - Liability protection
 - Fed and state filings
 - Overhead to manage the business
- If you do nothing – you have a hobby
- Regardless of type – treat your trading as a business



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Operating Like an Entity

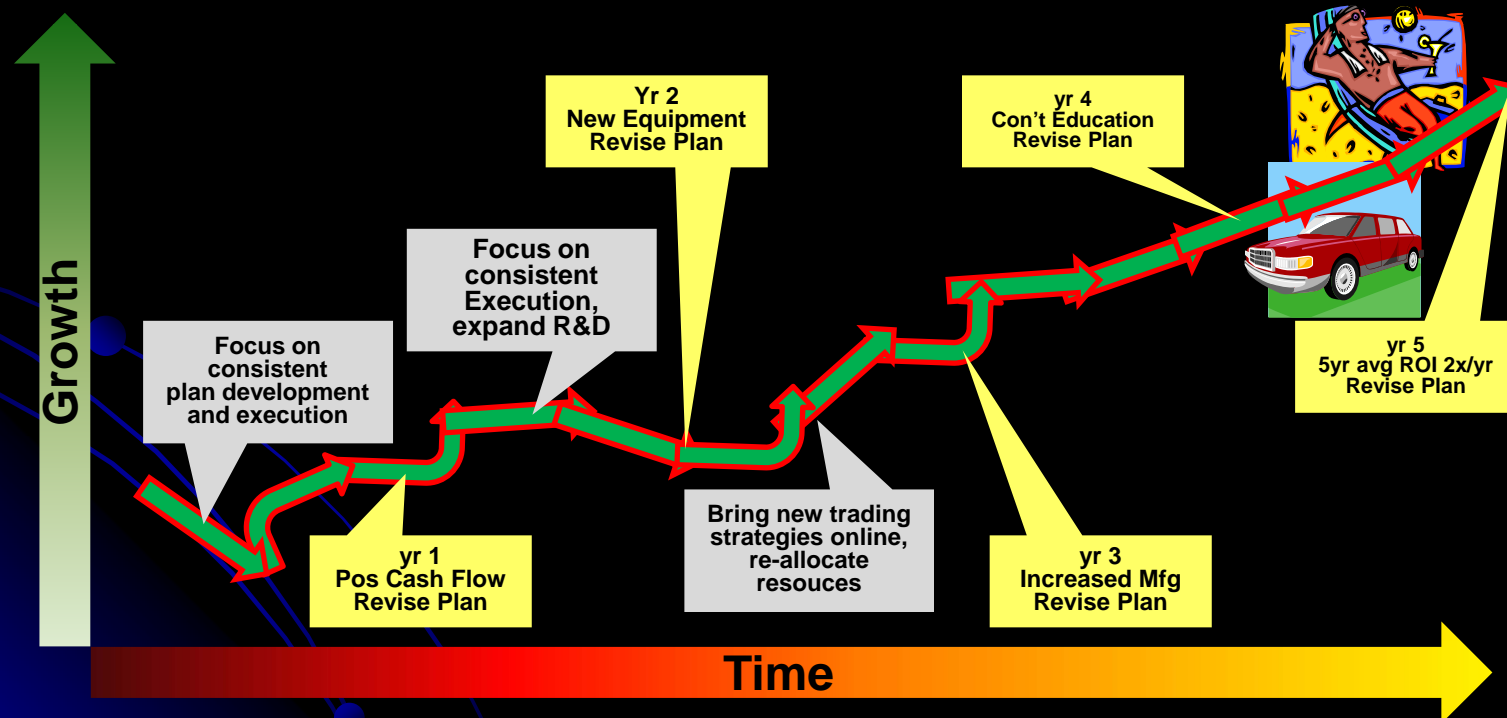
- Separation of personal vs business
 - Bank accounts
 - Brokerage accounts
 - Independent accounting records
 - Different credit cards
- Create business reports
 - Look and feel of a business (logo, stationary)
 - Monthly account statements



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How to Create a Vision

- Write a vision statement or draw a vision chart.





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Self-Assessment

- Create a list of all the reasons and/or skills that you can use to be successful, along with how they apply to your trading business.
- Create a list of all the challenges that might cause you to fail, along with areas and skill that you want to improve.
- Hint: used in Education plan and rollout



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Resource Allocation

- This is the life blood of management and your business – should be revised at least once a year
- Key resources
 - Human Resources – this your labor force
 - Capital – this is raw material for your business
 - Equipment – affects your productivity
 - Knowledge – the glue to put all together



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Capital Plan

- Determine business budget
 - HR, Education, Equipment, R&D, Trading
 - Ex – 5% Education (\$2.5K)
 - 5% Equipment (\$2.5K)
 - 5% R&D (\$2.5K)
 - 5% Salary (\$2.5K – 6 weeks)
 - 70% Cash for Trading (\$35K)
 - 10% Cash for Contingency (\$5K)



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Capital Plan (con't)

- Determine the high level money management scheme
 - Ex – reinvest all funds during the quarter, reduce quarterly profit by setting aside funds for taxes and payroll, yearly reduce profits by setting aside funds for yearly bonus and “Big Head” payout, rebalance all allocations twice per year or if out of balance by 50%
 - Payroll may be paid with a promissory note



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Equipment Plan

- 1st step is what equipment are you going to start with
 - Ex – laptop, desktop, printer, software, office furniture, etc. -- create a value and consider it part of the initial business capitalization
- 2nd step make a list of equipment that you will want to acquire over next 5 years, noting estimated cost and acquisition dates – this should work with the “budget”



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Education Plan

- 1st step Review you self-assessment to determine where you need skill improvements; your projected trading systems to determine the strategies to study, and your list of seminars, webinars, and network organizations – to determine potential educational candidates
 - Must fit within Ed budget and HR allocations



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Education Plan

- 2nd step Make a list of Education activities
 - Includes SVOG, webinars, networking, etc.
 - Include \$ cost and time cost
 - Added the Education items to the work calendar – project over a 5yr horizon



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PART III: RESEARCH & DEVELOPMENT

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Research & Development

- Basic Elements (Top Down View)
 - Strategies (Mfg line)
 - Development
 - Validation
 - Mfg Plans
 - Prototyping
 - Tools
 - Development
 - Evaluation
 - Skills Development
 - R&D New Markets

- R&D
 - Discover Strategies
 - Development Plans
 - Tools Development
 - Back Testing
 - Forward Testing
 - ... much more ...



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What is a mfg process/plan

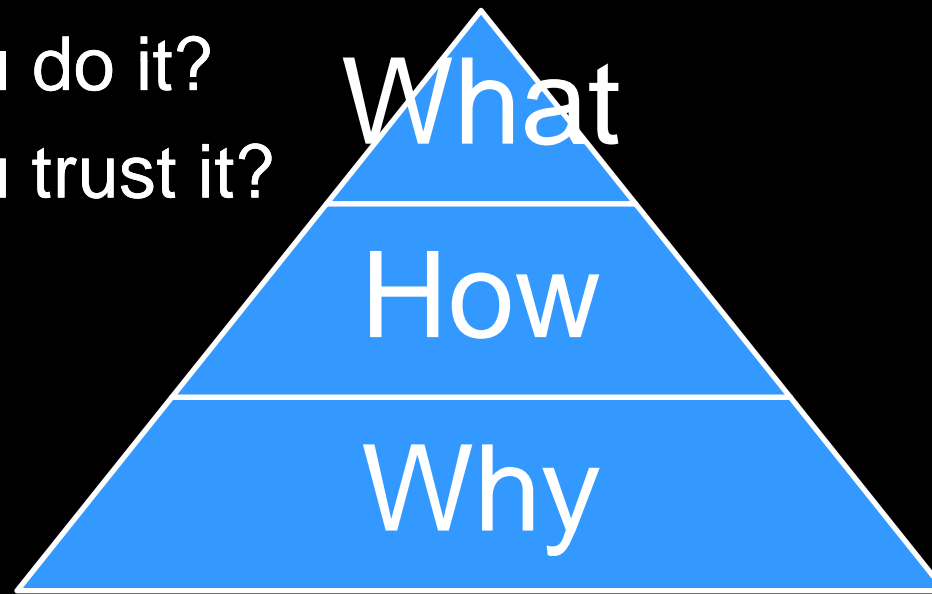
- Written document that describes how a set of trades are managed as a strategy and must include as a bare minimum the following:
 - What type of performance can be expected
 - What market conditions are favorable
 - How to set-up and manage the strategy
 - Validation criteria



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Manufacturing Plan

- Must answer the following issues:
 - What does it do?
 - How do you do it?
 - Why do you trust it?





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PART IV: OPERATIONS & MANUFACTURING

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Operations & Manufacturing

- Operations/Mfg
 - Education
 - Networking
 - Manufacturing
 - Record Keeping
 - ... execute the plan

- Basic Elements
 - Mfg Execution
 - Line 1, Line 2, etc.
 - Etc.
 - Record Keeping
 - Journaling
 - Trade Tracking
 - Education Plan Execution
 - Formal Classes
 - Books/Web/Video
 - Local Groups



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PART V: FINANCIAL & BUSINESS CONTROLS

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Financial & Business Controls

- Basic Elements
(Top Down View)
 - Std Business Reports
 - 5 yr Pro-Forma
 - Actual Results
 - Comparison to Plan
 - Additional Reports
 - Risk measurements
 - Inventory mgmt
 - Etc.
 - Fed and State Filings

- Business Controls
 - Financial Reports
 - Cash Flow
 - Profit and Loss
 - Balance Sheet
 - Measurements
 - Taxes and other Filings



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Financial

- Pro-forma financial reports
 - 1st year to 2 years by month
 - 2 years by quarter
 - 1 year by year
- Reports
 - Cash Flow
 - Profit and Loss
 - Balance Sheet



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STEP II & III: SVOG ASSUMPTIONS AND INITIAL PLAN EXPECTATIONS

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PART VI: ASSEMBLING YOUR 1ST PLAN

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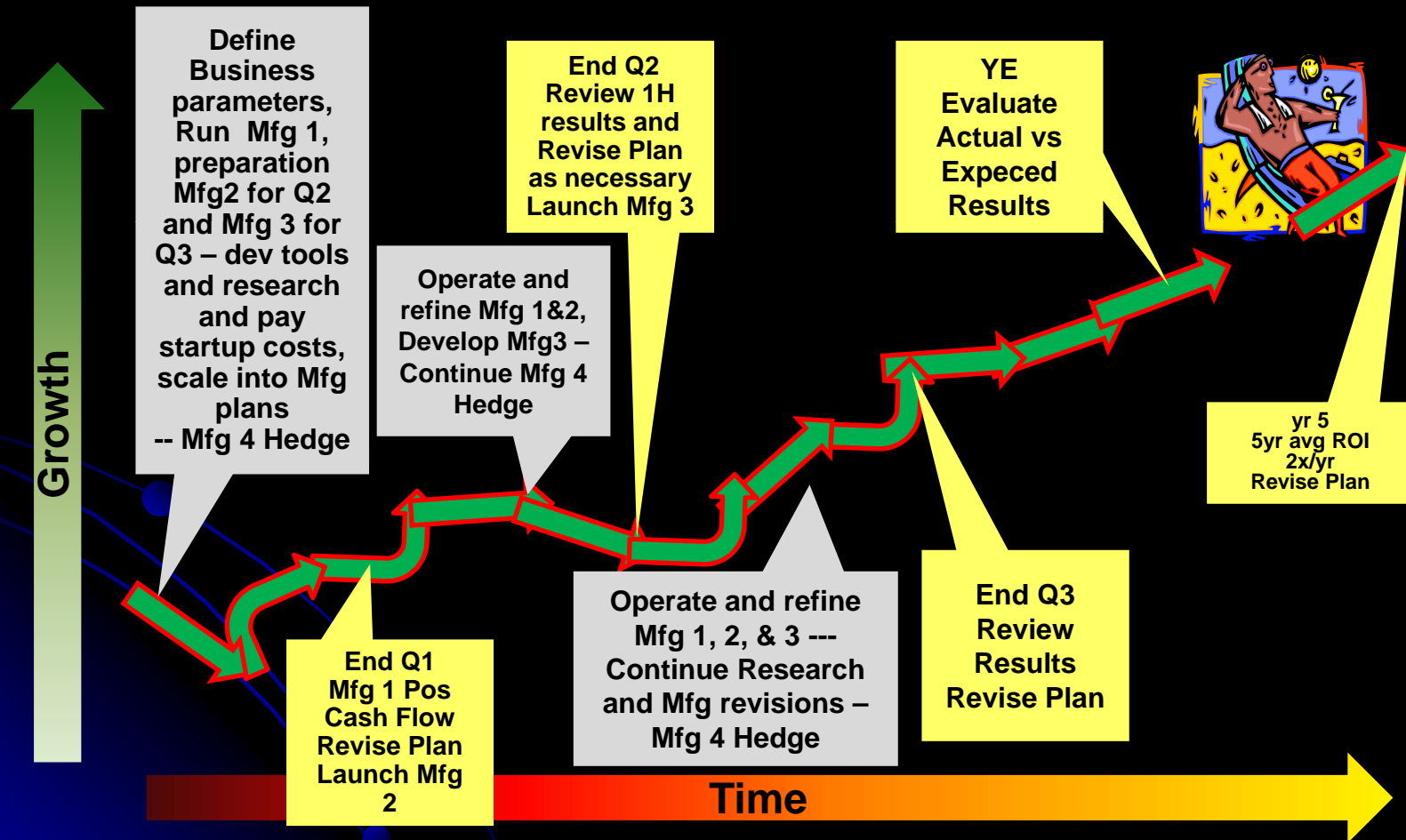
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SVOG M-TB Roadmap/Vision



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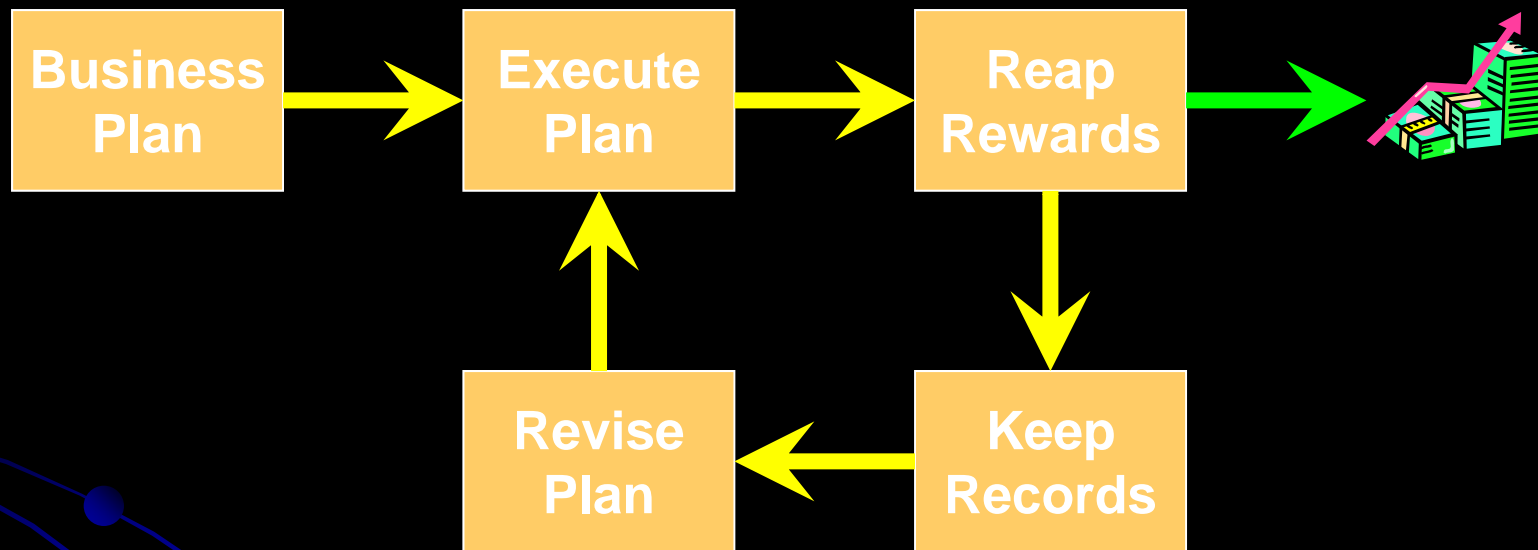
SVOG Plan Creation

- Break to Spreadsheet to create Expectations



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I have a plan so what?





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STEP IV: SVOG RULES TO MANAGE BUSINESS MODEL FOR 2014

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Mgmt Guideline

- Quick mgmt decisions at regular meetings
- Quarterly 1hr + reviews at regular mtgs
- Volunteers do bulk of work at Denny's after regular meetings and/or on their own
- New mfg plans and components introduced by volunteers
- Summary transactions & reports maintained and viewable on a website



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STEP V: VOLUNTEERS

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Volunteers

- List of names and responsibility



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STEP V: 1ST POSITION

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1st Position

- Strategy
- Rules
- Position



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Thank You

- Questions