

Option Selling Checklists

Covered Calls Checklist

Why sell covered calls?

- You can get paid a premium for committing to sell shares of a stock you own at whatever price you choose within a set period of time.
- Would you sell 100 shares of AAPL if it hit \$200 per share in the next 3 months? Someone will you pay to take on that obligation.

Remember:

 Selling a covered call obligates you to sell 100 shares of the stock at the

Cash-Secured Puts Checklist

Why sell cash-secured puts?

- You can get paid a premium for committing to buy shares of a stock at whatever price you choose within a set period of time.
- Would you buy 100 shares of AAPL if it hit \$100 per share in the next 3 months? Someone will pay you to take on that obligation.

Remember:

- designated strike price on or before the expiration date.
- For taking on this obligation, you will be paid a premium.
- Your max gain = ([Strike Price Cost Basis] + Contract Price) * 100

•	Selling a cash-secured put obligates
	you to buy 100 shares of the stock at
	the designated strike price on or
	before the expiration date.
	Contables on this obligation varywill

- For taking on this obligation, you will be paid a premium.
- Your max gain = Contract Price * 100

Ge	etting Started:		3		
	What's the stock?	Ge	tting Started:		
	Do I own 100 shares or more?		What's the stock?		
	Is there a certain price I'd be happy to sell these shares at?		Is there a certain price I'd be happy to buy its shares at?		
	Is there a timeframe within which I'd sell those shares at that price?		Can I afford 100 shares at that price?		
			Is there a timeframe within which I'd		
f yes, continue			buy those shares at that price?		
	What's my timeframe? (I like 30 days,	If ye	es, continue		
	but regularly sell between 14 days	☐ What's my timeframe? (I like 30 days			
	and 3 months or longer) This is my expiration date		but regularly sell between 14 days and 3 months or longer)		
			This is my expiration date		
	What's the price I'd be willing to sell at? (I usually target a delta near 0.10, but it varies)		•		
			What's the price I'd be willing to buy at?		
	This is my strike price		This is my strike price		
	Look up the stock in your broker's option chain, navigate to the expiration date and strike price you've decided on		Look up the stock in your broker's option chain, navigate to the expiration date and strike price you've decided on		
	Make sure you're looking under Calls		Make sure you're looking under Puts		
	Is there liquidity?		Is there liquidity?		
	☐ What's the Bid/Ask spread?		☐ What's the Bid/Ask spread?		

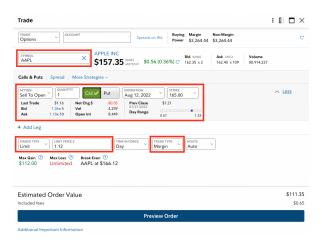
I'm looking for open interest of at
least 50, preferably 100+

- l'm looking for volume > 1, preferably 20+
- Is the current option price acceptable?

If yes, you're ready to place an order...

The Order:

- Use a Limit Order so you can define the exact contract price
- 'Sell to Open' [quantity] Call [expiration date] [ticker] [strike price]
 @ [contract price]
- Example (Fidelity):



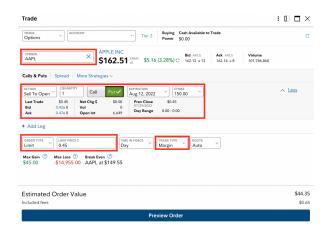
When I place this order, I'm obligating myself to sell 100 shares of AAPL at \$165 per share on or before August 12th, and I'm being paid \$112 (\$1.12 per share) to take on that obligation.

- ☐ I'm looking for open interest of at least 50, preferably 100+☐ I'm looking for volume > 1, preferably 20+
- Is the current option price acceptable?

If yes, you're ready to place an order...

The Order:

- Use a Limit Order so you can define the exact contract price
- 'Sell to Open' [quantity] Put [expiration date] [ticker] [strike price]
 @ [contract price]
- Example (Fidelity):

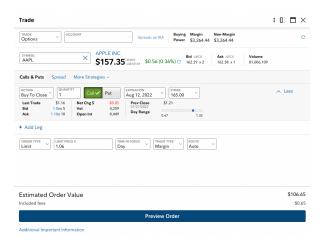


 When I place this order, I'm obligating myself to buy 100 shares of AAPL at \$150 per share on or before August 12th, and I'm being paid \$45 (\$0.45 per share) to take on that obligation.

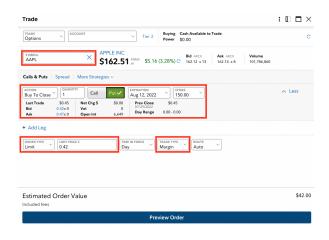
To Close/Exit your covered call position:

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 You can close your position at any time (if it hasn't been exercised) by reversing your original sell order ('Buy to Close'):



 If I placed the above order and a seller filled my order, I would have made a \$6 profit on the contract (originally sold for \$1.12, bought back for \$1.06) You can close your position at any time (if it hasn't been exercised) by reversing your original sell order ('Buy to Close'):



 If I placed the above order and a seller filled my order, I would have made a \$3 profit on the contract (originally sold for \$0.45, bought back for \$0.42)

Selling Options for Income (eCourse)

Become the casino and start generating consistent, low stress income, in 60 minutes:

