

Module 9:

Summary: Putting it all together



Module overview

- Create a trading plan that includes the option strategies detailed in the previous modules to improve your investment results

Benefits of options

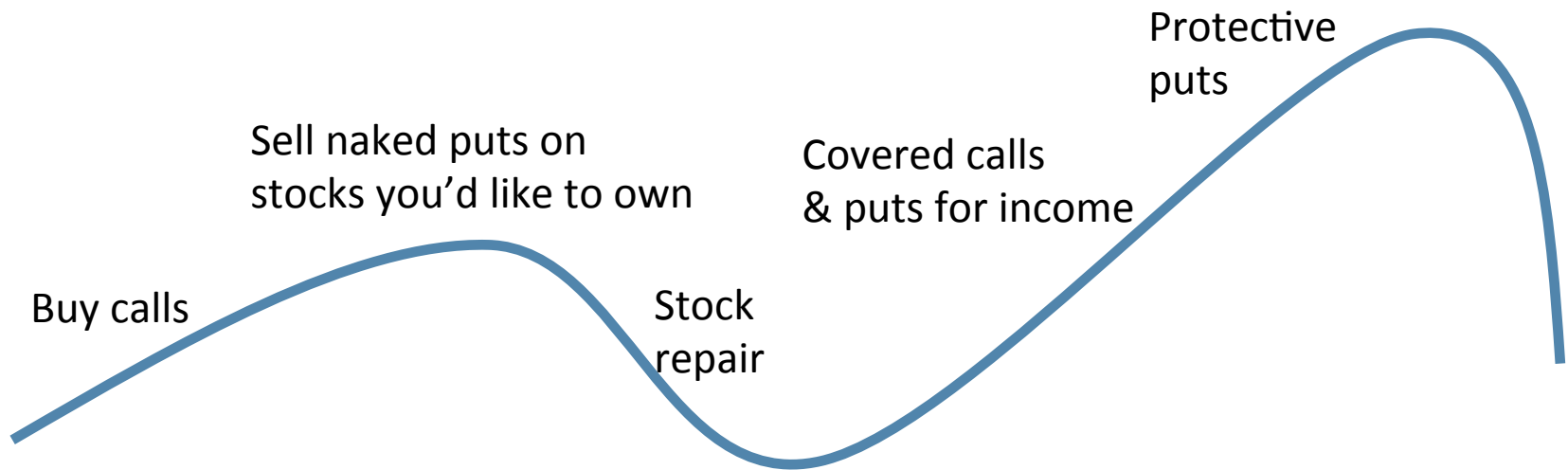
- They can:
 - Serve as a proxy for owning stock
 - Be used to buy stocks on pullbacks
 - Generate income from stock you own
 - Repair stocks after a significant drop
 - Protect against losses
 - Generate large income from a small investment

What we covered

- Strategy 1: Buy calls to boost returns
- Strategy 2: Buy stocks at a discount: Sell naked puts
- Strategy 3: Create dividends from stocks you own: Sell covered calls
- Strategy 4: The “Stock repair” strategy: Ratio spreads
- Strategy 5: Buy puts for protection
- Bonus strategy: Sell naked puts for income

A strategy for every phase of the market

- Stock markets move from oversold to overbought in a boom and bust cycle





A strategy for every level of risk

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- Lower risk
 - Buy calls to boost returns
 - Create dividend from stocks you own: Sell covered calls
 - Buy puts for protection
 - Buy stocks at a discount: Sell naked puts
 - The “Stock repair” strategy: Ratio spreads
 - Sell naked puts for income
 - Higher risk

Understand the risks

- When you buy an option, risk is always limited to the amount you pay for the put or call
- When you sell a covered call or use a repair strategy, the risk is that you give up potential upside
- When you sell naked puts, the risk is equal to the strike price although that large of a loss is unlikely if you use short-term stocks and avoid stocks possibly headed to bankruptcy

Your trading plan

- Determine how much risk you are comfortable with
- Determine your trading goals
 - Benefit from a bull market
 - Protect yourself against a bear market
 - Generate income
- Use the strategy that's right for your risk level and goals

Bottom line

- Options are a flexible and powerful tool
- Risks can be managed
- Profits can be significant
- These are not “buy and forget” investments, you need to follow open option trades at least weekly and ideally daily

What's next?

- Use options to increase your profits
 - Find the strategies that fit your trading style
- Use an options calculator to be sure you trade at the right price

<http://goo.gl/0WThht>

With accurate and timely prices, discipline and patience, you can beat the pros