



Finding an Option Strategy to Match Your Outlook

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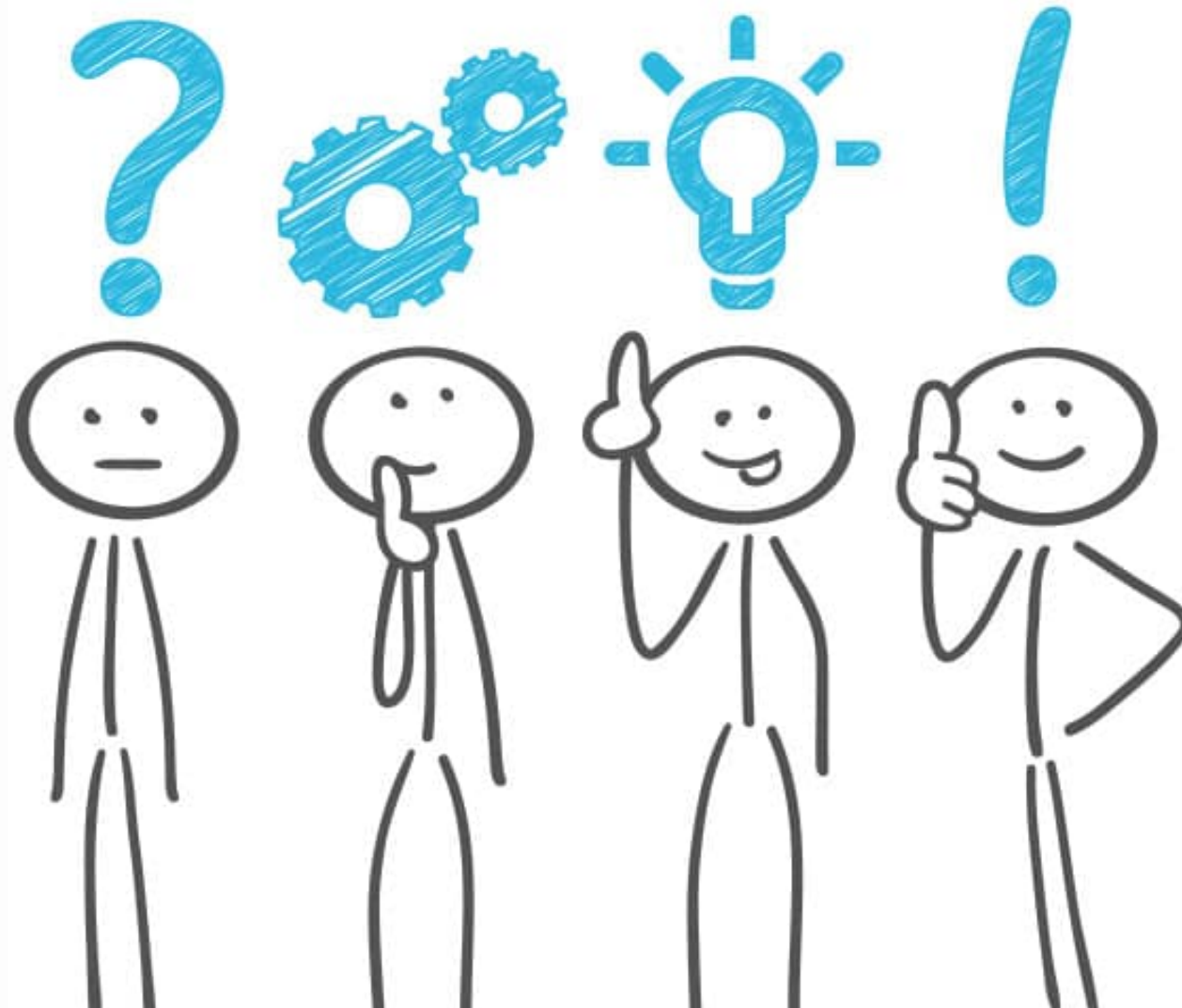
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Can My Portfolio Benefit From Options?



A low-angle photograph of a person jumping over a dark rock. The person is wearing a light-colored t-shirt, blue jeans, and dark sneakers with bright green accents. The background is a dramatic sunset over the ocean, with the sun low on the horizon, creating a bright orange and yellow glow that transitions into a blue sky with scattered white clouds. The overall mood is energetic and optimistic.

Stock Replacement Strategy with LEAPs[®] Call Purchase

What Are LEAPs?

Benefits and Limitations

What Is Stock Replacement?

Stock Replacement Example

Return On Investment



- ❖ **Long-Term Equity Anticipation Securities**
- ❖ Call & Put options > 12 months
- ❖ Same characteristics as traditional options
- ❖ Prolonged exposure



Benefits

- Less Capital
- Return On Investment (ROI)
- Minimal Time-Decay (Theta)
- Prolonged Price Movements
- Behaves Like Underlying Stock

Limitations

- Bid-ask Spread
- Higher Option Premium
- No Dividends
- Availability
- Tying up \$\$\$



What Is Stock Replacement?

- ❖ Re-create stock position
- ❖ Option trade replaces stock
- ❖ Benefits related to Leverage
- ❖ Long-Term Equity Anticipation Strategy (LEAPs)



❖ Unlimited Reward & Limited Risk – ABC \$100

❖ Bullish – **Buy Shares**

❖ **Buy 100 Shares @ \$100**

❖ **Cost is \$10,000**

❖ Max Reward = Unlimited

❖ Max Loss = Limited to Cost

❖ Unlimited Reward & Limited Risk – ABC \$100

❖ Bullish – **Long Call**

❖ **Buy ABC Jan 2022 100 Call for \$15.00**

❖ **Cost is \$1,500**

❖ Max Reward = Unlimited

❖ Max Loss = Limited to Cost

Reduced Risk. Reduced Cost. Unlimited Upside Exposure

P/L CALCULATOR

Add Option Contract(s) Find Symbol

ABC = \$100

Refresh | How to Use the P/L Calculator (PDF) | View Demo

Price/Volatility Interest Dividends/Size

Evaluation Price

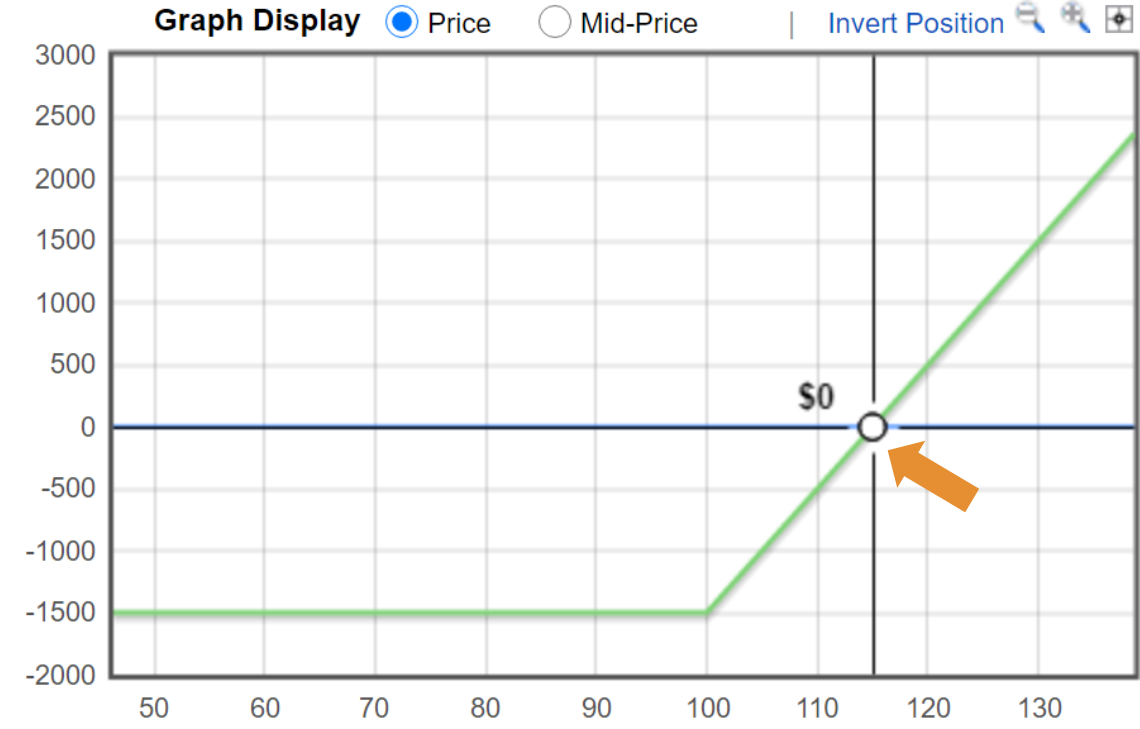
Days to Expiration

Expiration: 01/20/22

Volatility Change Absolute

Restore Defaults Apply

Price Points	P/L
50.00	-\$1,500.00
100.00	-\$1,495.44
110.00	-\$500.00
115.00	\$0.00
120.00	\$500.00
130.00	\$1,500.00
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Buy/Sell	Quantity	Expiration/Strike	Bid	Ask	Theoretical Price	Evaluation Price	IV	Delta	Gamma	Theta	Vega	Action
<input checked="" type="radio"/> Buy <input type="radio"/> Sell	<input type="text" value="1"/>	Jan 21 2022 100 Call	12.40	13.25	15.00	<input type="text" value="15.00"/>	40.42	100.00	0.00	0.00	0.00	Trade

For illustrative purposes only.



Stock Price	Buy 100 Shares @ \$100	Buy ABC \$90 LEAPs Call @ \$20	Buy ABC \$100 LEAPs Call @ \$15
\$50	-\$5,000 (-50%)	-\$2,000 (-100%)	-\$1,500 (-100%)
\$75	-\$2,500 (-25%)	-\$2,000 (-100%)	-\$1,500 (-100%)
\$100	\$0	-\$1,000 (-50%)	-\$1,500 (-100%)
\$125	+\$2,500 (25%)	+\$1,500 (75%)	+1,000 (67%)
\$150	+5,000 (50%)	+\$4,000 (200%)	+3,500 (233%)



- ❖ LEAPs Options
- ❖ Benefits & Limitations
- ❖ Stock Replacement Strategy
- ❖ Trade Example
- ❖ Return On Investment



What Is A Covered Call?

Trade Example

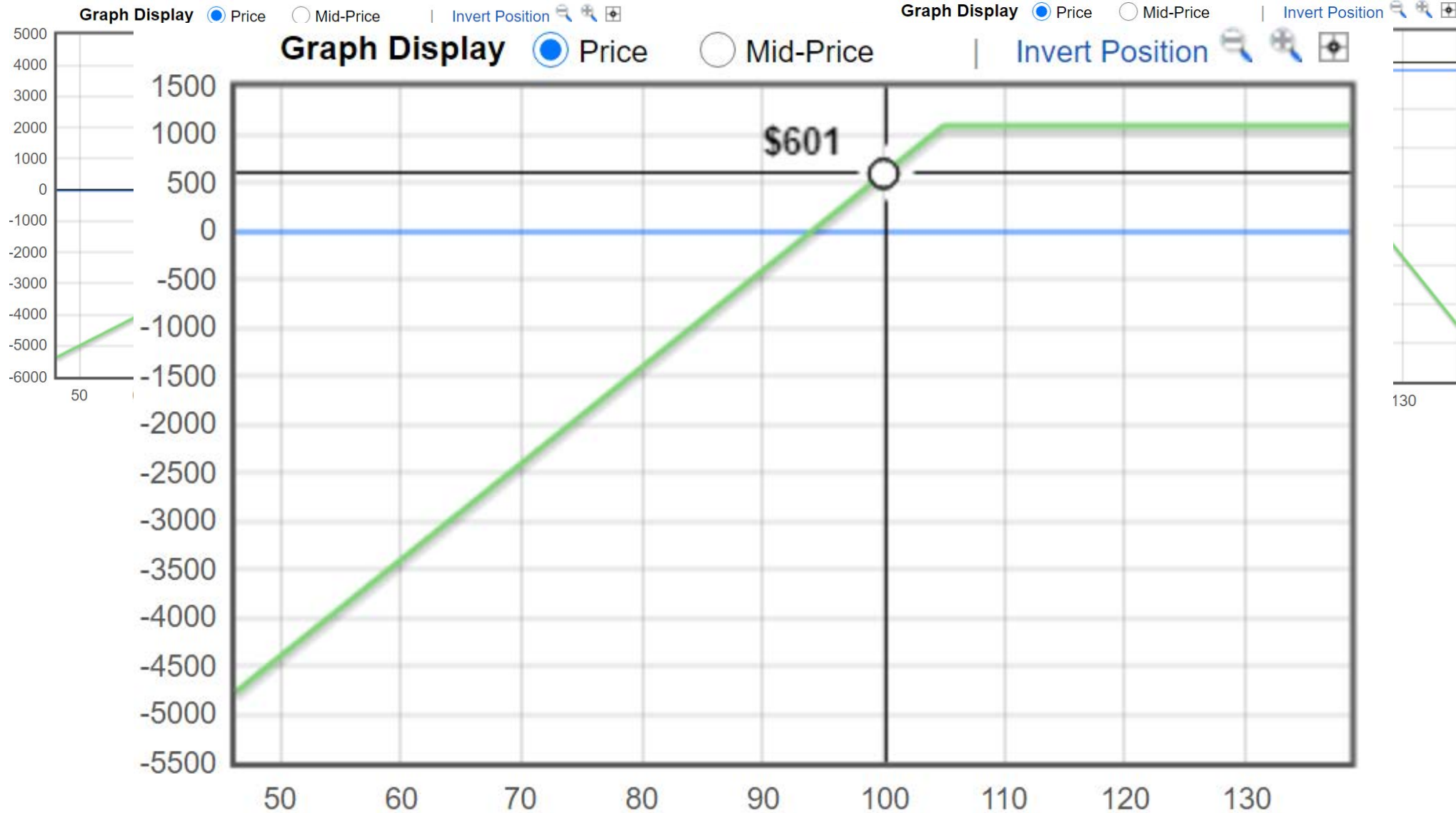
When & Why To Use

Choosing Strikes & Expirations

Exit Strategy



What Is A Covered Call?



What Is A Covered Call?

- ❖ Upside **profit** potential is **limited**
 - $\text{Strike price} + \text{call premium received} - \text{stock price paid}$
 - If assigned stock sold at strike price
- ❖ Break-even point
 - $\text{Stock price paid} - \text{call premium received}$
- ❖ Downside **loss** potential is **substantial**
 - Downside risk is with stock
 - Short call option offers limited protection
 - Entire stock cost less call premium received is risk

Position: Own 100 shares of XYZ @ \$110

Target Price: \$125/share

	Sell XYZ Sept. 125 Covered Call @ \$4.00	Sell Limit Order @ \$125
Risk	\$106 = \$110 - \$4 Premium	\$110
Reward	\$19 per share (\$125 - \$110 + 4)	\$15 per share
Profitable	Above \$106 = \$110 - \$4 Premium	Above \$110
Time	Exposed until September expiration	Exposed until XYZ > \$125

When & Why To Use

❖ When to Use:

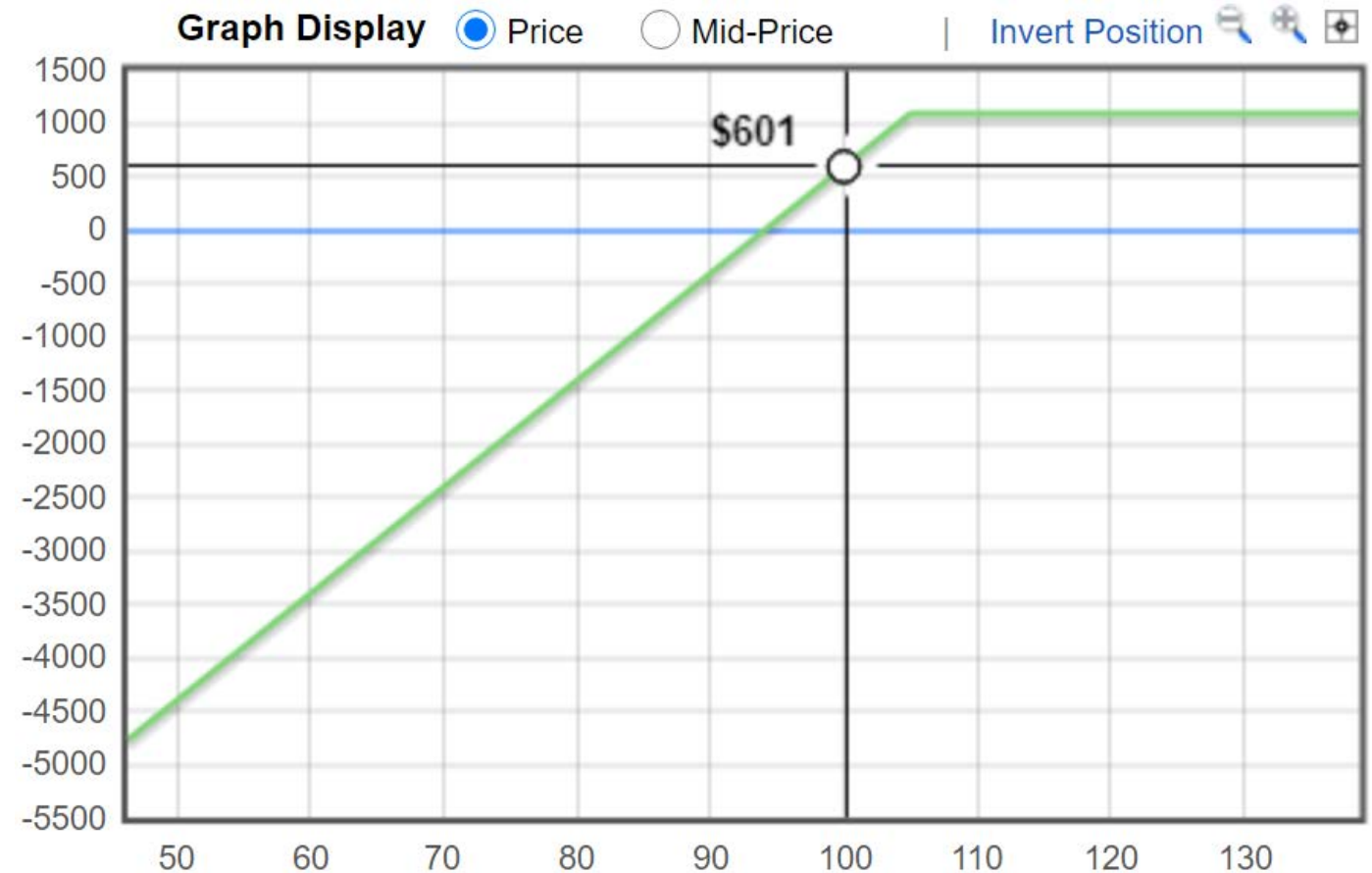
- Neutral to Bullish

❖ Why to Use

- Collect
- Pre-set stock sale
- Downside protection

❖ Be Aware.....

- Early assignment



- ❖ Stock Goes Up
 - Hold Position
 - Roll in last week

- ❖ Stock Barely Moves
 - Hold to Expiration
 - Re-initiate

- ❖ Stock Goes Down
 - Buy back
 - Sell another Call



- ❖ What Is A Covered Call?
- ❖ Trade Example
- ❖ Reasons To Use
- ❖ Choosing Strikes and Expirations
- ❖ Exit Strategy

