TRANSCRIPT

Writing covered calls

Presenters: Andrew Rakowski and Edward Modla

Edward Modla: Yeah, let's get started. Thanks, Andrew, for the introduction, and I couldn't agree more, passionate about education, absolutely. My background is in trading and brokerage, but for the past seven years it has been strictly providing education on the options product, covered calls, I get asked about this strategy more than any other, so let's get right to it. First our disclaimer, options are a rather complex tool that need to be well understood before using in a live account. And keep in mind everything we talk about today is for educational purposes only, do not interpret anything we say as advice or guidance. Here's the outline, and then me and Andrew are going to talk through, we'll start at the ground floor, the basic level of the covered call structure, what are the pieces, how do you put it together, we'll discuss motivations and risks, this is why you do the trade, and what do you have to be concerned about? We'll turn that into an example, and Andrew and myself will walk through a hypothetical example, attaching some numbers to a particular trade and compare the long stock position to the covered call, and see how the risk reward profile shakes out between the two. And then we'll discuss a little bit about how to possibly choose your strike and your expiration dates before taking your questions in between there. I'm looking forward to some demonstration on the Fidelity platform. So got a good session for you here, and we'll get started with the ground floor, the covered call structure.

First, before we put these two pieces together, let's take a step back and just review what it means to buy or sell call options outright. First of all, let's take a look at the equity call buyer. We're going to be focused on the sell side today, selling the call option, but it's worth at least spending a little bit of time reminding ourselves who the buyer is, and what they're trying to do. An equity call buyer is paying cash immediately out of their account, they're paying for this call option, and in return, they receive the rights to buy underlying shares of stock at a particular price, and they own that right for a certain length of time. The price of their rights and the length of time they own these rights, those are going to be spelled out in the contract, the investor can choose what strike price they want to purchase, and what expiration date they want to purchase, both of those details go a long way towards determining what's this contract going to cost? Right, and investors have many different choices that they can browse through and select one that fits what they're looking to achieve.

The call buyer is bullish on the underlying. If you think about having the right to buy shares of stock at a fixed price, as the open market share value increases, then you would expect the value of the call owned to increase in value or at least be influenced to the upside, to increase in value. This investor needs that stock movement to occur in the direction they expect, in this case bullish, within a certain timeframe, and of a certain magnitude to overcome a natural element to options, which is time decay. As each day passes, as expiration approaches, and there's less and less time for movement of the share price, options naturally erode. Call buyers know this is going to happen, and so they accept that time decay in exchange for what they expect to be stock movement in their favor.

We're going to focus on the sell side today, and equity call sellers taking the flipside of this. They will be paid cash immediately, that's a cash credit into their account. Now one comment about this if you haven't sold options before, while your cash increases by the amount of the option premium that was sold, you will now have an open short options position that will likely be quantified in your account as a debit amount. Most likely, it will be quantified as the best price available to close the position immediately, so you have an offset of those two different numbers, a cash credit offset by a position debit, and that roughly neutralizes your overall account balance when you initiate the position.

In exchange for that, payments, the credit, the call seller, has taken on the obligation to sell shares of stock at the strike price of the option, and up until the expiration date of the contract. Undoubtedly, this investor already owns shares of stock. If they didn't, then they would be obligated to deliver shares they do not own, that's a very high-risk trade with very limited reward. The word covered — we'll focus on it all day today — it actually means that the obligation to sell shares of stock is covered because the shares are already owned. And that's what the word covered means.

Let's take a look at putting this together, and some interesting dynamics as we move towards the motivations and risks. There are two pieces to the covered call strategy, the investor rights, which is another word for saying sells, one equity call contract for each 100 shares owned. A standard term for an options contract is that it is written on 100 shares. If you own 50 shares, or 75 shares, you cannot sell a call contract and consider it covered. Remember that definition I just gave a minute ago, covered means you have covered your obligation. If selling an equity call contract calls for the delivery of 100 shares, or the sale of 100 shares, and you only have 50, then you are not covered. The delivery of those shares would occur if you are assigned.

And this'll become a little more clear as we look through the example here coming up in a couple of slides. But delivery will occur if assigned, that means if the option buyer wants to what's known as exercise their contract, and say yes, I'd like to buy these shares at the strike price, as the seller, we're obligated to sell shares. That could, in theory, happen on any day up to and including the expiration date of the contract. Most likely, and I'll say in the absence of dividends, exercise and assignment activity really doesn't take place until expiration day. But there is this possibility of dividend payment. And Andrew, I'll ask you about that when it comes to dividends upcoming, specifically the ex-dividend date. How would you describe and define what investors need to know regarding that potential assignment prior to that day?

Andrew Rakowski: Yeah, I think you made a great point. You know, typically there isn't a great reason to exchange the risk of the price of the call for the risk of the entire price of the stock unless by doing so, you're going to qualify for a dividend. So, to your point, American exercise style it can exercise anytime up until expiration. In the past, they used to be the third Friday of the month; now there's weekly options. Some of these actively trades and ETFs have bi-weekly options, etcetera. But because call options — and put options, but primarily we're talking about calls — they're derivative products; they don't qualify for the dividends. So, that call the owner makes a concerted choice to say I'm willing to take on the additional risk of owning the stock to qualify for that dividend. So, as the call seller in a covered call potentially your assignment would rise for high dividend paying stock.

Edward Modla: Yeah, exactly. And as you said, shareholders are entitled to dividends. Option holders are not shareholders. So, if the call holder would like to become a shareholder, they would need to exercise prior to the ex-div dates and that's where that early assignment comes into play. Let's look at motivations and risks now.

Primarily, the reason to execute a covered call as opposed to just owning shares of stock is to capture the call premium. You're getting paid upfront an amount of cash that is equal to the call premium and that is what we mean by generating additional income. It lowers your overall cost. When you compare this to long stock — and just for clarification, we have the stock price along the horizontal axis and profit and loss along the vertical and here's your entry point on the stock — it's pretty clean when you buy stock. Price goes up, you start making money, and if the price starts going down, you lose money.

The covered call changes that a bit. If the stock were to be unchanged because we were paid something for the call option and we lowered our cost, we're actually sitting in a profitable position with an unchanged stock price. And in fact, as we elaborate moving forward, and in the example, you'll see that the covered call could actually outperform the stock in a variety of areas and in a range of areas. And that's one of the key elements that selling the option and capturing the premium provides to us.

Now, I have to say, with any option strategy — and I get asked a lot, what's the best strategy, which one works the best — they all work as advertised. Covered calls are popular because they're simple and owning stock is of course something most investors are doing so they can overlay an options piece to that to get some benefits. But we have to stress, this strategy is consistent with at least a moderately bullish outlook. Somewhat neutral as well can be profitable as I just outlined, but really is consistent with bullish. And you have to be aware of where that risk is. More of that in just a second.

But here's the other key element. We've improved our breakeven point. Because we bought stock and then we're paid back a little bit from the option, the overall cost is now lower. And I always like to stress, when you have a better breakeven point, you've improved the likelihood that the trade is going to be profitable. Long stock, your breakeven point we know is our entry point on the shares. With the covered call, we've reduced that. This amount is the call premium, we paid for shares, we were paid for the call, so now our breakeven point is better. This serves as somewhat as a buffer. If we're wrong on our bullish thesis and the market remains neutral, we're still profitable.

In fact, we're going to have some we'll say relatively minor amount of cushion should we be wrong and the market head in the other direction. These are some significant benefits: getting paid some premium, the improving the breakeven point, a wider range of profitability, more likelihood of being successful. So, what do we give up? We always have to think about where's the risk, what do we give up in exchange for those benefits? Let's take a look at a few of these.

The upside profit potential is limited. Remember what it means to sell a call option, we are obligated to sell shares at the strike price that we have chosen. If the stock were to continue to rally and go significantly higher, while the stock would continue to profit, the covered call does not. There are position management techniques you could try to employ here; we'll talk about that in session two today. But as it's constructed with long stock short call, you give up that far upside potential and we always have to remember, where is the risk of loss? It is to the downside. The covered call has a risk profile that looks similar to the downside of being long stock. If the shares were to sell off significantly, the covered call will suffer and that can lead you in a difficult position. And I'll bring you in here, Andrew. When it comes to motivations and risks, what kind of discussions are you having, how good a grasp you think investors have on understanding what these motivations and risks are for this strategy?

Andrew Rakowski: Yeah, I would say it runs the gamut, right, as far as understanding. I would say the number one overwhelmingly motivation is create additional income off of a core holding that, you know, they're long-term bullish on or at least bullish through the term of the option contract. To some degree, some investors use it for that lower breakeven point, provide that downside protection. A third way, too, is just kind of structure out ways to exit a position. Say, you know what, if this stock gets -- let's say it's a 20-dollar stock and I don't want to think about it, and you know what, if it gets above 30 between now and the next three months, I'd be happy to get rid of X percent of my position, I'll sell some calls, I'll bring in that premium, I won't have to think about it, right. So that, I would say, is probably the top three.

The risk is hey, you've got to be bullish on the stock. So, like, you have this substantial downside that even though you brought in some premium and it provides some sort of downside buffer, in a pretty serious selloff that's only going to go so far. I would say some misunderstandings, too, would be that clients feel they have to wait until expiration to get out of the covered call. I think we're going to cover that a little later. But for me, that's hey, it's an ongoing process where if you would no longer own the stock outright, then why would you still be in a covered call?

Because again, going back to the risk, you have substantial downside if there is stock-specific negative news or even just the market. Like, you pointed out, ETFs have listed options on them, a lot of clients will write covered calls on ETFs. So, yeah, that and one other thing I would add, too, is a good number of clients aren't aware that the volatility could change in the underlying call, right and input therefore but where, you know, even if the stock is flat or does go down, the call may not decrease in price because there may be some type of pending news.

Edward Modla: True, yeah, that element of volatility is going to be there at least during a lifespan of the option. I supposed you could also add — you know, we don't have it here — but for some investors, a risk could be that they lose their stock. Now, I always try to say inherent within this strategy of covered call is the possibility that your shares get called away and you are assigned. It does surprise me sometimes how often I hear from investors that say I don't want to lose these shares, that is my main priority, I want to hold the stock, but I want to sell covered calls against the stock. That's a little bit contradictory there; you have to be careful when you do that. If the shares were to run up quickly and far enough, you might not have much of a choice but to let your shares go away.

I'm going to come right back to you, Andrew, and go here just a second as we just take what we described on motivations and risks, the outlying strategy, and we're going to turn that now into an example and talk about a risk profile. I'll outline this first. We have an investor who purchases 100 shares at 100 dollars a share.

Remember, we need at least 100 to be able to write a covered call. They are bullish on the underlying.

And one point of clarification, when the stock purchase and the sale of a call occurs at the same time, simultaneously, which you can do, that is often called the buy-write strategy. It means the same thing; it's still the same two positions, but most often investors are calling that the buy-write. Covered call mostly is going to follow what we're outlining here. Shares are owned, this investor's bullish, and at some later date for some reason, they consider overlaying a short call on top of it in our example here. We'll say the shares have consolidated; they've remained at 100. The bullish thesis is not coming to fruition.

What can this investor do? Certainly, they can just do nothing, hold on to the shares if they're still confident in that upside move. If they're confidence is waning, they can scale down their share position to reduce some risk, sell half of their position or 25 percent or 75 percent and have a lower share position. Or sell a call option at a strike price above 100, and they'll choose what strike price that's going to be. They will choose a strike price where they're comfortable selling shares and the reason to sell the call is to get some premium to slightly reduce their risk and overall cost.

For those of you who use pricing calculators or pricing models, did include here how many days to expiration and a volatility assumption that got to this option premium amount. And I'll also clarify, options are quoted on a per-share basis. Remember that selling one option is written on 100 shares, so when we see a three-dollar option premium, that is actually 300 dollars that is received by the call seller at 105. So, Andrew, when you look at this, we have long stock, we have the covered call, and what pops out to you, how would you describe and compare the risk profile of long stock versus the covered call strategy?

Andrew Rakowski: Yeah, I think this is a great, you know, just kind of generic example of hey, this is what you create with a covered call. You know, you're going over to the right past your maximum profit potential, right, and that's where, hey, above 105 you've reached your maximum. Like, if the stock is 105.02 on expiration Friday, you're going to reach your maximum, or if it's 125, you're going to reach your maximum, right. So, that kind of goes to the point that you said before where one of the potential risks — I don't know if it's a risk per say or just maybe a -- yeah, I guess it's a risk. A risk to miss out, right. To miss out on, you know, the full upside of the underlying stock. I wish this chart went a little further down, too, right, to fully kind of show that hey, in a really bad instance, right, you have a lot of exposure.

So, that's where, again, for me it's, you know, stocks that you've done your research on, you're comfortable owning them over the timeframe of the commitment of the call, maybe even longer. And in an example like this, in the way you've laid it out where, you know, you paid 100 dollars and maybe the stock didn't act like we wanted it to and it's just kind of hanging around and you're like, you know what? I'd be fine to sell it at 105 and you're going to pay me three dollars for that. So, essentially, I'd be selling it at 108? I mean, Ed, I'm not a math genius, but eight divided by 100 is, what? Eight percent, right?

Edward Modla: Close to that, yeah.

Andrew Rakowski: You know, so if we annualize the return in this example on a 45-day option, right, then it gets pretty powerful. But again, you're making the concerted choice to limit some of your upside to get paid and generate that positive premium. Yeah, and really that's right there, where you are, that's the premium is the difference between the dotted green and the blue, right. Lowers your breakeven.

Edward Modla: Sure, yeah, and I'll say that point you said 108, if anyone's wondering, that is where this intersects; 108 is the level where this long stock is going to start to outperform covered call. So, you really have that nice move from 100 up to 105 before your shares get called away. And this premium is yours to keep, so all the way up to 108 before the stock starts to outperform. And as Andrew just mentioned, under 108 the covered call outperforms being long stock.

And this is where you might not think you can reduce risk and enhance returns, but the covered call can actually do that. Andrew just said we lowered our breakeven to 97. That's reducing risk and reducing cost, and at all of these price levels under 108, the covered call is going to outperform, even on the downside as Andrew pointed out correctly, this is where the risk is. We're still going to outperform just holding shares by this premium amount, and that's a strong motivation for doing this strategy. We mentioned 105 a few times here. Now, how do you get to that number? Let's talk a little bit about strike and expiration.

Before I get to it, I'm going to put this into terms of an option's moneyness, but I want to define moneyness first. Every option can be characterized as either in-the-money, at-the-money, or out-of-the-money. Now, think about this from the option buyer's perspective or the option holder's perspective. If the option holder owns the right to execute a transaction in shares of stock at a better price than the open market is offering, then the option is considered in-the-money. We're talking about call options today. So, for call options, if the owner has the right to buy shares below where the stock is currently trading, that option is in-the-money. It has inherent value because the investor can already buy shares below the open market value. On the flipside of that, when the investor has the right to buy shares higher than the open market value or at a worse price, that is an out-of-the-money option. And at-the-money is when those two levels more or less match up with each other.

So, let's look at choosing strike in terms of this moneyness concept. First with in-the-money options. If you were to hold shares and then sell an in-the-money call option, you'll receive the highest amount of net premium. And that's because the buyer already has the ability to call shares away from you at a better price than in the open market. In our example, if the stock was trading at 105, this would be like selling a call at the strike price of 100. You're going to receive a lot of premium for that, maybe five and a half, six dollars. But remember, if you are assigned, you might be giving back a lot of that premium to the option holder by selling the stock below its current level.

So, highest amount of premium, the most downside protection. This is the most conservative approach, but also the lowest profit potential. Again, time these two pieces together, you might see highest premium received, lowest profit potential. You might not see how that makes sense. Highest premium received because it's in-the-money. If you are assigned at that lower level and sell shares at a lower price than the open market, you're actually going to be giving back a lot of that premium and that's where the lowest profit potential comes from. You don't see a whole lot of covered call writing with in-the-money options. Although you could do it being very conservative, trying to make a little more money off of your trade.

At-the-money, this is where most of the action takes place in options and a fair amount of covered call selling occurs at-the-money. These options where the strike price and the stock price more or less equal each other has the highest amount of time value. That's what we're trying to capture when we sell options; you'll have the fastest rate of decay. However, you won't have the potential for upside share price appreciation because the obligation to sell your shares is right where they're trading today. This is the investor who's trying to make money off of the options. They're not concerned about share price appreciation; they want to make money from the time value of the option and move on. They actually might be bullish on the shares, but they're comfortable getting assigned. And oftentimes, those investors using covered calls selling at-the-money calls actually want to be assigned. Have the shares called away, capture their time value, and move onto the next trade.

Most covered call writers that I speak to are selling out-of-the-money options. Their call strike's above where the open market value of the shares are today. You would get lower premium from the option for that, it provides the least amount of downside protection, and your breakeven point is just going to be reduced a little bit. But it has the highest profit potential because the stock can rally up to your strike price and you can capture all of those share price gains up until your strike price is reached and your shares are called away. Most of the action on covered calls occurs here with these out-of-the-money options. Andrew, any thoughts about this regarding strike price election and moneyness? Where do you see most of the activity taking place in the conversations with the clients around selecting strike?

Andrew Rakowski: Yeah, I would say you hit it right on the head. The vast majority of retail clients are looking at the out-of-the-moneys. You know, there's a reason why they own the stock, they're bullish but you know, market's had a good run, maybe the stock's had a good run, I don't necessarily want to sell it. It could be for a number of reasons, right. It could be for tax consequences if it's in a brokerage account. You say hey, how do I monetize this holding? And let's use that 100-dollar example again, if it's a 100-dollar stock, you know what, they're willing to pay me three dollars for the 105s, you know what, that's a great sale.

So, the way I look at it, too, is this is probably one of the only times in your life when time is on your side. Regardless of all three strategies, right, if nothing else happens from the time you make the trade till expiration, like the stock stays flat or static and makes no change and that's highly unlikely, but if it does, every single strategy's going to generate a positive return, right. It's going to be that positive income flow or time decay as you pointed out.

At-the-moneys I've seen too, and I think it depends, right. Sometimes the option markets overreact, right, and people want to pay up for options for a directional trade. And as an investor with a core holding, you say you know what, if you're willing to pay me seven percent of the underlying stock price where it's trading right now for the next three weeks, I'll sell you those covered calls, right. And so, I would say the motivation's different, but primarily the vast majority is the out-of-the-money. I rarely see in-the-money from most of the clients that I talk to.

Edward Modla: Right, yeah, and what you said there regarding the options seller, and this covered caller any option seller doesn't need the stock to move anywhere, and that trade is going to be working for them because of that natural decay. It's a key distinction between buyers of options and sellers. Buyers know with each passing day in the absence of movement, the erosion of option premium is going to work against them. They're still buyers because they're confident in the move that they think is going to occur, whereas sellers don't need anything to happen. It's a key advantage to being an options seller.

Looking at expiration, now this could be decided by whatever analysis you're performing. Maybe you're looking at technical support, resistance, trend lines, new highs, new lows. You could be looking at technical indicators that lead you to decide when you think the particular stock price move is going to occur and that can drive you to an expiration date. Fundamentals, a little more difficult here if you're looking at multiples and margins and, you know, fundamental studies, a little bit harder to translate that into timing. Many investors are doing both. But you can use your analysis to decide expiration date.

Also, something on the calendar. You might want to capture earnings, you might want to avoid earnings, there could be a key announcement going on at the company level, there could be a macroeconomic event on the calendar that you're watching. So, there could be a reason that leads you right to a specific expiration date. Otherwise, if you're just looking at the behavior of the options, shorter-term options — and I'm going to say one to two weeks here — have a faster rate of time decay. That's good. We're selling options, we want faster time decay.

However, we're going to receive smaller premium amounts for those shorter-term options as compared to their longer-term counterparts which I'm identifying as one to two months. It's not often that you see option sellers go out for six, nine months to capture premium. They usually keep their trades within the first couple of months, so longer term. And our example is one to two months. More premium is received.

That's more protection initially, but the time decay is slower. Some investors will say they like to sell short term options every week to capture time decay and sell those options over and over and over again and if they can do that, they will come out with a higher amount of total premium than if they just sold a one-month option. That's true if the stock doesn't move. If the stock's makes a big move in one direction or the other, then the longer-term option is going to play out better for you.

So, a couple different choices there, short term, long term. Now, let's take a look at things on a demo. I'll just wrap it up with a summation here that generation of income, the selling of call premium, that's your motivation of the covered calls. Downside protection is also going to be achieved at least to a little bit to a small extent by the premium that you've sold, but you have to maintain your awareness that long stock is where your risk is to the downside strike and expiration selection can always be changed. We're going to be looking at position management today and know if assignment is acceptable.

Andrew, as I take the passenger seat, go ahead and pull up a demo here. Now that assignment is acceptable concept there, you would want to know that going into the trade. Are you willing to take assignment or not? And if it's not acceptable, the only way to avoid that is to buy to close your options contract. That's the only way to relieve yourself of those obligations. So, Andrew, it looks good. Take it away and we'll look at a few positions on the demo.

Andrew Rakowski: Yep, you can see my screen. We're just going to walk through some of the mechanics and really how it looks. And, you know, Ed, feel free to add whatever thoughts you have. We'll spend the next five, six minutes and then we're going to get to some questions. So, if you're a Fidelity client already, you're probably familiar with this page, it's portfolio summary, right, all accounts. This is not my account even though it says my account, it is a production account. But this is a good example of the dynamics of the different changing parts. On an intraday basis day to day, we have a covered call on Zynga here and it's not a recommendation by myself or Fidelity to buy or sell, etcetera. And you can see the stock's up, that's great for a long stock. The calls are up a little bit, right. Because hey, the right to buy the stock, it increases as the stock increases. So, that's pretty straightforward.

Option summary is very helpful and I'm just going to click on option summary. If you go to strategy and it's going to pull those strategies together, that covered call and just show you hey, you know what, let's say that I've done that research, maybe I want to close my strategy or unwind. I could just go to close strategy, it'll take me to a trade ticket, it'll preload the information, selling my 100 shares, buying to close my call, and I choose the price. So, I chose a price on the ask, so maybe I want to choose midpoint. This is my net credit, 747 dollars. That's the amount of risk I'm taking off the table, right. So, I no longer have that amount of risk. So, that's where yeah, I've done some additional research, I don't want to have the substantial downside.

This is also where it's very easy to roll that. We'll get into rolling in the next session. I'm going to skip over showing you that ticket and just go to the option chain and maybe go to the detail chain. And here we are, we're still looking at the same underlying stock and I have a lot of different expiration cycles. I'm a traditionalist, I'm going to choose just to focus on the old traditional option expirations, the October 15th and November 19th and December 17th. Those are the third Friday of the month. If I were just to leg into a covered call, I already own the stock, it would be as simple as I'm selling to open. I'm going to sell to open. In this case, I have an extra 100 shares of stock, I'm going to sell to open one call, I can choose my price point, right. I could make it a little higher if I want to kind of give the stock a little more chance to rally, but I could just leave that order out there because it's covered by the 100 shares of stock that I own in my account.

I'm just going to go back. And as Ed said, what happens if I don't own the stock and I want to implement from the beginning? And I'm going to change it to Apple, sort of mix it up a little bit, it's a stock probably everybody's heard of on the presentation. And let's look at, again, the October -- I'm just going to -- here earnings are pointed out right here for me. So, I want to avoid earnings. I know that I want to put on a trade October 22nd expiration or prior. But actually, I'm going to go over here to strategy and to Ed's point, I don't see covered call on there. Do you, Ed? No, I see the choice to buy-write. So, I'm buying the stock, I'm writing the option.

And if I apply, and let's say I wanted to choose a little bit out-of-the-money, the 150 strike, I could buy and it's going to open up my covered call multileg ticket. How much stock do you want to buy? I want to buy 200 shares. The ticket's smart enough that 200 shares equals two contracts. Each contract equals 100 shares. So, then I can choose my entry point. Apple's a pretty liquid stock and liquid option, you can see how tight the market is. It's only two cent wide between the bid and the ask. I could choose 145.17 and right here I know exactly my max gain, right. So, if the stock is above 150 on expiration and it gets called away, I'm' going to make 966 dollars. I stand to potentially loose 29,034 or at least have that much in capital to execute this trade. So, that's a pretty good example of yeah, I can create that positive income flow, I know what my maximum gain is, but again, we have some downside.

I'm just going to move quicker through a couple things. News and research options to get to the option homepage because I see some questions coming in that we want to get to. I'm going to show you these to kind of mess around on your own. I'm going to use Apple — again, not a recommendation. Go to trading ideas, strategy ideas, and these are prebuilt strategies across the gamut of different strategies. We're talking covered calls today, so I'm going to focus on covered call. Now, I'm going to plug in Apple, and this is where I can sort by the timeframe I chose, 60 days or less. I could choose different timeframes. And I can sort by standstill rate of return, so that's that static rate of return if nothing happens, if called, right. So, to Ed's point, the further out-of-the-money options will have a higher if called return because the stock has to make up that difference.

And then the final is under report finder, right here under trading ideas. And I can just plug in the symbol I'm looking for, and this is provided by Argus Research, a third-party research firm. They'll give me a suggested call to look at and break down all those numbers; breakeven price, assigned rate of return, what would that be if we annualized it, where it gets pretty powerful. So, just showed you kind of mechanics of how you do it, how does it look in your account if you were to execute on a covered call.

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