STRATEGY CARD

Covered Call

Own shares and sell a call.

IN BRIEF

The call premium lowers your cost basis. Gains are capped above the strike, and the premium offers little protection against a sharp decline.

Expiration payoff

Strikes: C $105 · share entry $100
Option premium: +$2.50 C$105 per share
Net credit $2.50 per share · Break-even: $97.50
Full relevant payoff shape $0-$150; flat beyond the strikes.



Max profit	Max loss	Break-even
$750	-$9,750 at price $0	$97.50

When it is used

- You own the shares or want to hold them.
- You are willing to sell them at the selected strike.
- You expect a flat to moderately higher share price.

Position & example

Long 100 shares with a $100 per-share entry price.
Sell 1 call, strike $105.
Net credit: $2.50 per share ($250 per contract).
Example: At share price $110: +$750 per contract.
P/L includes both the shares and the short call.

Common beginner mistakes

- **Selling too many calls**
  One call contract requires 100 covered shares.
- **Choosing a strike below cost**
  Assignment can make you sell shares at a loss.
- **Treating premium as protection**
  It offsets only part of a share-price decline.

Expiration examples exclude fees and taxes. Standard assumption: 100 shares per option contract; check broker terms.

STRATEGY CARD

Cash-Secured Put

Sell a put and reserve the purchase amount.

IN BRIEF

You collect a premium and reserve enough cash to buy 100 shares at the strike if assigned.

Expiration payoff

Strikes: P $95
Option premium: +$2.50 P$95 per share
Net credit $2.50 per share · Break-even: $92.50
Full relevant payoff shape $0-$130; flat beyond the strikes.



Max profit	Max loss	Break-even
$250	-$9,250	$92.50
	at price $0	

When it is used

- You want to buy the shares at a lower price.
- You can reserve the full purchase amount.
- You expect a flat to moderately higher share price.

Position & example

If assigned, buy 100 shares at the strike.
Cash collateral: $9,500 for 100 shares at $95.
Sell 1 put, strike $95.
Net credit: $2.50 per share ($250 per contract).
Example: At share price $90: -$250 per contract.
Assignment lowers your effective share cost by the premium.

Common beginner mistakes

- **Not reserving the purchase amount**
  Assignment requires buying 100 shares at the strike.
- **Not wanting to own the shares**
  Assignment is one possible outcome.
- **Confusing premium with profit**
  A sharp decline can exceed the premium.

Expiration examples exclude fees and taxes. Standard assumption: 100 shares per option contract; check broker terms.

STRATEGY CARD

Wheel Strategy

Cash-secured puts and covered calls in a cycle.

Sell cash-secured put → Take shares if assigned → Sell covered call → Shares are called away

Then the cycle starts again

Phase shown: short Cash-Secured Put

Phase shown: short Cash-Secured Put

Strikes: P $95
Option premium: +$2.50 P$95 per share
Net credit $2.50 per share · Break-even: $92.50
Full relevant payoff shape $0-$130; flat beyond the strikes.



Metrics apply only to the phase shown.

Max profit	Max loss	Break-even
$250	-$9,250 at price $0	$92.50

When it is used

- You are willing to take shares if assigned.
- You can reserve cash and hold assigned shares.
- You know premiums do not erase share-price losses.

Position & example

Phase shown: sell one put and reserve the purchase cash.
Cash collateral: $9,500 for 100 shares at $95.
Sell 1 put, strike $95.
Net credit: $2.50 per share ($250 per contract).
Example: At share price $90: -$250 per contract.
Later covered calls and cycles are not included.

Common beginner mistakes

- **Overlooking assignment**
  You must have the cash to buy the shares.
- **Underestimating share risk**
  The price can keep falling after purchase.
- **Treating premiums as a guarantee**
  Several premiums do not prevent a loss.

Expiration examples exclude fees and taxes. Standard assumption: 100 shares per option contract; check broker terms.

STRATEGY CARD

Iron Condor

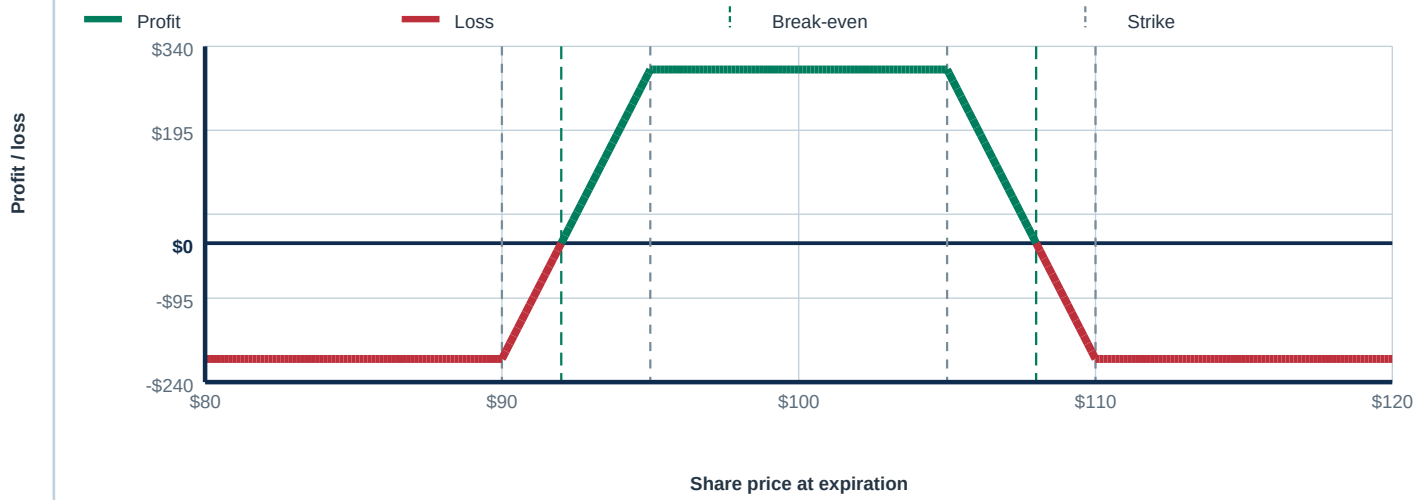
Four options. Defined risk on both sides.

IN BRIEF

The net credit is the maximum profit. Long outer options cap losses if the price moves sharply.

Expiration payoff

Strikes: P $90 / P $95 / C $105 / C $110
Option premium: -$1.00 P$90 / +$2.50 P$95 / +$2.50 C$105 / -$1.00 C$110 per share
Net credit $3.00 per share · Break-even: $92.00 / $108.00
Illustrative view $80-$120; Maximum loss -$200 also applies outside this view.



Max profit	Max loss	Break-even
$300	-$200	$92.00 / $108.00

When it is used

- You expect the price to stay within a range through expiration.
- You understand both short strikes and both protective strikes.
- You can tolerate the defined maximum loss.

Position & example

Buy 1 put, strike $90.
Sell 1 put, strike $95.
Sell 1 call, strike $105.
Buy 1 call, strike $110.
Net credit: $3.00 per share ($300 per contract).
Example: At share price $100: +$300 per contract.

Common beginner mistakes

- **Removing a protective wing**
  Without the long option, risk is not capped in the same way.
- **Overlooking the net credit**
  Check maximum profit against spread width.
- **Forgetting early exercise**
  Short options can be exercised before expiration.

Expiration examples exclude fees and taxes. Standard assumption: 100 shares per option contract; check broker terms.

STRATEGY CARD

Long Call Butterfly

A narrow target with risk defined in advance.

IN BRIEF

The classic butterfly buys one call at each outer strike and sells two at the middle strike. Maximum profit is near the middle.

Expiration payoff

Strikes: C $95 / 2xC $100 / C $105
Option premium: -$7.50 C$95 / +$4.50 2x C$100 / -$2.80 C$105 per share
Net debit $1.30 per share · Break-even: $96.30 / $103.70
Illustrative view $85-$115; Maximum loss -$130 also applies outside this view.



Max profit	Max loss	Break-even
$370	-$130	$96.30 / $103.70

When it is used

- You expect the price near the middle strike at expiration.
- You want to know your maximum loss in advance.
- You accept a narrow profitable range.

Position & example

Buy 1 call, strike $95.
Sell 2 calls, strike $100.
Buy 1 call, strike $105.
Net debit: $1.30 per share ($130 per contract).
Example: At share price $100: +$370 per contract.
Maximum loss remains defined beyond the illustrated range.

Common beginner mistakes

- **Using the wrong ratio**
  Buy one call at each wing; sell two at the middle strike.
- **Underestimating the debit**
  It equals the maximum loss.
- **Expecting a wide profit range**
  Maximum profit is close to the middle strike.

Expiration examples exclude fees and taxes. Standard assumption: 100 shares per option contract; check broker terms.

STRATEGY CARD

Long Call / Long Put

Two separate positions. Two separate payoffs.

IN BRIEF

A long call and a long put each have a maximum loss equal to premium paid. Their outlook and breakevens differ.

Long Call · unlimited upside

Strikes $100 · Option premium $5.00 / share
Net debit $5.00 per share · Break-even $105.00
call · Price range $0-$160; Profit continues beyond the right plot edge.



Long Put · max profit at a $0 share price

Strikes $100 · Option premium $4.00 / share
Net debit $4.00 per share · Break-even $96.00
put · Price range $0-$130; Maximum profit at a $0 share price.



Long Call · Max profit
Unlimited

Long Call · Max loss
-$500

Long Call · Break-even
$105.00

Long Put · Max profit at a $0 share price
$9,600

Long Put · Max loss
-$400

Long Put · Break-even
$96.00

Long Call · example

Buy 1 call, strike $100; option premium $5 per share.
Net debit $500 per contract.
At $115: +$1,000 per contract.
Profit above the strike has no upper price limit.

Long Put · example

Buy 1 put, strike $100; option premium $4 per share.
Net debit $400 per contract.
At $85: +$1,100 per contract.
Maximum profit of $9,600 occurs at a $0 share price.

Common beginner mistakes

- **Underestimating time decay**
  Without enough movement, you can lose the full premium.
- **Mixing up break-evens**
  Call: strike plus premium; put: strike minus premium.
- **Treating calls and puts alike**
  Calls have unlimited upside; a long put reaches maximum profit when the share price is $0.

Expiration examples exclude fees and taxes. Standard assumption: 100 shares per option contract; check broker terms.