

COVERED CALL

You sell a call option after buying 100 shares.

You collect premium and agree to sell those shares at the strike price if assigned.



CASH-SECURED PUT (CSP)

You sell a put option while holding enough cash to buy 100 shares. If assigned, you buy shares at the strike price and keep the premium.



STRIKE PRICE

The price at which you agree to buy shares (CSP) or sell shares (Covered Call).



PREMIUM

The income you receive upfront for selling a CSP or Covered Call.



EXPIRATION DATE

The date the option expires.

OTM = Keep your premium

ITM = Assignment risk



IN THE MONEY (ITM)

Call ITM → Stock price > strike

Put ITM → Stock price < strike

Higher chance of assignment.



OUT OF THE MONEY (OTM)

Call OTM → Stock price < strike

Put OTM → Stock price > strike



ASSIGNMENT

**When the contract buyer exercises
the option:**

CSP → You buy shares

Covered Call → You sell shares



BREAKEVEN PRICE

For CSPs:
**Breakeven = Strike price -
premium collected**



THETA

**Time decay – the daily amount an
option loses in value.**



DELTA

Call OTM → Stock price < strike
Put OTM → Stock price > strike



IMPLIED VOLATILITY (IV)

**Measures expected price
movement.**
Higher IV = Higher premiums



ROLL UP

Raise your strike price to capture more stock upside while still collecting premium



ROLL OUT

Move to a later expiration to collect additional premium



ROLL UP AND OUT

**Best roll for income.
You get a higher strike and more time, usually for a net credit.**



NET CREDIT ROLL

**A roll where you receive additional premium.
Always aim for a net credit, not a debit.**



CAPITAL EFFICIENCY

How well your cash generates premium.

High efficiency = strong performance.



MARGIN OF SAFETY

Distance between stock price and strike (for CSPs).

Larger MOS = Safer trade.



SHARE RECYCLING

Letting shares get called away to free up cash for the next CSP.

This boosts premium income.



LADDERING

Selling multiple puts at different strikes/expiration to spread risk and maximize income.



COVERED STRANGLE

**Owning 100 shares + selling a CSP below + selling a CC above.
High income, higher risk.**



PREMIUM TARGETING

Setting weekly/monthly premium goals (ex: \$1000 per \$10k) and using strikes/expiration to meet them.



SYNTHETIC DIVIDEND

Regular premium income functioning like a dividend replacement strategy.



VOLATILITY HARVESTING

Strategically selling options when volatility is high to collect bigger premiums.

