

Selling Put Options My Way - A Profitable Strategy

Are you looking to generate consistent income from your investments while minimizing risk? Let me introduce you to a strategy that has proven to be both effective and profitable for many investors: selling put options.

Put options are financial derivatives that give you the right, but not the obligation, to sell a specific asset (such as a stock) at a predetermined price (the strike price) within a certain period of time. By selling put options, you can potentially earn income by collecting premiums while assuming the risk of buying the underlying asset at the strike price if the option is exercised.

Now, before you click away thinking this is too complicated or risky, let me assure you that my approach to selling put options is designed to be conservative and manageable, even for novice investors. By following my strategy, you can benefit from the potential returns while minimizing the downside.



Selling Put Options My Way by Jerry Lee(Kindle Edition)

★★★★☆ 4.5 out of 5

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The Basics of Selling Put Options

When selling put options, you essentially act as an insurance seller. Just like an insurance company collects premiums in exchange for assuming the risk, you receive premiums from options buyers in exchange for taking on the possibility of buying the underlying asset at the strike price. This premium acts as your income.

Let's say you believe that XYZ stock, currently trading at \$50 per share, has strong long-term prospects and is unlikely to drop significantly in value. You can then sell a put option with a strike price of \$45 and an expiration date in the future. By doing so, you are essentially agreeing to buy XYZ shares at \$45 if the option is exercised by the option buyer.

What's important to note is that you don't have to own the XYZ shares beforehand. You simply need to have enough cash or collateral (such as a margin account) to fulfill the purchase if needed. This makes selling put options a potential way to profit even if you don't own the underlying assets.

Benefits of Selling Put Options

Now, you might be wondering, why would anyone want to buy a put option? Put options are often used by investors as a way to protect their investments from potential downside risk. By buying a put option, they have the right to sell the asset at the strike price if its value drops below that level.

As a seller of put options, you can benefit from:

- **Generating income:** The premiums you receive from selling put options can provide a consistent stream of income over time.
- **Acquiring stocks at a discount:** If the put option is exercised, you get to buy the underlying asset at a lower price than its current market value.

- Reducing your cost basis: If the option is not exercised and you keep the premium, it effectively lowers your overall cost basis if you later decide to purchase the underlying asset.
- Building a portfolio: Selling put options allows you to potentially acquire shares in companies you are interested in at a lower cost.
- Minimizing losses: Even if the underlying asset's value decreases, you still earn income from the premium, reducing the overall loss in your portfolio.

Implementing a Conservative Approach

While selling put options can be a profitable strategy, it's important to approach it with a conservative mindset. Here are some key considerations to keep in mind:

- Select underlying assets wisely: Choose stocks or assets that you are comfortable owning at the strike price in case the option is exercised.
- Diversify your trades: Don't put all your eggs in one basket. Spread your trades across different stocks or assets to reduce the risk of a single stock negatively impacting your portfolio.
- Set a reasonable strike price: Selling put options with strike prices that are significantly below the current market price may increase the chances of the option being exercised.
- Monitor your trades: Keep a close eye on your positions and the market conditions. Be prepared to adjust or close your positions if necessary.
- Have a contingency plan: In case the option is exercised and you have to buy the underlying asset, make sure you have the necessary funds or collateral available.

Risks and Considerations

While selling put options can provide consistent income and other advantages, it's essential to be aware of the potential risks involved:

- **Market volatility:** Fluctuations in the underlying asset's price can impact your trades, potentially leading to losses or missed opportunities.
- **Assignment risk:** If the option is exercised, you must be prepared to fulfill the obligation and buy the underlying asset at the strike price.
- **Opportunity cost:** If the option is exercised and you have to buy the underlying asset, you may miss out on other potential investments or market opportunities.
- **Margin requirements:** If you trade on margin, be mindful of the associated costs and the potential need for additional collateral.

Selling put options can be a profitable strategy when implemented wisely and with a conservative approach. By generating consistent income, acquiring stocks at a discount, and reducing your cost basis, you can enhance your overall portfolio performance.

Remember to thoroughly research and understand the risks involved before engaging in options trading. Consulting with a financial advisor or professional experienced in options trading can also provide valuable guidance and insights.

Start exploring the world of selling put options and discover a strategy that aligns with your financial goals. With careful planning and execution, you may find this approach to be a valuable addition to your investment toolkit.



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I must start by telling you that I have no 1-800 number, I am not trying to sell you any products, and am not inviting you to come to my house to view a cleaning agent. I will not try to sell you plastic bowls or any other “can’t miss” ideas. I do not sell recordings that promise you unlimited wealth, inner peace, or a flat stomach.

I am going to tell you the true story of how I have made a fortune, lost a fortune, and came back from the edge of disaster to prosper in the option market. I started with a modest amount of cash; also, I was lucky as I stumbled into the Internet bubble through accident and ignorance. Other than the school of hard knocks, I have no special talent or training in the stock market. My good and bad trades have been learned the hard way.

I will also tell you how I now invest, and how it might work for you. If you find that it does, great. We both will be winners. Once you read the book and start your own financial journey, I have no control as to whether or not you will follow my ideas. Your results might be different from mine. I hope better but maybe not. You alone must make the decision whether this strategy will fit your investment goals. My method is not the only way to trade options and these ideas are definitely not the only way to sell puts. My methods are a way for the average investor to sell puts with some rules and guidelines. Just a few simple things to check each month, then make the trade and pocket some “free money.”



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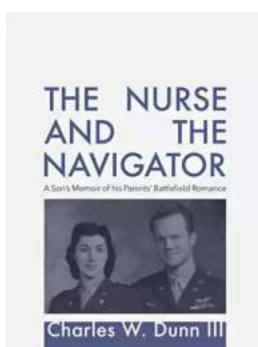
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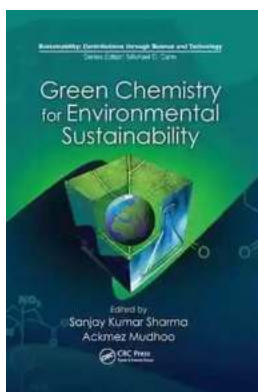
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