

[Add us to your address book](#)

The Smart Option Seller

Let's Grab That Cash!



Issue #1096 March 15, 2024 - By Lee Lowell

Profit Results - Charles Schwab (SCHW)

Hello Smart Option Sellers,

Housekeeping note:

We have members join (and sometimes leave) our service at various times during the year. We offer both monthly and annual plans, with Paypal as our payment processor.

Renewals of both plans happen automatically, as you are charged based on your monthly or annual date.

Please, please, PLEASE be aware of your recurring payment date, as there are no advance notices that are sent to remind you that a charge is forthcoming.

If you wish to leave our service and want to avoid unnecessary processing fee charges, please let us and/or Paypal know (if you have a Paypal account) ahead of your renewal date. This saves all of us hassles, headaches, and extra charges. If you notify us after the renewal date, fees will be incurred.

These instructions can also be seen on the newsletter sign-up page on our website.

Thank you!

Happy Friday!

Monthly expiration day too, so if you have option positions outside of Smart Option Seller, double check your account. We don't want surprises!

The markets are finally getting a bit of a pull-back the last two days. Well needed.

Since October 2023, this rally has been exceptionally strong, and each pull-back lasted no more than a couple days. So if you wanted in, you had to be decisive. This left lots of people on the sidelines looking for bigger pull-backs.

Will this current one last longer than two or three days? We'll see...

But I'm a bull long-term, so I'll be watching closely for us.

In the meantime, we've been filled on the SCHW buy-back trade from Wednesday.

If you had your buy order in at \$.06 limit, you should be filled. There was a flurry of \$.06 trades earlier today.

Here's what we did (official):

Bought back (bought-to-close) all of the SCHW April 19, 2024 \$50.00 strike put option contracts for an official debit buy price of \$.06 per contract as a closing transaction (bought-to-close).

Currently, this put option is still trading between \$.06 to \$.07 per, so if you haven't gotten filled yet, just keep your buy order working "GTC".

Do not pay more than \$.06 per contract. If you're nervous though and haven't been filled, you can always go up to \$.07, or even \$.08 if necessary. Up to you.

Here are the profit details:

We originally established (sold-to-open) this put option on January 24, 2024 for a sale price of \$.29 per contract, and now we took gains by buying it back (bought-to-close) for \$.06 per contract.

With the fill at \$.06, it locked in a gain of \$.23 per contract (\$23 for every contract traded) and a return on margin (ROM) of 2.3% ($\$23/\$1,000$) in under seven week's time. If you like to annualize, the return is roughly 17%.

You might notice, that although our dollar gains are typically the same for each trade, our ROM can fluctuate quite a bit.

The reason being - the strike price has everything to do with how much margin you will be required to hold aside, and thus, will affect your ROM. The higher the strike price, the higher the margin requirement. And vice versa. This is the main reason why I like to focus on lower-priced stocks - typically \$50 and under.

To understand how the margin works and the calculations involved, here's the breakdown:

Whenever we sell an option contract, your broker will require you to maintain a "margin requirement".

The margin requirement is made up of free cash funds that are already in your account and will need to be held aside while the trade is active. Think of it as

collateral. You are not borrowing money from anyone nor are you paying interest to anyone.

Some people can confuse the margin requirement with "buying on margin". They are completely different concepts. We are not "buying on margin" when selling put options (you can read my Margin Primer in the Members-Only section of the website).

The margin requirement is typically 20% of what it would cost to buy 100 shares of the stock at the strike price. In this case: $20\% \times \$5,000 = \$1,000$. Your specific margin requirement at your broker may be higher or lower than that. If you are unsure, just ask them. Your margin requirement will also have an effect on your final ROM.

So for this trade, our margin requirement was \$1,000 per each put option contract sold.

Our profit on this trade turned out to be \$23 per each put option contract sold.

Hence, the return on margin (ROM) comes out to $\$23/\$1,000 = 2.3\%$.

Also, the fill at \$.06 allowed us to capture 79.3% of the full profit potential ($\$.23 \text{ gain}/\$.29 \text{ full potential} = 79.3\%$).

When selling options (puts or calls), your full profit potential is capped at what you initially sell the option for. In this case, that amount was \$.29 per contract.

We like to close trades early (buy-to-close) before expiration when we can capture at least 80% of the full profit potential. This is called my "80% Rule". Although we captured a hair less than 80% on this trade, we still locked in gains.

Locking in early wins is just smart money management and it allows us to free up

cash to put towards new trades.

Congratulations to those of you who participated.

We'll let this pull-back play out today and see what next week brings for potential new trades.

Ok, that's all for now. Have a great weekend!

Continue to hold all other positions as-is.

Contact us [here](#) with fills, comments, questions or concerns.

Best,

Lee

Let's Grab That Cash!

Current Portfolio

Continue to work all other trades as instructed and continue to hold all other open positions as-is.

See the Current Portfolio below for current prices & instructions.

Note on the Current Portfolio - if you are a new subscriber and don't have a position yet on any of our trades, make sure you enter your order at the original recommended prices. The Current Instructions column gives the most recent updates. If you are unsure or have any questions, please ask us!

Smart Option Seller Portfolio

<u>Put-Sell Option Positions</u>	<u>Entry Date</u>	<u>Entry Sell Price</u>	<u>Current Price</u>	<u>Current Instructions</u>
CVS Feb 16, '24 \$60 P	12/11/2023	\$.25/contract	N/A	Closed. BTC for \$.06 per contract See instructions from 1/12/24 Alert
BMV Mar 15, '24 \$42 P	12/22/2023	\$.26/contract	N/A	Closed. BTC for \$.12 per contract See instructions from 2/5/24 Alert
MU Mar 15, '24 \$62.50 P	1/3/2024	\$.26/contract	N/A	Closed. BTC for \$.07 per contract See instructions from 1/30/24 Alert
SCHW Apr 19, '24 \$50 P	1/24/2024	\$.29/contract	\$0.07	Closed. BTC for \$.06 per contract See instructions from 3/13/24 Alert
VZ Apr 19, '24 \$36 P	2/9/2024	\$.31/contract	\$0.13	STO for \$.25 per contract or higher See instructions from 2/9/24 Alert
BMV Apr 19, '24 \$46 P	2/23/2024	\$.30/contract	\$0.15	STO for \$.25 per contract or higher See instructions from 2/23/24 Alert
HACK Jun 21, '24 \$53 P	3/1/2024	\$.25/contract	\$0.35	STO for \$.25 per contract or higher See instructions from 3/1/24 Alert
<u>Unofficial Position</u>				
BMV Mar 15, '24 \$52.50 P	12/22/2023	Various	\$0.11	See instructions from 12/22/23 Alert
MU Mar 15, '24 \$80 P	1/3/2024	Various	\$0.01	See instructions from 1/3/24 Alert
SCHW Apr 19, '24 \$65 P	1/24/2024	Various	\$1.55	See instructions from 1/24/24 Alert
VZ Apr 19, '24 \$40 P	2/9/2024	Various	\$1.37	See instructions from 2/9/24 Alert
BMV Apr 19, '24 \$50 P	2/23/2024	Various	\$0.68	See instructions from 2/23/24 Alert
BMV Apr 19, '24 \$52.50 P	2/23/2024	Various	\$1.63	See instructions from 2/23/24 Alert
HACK Jun 21, '24 \$65 P	3/1/2024	Various	\$3.65	See instructions from 3/1/24 Alert
<u>Legend</u>				
STO = Sell-To-Open/Sold-To-Open				
BTC = Buy-To-Close/Bought-To-Close				
BTO = Buy-To-Open/Bought-To-Open				