

# HOW TO OPTION TRADE YOUR WAY TO WEALTH

EVEN IF THE MARKET IS GOING  
UP, DOWN OR SIDeways

## A WORD OF WARNING

Don't fall into the trap of looking for the Holy Grail of trading – there isn't one...

Keep it simple and you won't suffer from information overload and 'analysis paralysis' !

BY LYN SUMMERS



## Profile

### Lyn Summers

Lyn Summers was born in Melbourne in 1963. She is the third child of seven who lived in a tiny three-bedroom housing commission home – located next to a jail. Although her father held a steady job, there was never enough money to clothe and feed nine people, so she and her siblings often lived off custard and apples to fill their hungry bellies.

Lyn left school at 15 and worked as a cashier to help support her family. During this time, she found herself asking the question, ‘Is there more than this?’ At 18 she married and started a cleaning business with her husband. After many years of hard physical work, the business became very successful. Lyn’s success meant that she could raise her three children on her dream farm in Queensland.

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**LYN INVESTED  
\$50,000 IN  
HERSELF – SHE  
TRAVELLED TO THE  
US AND LEARNT  
HOW TO TRADE.**

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In 1997, Lyn was diagnosed with cancer. Although she had become asset-rich she lacked cash flow, and because of her medical condition, the ability to work and pay the monthly bills. Through her sickness she realised that things had to change.

Having heard that others were making income from trading the stock market from their lounge rooms, Lyn invested \$50,000 in herself – she travelled to the US and learnt how to trade.

Today, Lyn enjoys teaching thousands of people through her international seminars, Educating Tomorrow’s Traders Today, on how to trade the markets and become financially free.

## **Why I decided to become a stock market trader?**

Throughout my life I have worked hard, very hard, and have succeeded to a large extent. I had a business, a property without a mortgage and more than my parents ever had – or dreamed of having – but unless I kept working in my cleaning business I had no cash flow. Despite having more than my parents, I was emulating their methods, using my labour to bring in money. I realised that I had to emulate people who had the lifestyle I wanted if I was going to succeed. And the people who lived the way I wanted to live had made their money in the stock market.

I saw the possibilities and the freedom that trading the stock market would give me. It meant I would be able to stay at home and trade to make an income – a great improvement on cleaning! At the time I had just been diagnosed with cancer and that really gave me a reality check.

I had been working six days a week cleaning and I just couldn't do it anymore. I needed to change, and I needed to change dramatically. I had three children under ten and I knew that I needed to learn how to send my money out to work for me instead of using my body physically.

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**I SAW THE  
POSSIBILITIES AND  
THE FREEDOM THAT  
TRADING THE STOCK  
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GIVE ME.**

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I needed to work smarter not harder. The stock market was a vehicle that I could take home and to the hospital. In fact, so long as I had internet access I could take it anywhere. All I needed to know was what the road rules for this vehicle were.

I watched a family friend make a lot of money after he went to the US and learnt how to trade. He had limited secondary education, just like me, and I thought if he could do it, I could too. So I went to the US to learn. I sat with the brokers and watched while they live traded. I learnt strategies that changed my life and put me well on my way to success. I learnt how the rich get richer while the naive stay broke. It was really easy for me as I had the best education and the best mentors. After that, it was up to me to continue.

## **The mentors who have inspired me and the important lessons I have learnt from them?**

My main mentors are people who have gone from rags to riches; people who have achieved financial success. I also regard Bill Gates as a mentor as I have profited from examining the financial skills and entrepreneurial strategy that have seen him double his personal wealth every one to two years. Bill did not make his money from selling software, but from splitting the stock in his company. I learnt through using the stock market that I too could profit from this strategy.

## **My first big win and how it made me feel.**

My first big win came from investing in a stock split company; this is where a company splits its shares to create more shares at a lesser value. For example, if a share was worth \$10.00 and the company decided to do a two-for-one stock split, that means that after the split instead of owning one \$10.00 share you would own two \$5.00 shares. After the split the share can run back up to the original price, doubling your money.

I knew that Bill Gates had capitalised on this strategy to grow his personal wealth – he split Microsoft shares nine times.

If you owned 100 shares in Microsoft in 1986, you would have 28,800 shares today! Put simply, a \$10,000 investment in 1986 would be worth over \$700,000 today. Easy to see how Bill got rich!



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***If you owned 100 shares in Microsoft in 1986, you would have 28,800 shares today!***

My first big win came when I bought at-the-money call options on a stock that had just announced a stock split. It ran up from \$200.00 to \$350.00 in ten weeks. I invested \$10,000 and six weeks later it was worth \$90,000.



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I was hooked! Never in my life had I found an investment with percentages like this! It was a real buzz! At that time I

lived on an acreage near Noosa, in Queensland. The house had a long timber veranda around it and hanging on one end was a large antique ship's bell. I used to ring this bell for my big wins, even if it was three in the morning.

After that investment I donged that bell so hard with excitement the whole valley heard me!

The following week I had to explain to my neighbours what I was doing! They had noticed that during the day the house was quiet, yet come night-time, the lights were on all night and the bell donged often.

*These were the most exciting trading times in my life!*

### **One of my most painful trades and what I learned.**

My most painful trade came when the shares of a company called Mannatech opened \$5.00 lower on bad news. I had call options on Mannatech and they dropped like the proverbial stone and became worthless overnight. That taught me the painful lesson that the higher the profit potential, the higher the risk.

It is important to have a diversified portfolio and to not get greedy.

Options provide useful leverage for traders, but they should always be just a portion of any portfolio. This is because stock can recover but options may not, as they are an investment that is subject to time decay.



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*That said, I like options because you know exactly how much you can lose and you can make great percentage gains.*

The other point to make here is that in order to learn from

your mistakes you need to keep a trading diary. We rarely learn good lessons from our successes, but failure can be a powerful teacher. If we have a record of our trades we can look back on them and learn from our mistakes.

### **I developed a set of rules which I stick to when trading.**

Yes. In fact having rules, or a trading plan, is essential if you want to trade safely and profitably. A trading plan helps reduce your risk and your losses. And make sure you write your plan down. It's very easy to violate a mental plan but it is much easier to stick to a written one. So type it up and post it where you can see it and be reminded of your rules.

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**IT TAKES DISCIPLINE TO STICK TO A PLAN BUT IF YOU DON'T, PRETTY SOON YOU WON'T HAVE ANYTHING LEFT TO TRADE WITH!**

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When I trade options, if they fall 50 per cent in value and the time value has halved, I cut my losses and take whatever is left because usually the option will never recover in time. It takes discipline to stick to a plan but if you don't, pretty soon you won't have anything left to trade with!

When buying options I always buy four months of time, even if I expect to sell within one month. I do this for safety in case something happens a little more time can work in my favour.

Whenever I break some of my rules I usually lose, especially when I haven't bought enough time. As the saying goes, 'If only I had one more month of time, I could have caught the rebound'.

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**SELLING COVERED  
CALLS GIVES ME  
CONSISTENT  
MONTHLY  
RETURNS OF FIVE  
TO TEN PER CENT**

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### **My personal strategy which I use for trading the market today.**

I have several strategies that I use depending on market conditions. My favourite and safest strategy, which I have used with consistently good results over the past few years, is selling covered calls; I am known as the 'Covered Call Queen' by my students.

Selling covered calls involves buying stock and then selling calls against the stock. I have

found that selling covered calls gives me consistent monthly returns of five to ten per cent – the lower the return the lower the risk. It can be used as a conservative strategy in the right market conditions.

My next favourite strategy is buying options on stock split companies. The last big profit I made was from a company called Titanium Metals Corporation (TIE). In 12 weeks it went from \$40.00 to \$90.00. That's the US market for you, and it happens day in, day out.



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In ten months TIE split its shares three times and recovered each time in a matter of months. I had a 400 per cent return for just buying the shares and doing nothing for the next ten months!

*Many of my students also traded this stock with me and had a huge percentage winner.*

At StockCourse we teach students how to identify stock split candidates and how to pick the right strategy to play the split.

I also love to short-term trade a fund called the QQQQ. This is what is known as an exchange traded fund (ETF) and it mirrors the rise and fall of the NASDAQ 100 index because it moves no more than a dollar a day. It is safer than trading an individual stock and it is very liquid, allowing you to buy and sell easily.

I teach a weekly webinar workshop on how to identify daily entry and exit signals. Our usual daily profit goal is ten per cent a day, 30 to 50 per cent a week, or 50 to 100 per cent per month.

### **What profit margin or return on investment do I look for in each trade.**

The profit margin I look for depends on the strategy I am using. For example, when using a lower risk strategy such as covered calls I would look for a minimum of five per cent per month. However, if I am buying options – calls or puts – I would be looking for a minimum of 50 per cent depending on the timeframe that I plan on owning them for. When buying stock I look for a 30 per cent gain per annum.

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### **Do I recommend people trade the Australian stock market first before going into international markets?**

I personally started in the US market as it is a lot more volatile, and in



order to make money you need a stock to move. The quicker it moves the quicker you make money. It also means that it moves against you quicker too. So, after that trading, the Australian market seemed easy.

No matter which market you start in, you should get good at one market at a time. Sometimes people find it easier trading their own market as they are more familiar with the companies. Starting to trade in another market means having to learn who the major players are and what the economic drivers are. But if you can follow in the footsteps of someone successful, then success breeds success.

The Australian market usually follows the US – if they sneeze we get a cold – so it can be an advantage to learn both. However, there are more investment opportunities overseas that offer higher returns.

See the similarities between the Dow Jones on the left and the All Ordinaries on the right:



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## The most common mistake people make when getting started and how can it be avoided.

They don't have a trading plan. Most people who enter the stock market have no plan and no education. They don't know when it is a good time to buy a stock and they have no idea of when they should sell it. Their

knowledge is limited and this impacts on their ability to make good decisions. I have spoken to people who don't know why they bought a particular stock or what price they wanted to sell it at. Having a trading plan will help you take consistent profits and will ensure that you're not still holding Telstra at \$3.00 today when you bought it for \$7.50.

If you wanted to be a lawyer or a doctor you would study and get the appropriate qualifications and

then do an internship of some kind. I wish people took their finances as seriously as they do their occupations. In fact, it's the people who treat the management of their finances and trading like an occupation who succeed. You need to be serious about it but that doesn't mean it can't be fun!



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## **What I think are the essential qualities of a successful share market trader.**

***Discipline*** – successful share market traders develop trading plans and have the discipline to stick to them. If they don't, they lose!

***Patience*** – new traders often make the mistake of over-trading. They think they need to be in the market at all times. That's not right. Successful share market traders understand that when the market is choppy and they're not sure what it will do next, the smart thing to do is to sit on the sidelines and wait. Successful traders also let trades come to them. They watch for the right set, and wait until all of their criteria are lined up. They don't anticipate!

***Perseverance*** – every trader has losses and anyone who tells you otherwise is kidding you. Successful traders learn from their losses, dust themselves down and get back into it. This is why it is a good idea to paper trade in the beginning until you get it right.

## **Does trading the stock market require a full-time commitment?**

A full-time commitment is valuable. It's like most things – what you put in is what you get back. Full-time doesn't necessarily mean an eight-hour day. It depends on what type of strategies you use. Some trend traders don't look at their trades while the market is open and only work on the closing price.

The bottom line is that you need time to do the research, choose the companies you want to trade, which way you think they are going to go and calculate your target. How much time you are physically at the computer trading depends on the type of trading you want to do and whether or not you are using an online broker or a full-service broker.

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If you want to day trade the market then you need to be physically on your computer the whole time the market is open. If you are more of a medium or long-term trader then perhaps you only need to be on the computer for the last hour of each day's session.

People do trade part-time as well, but usually they do that until they have replaced their income through trading and then make the switch to full-time.

## **What I think holds people back from becoming a share market millionaire.**

- 1.** People don't educate themselves. They think they can just do it by some sort of instinct and that's the quickest road to ruin!
- 2.** The wrong mind-set – many people set unconscious limits on themselves. Perhaps deep down they think they don't deserve success or that there is something inherently bad about having lots of money, and unconsciously they sabotage themselves. The bottom line here is that if you think you can't, you won't!

I advise people to make sure they know what their goals are and that they have given themselves permission to achieve them.

## **The most common mistake new share market investors make.**

There are many mistakes that new investors make, but there are three big ones:

- 1.** A lack of education.
- 2.** A lack of detachment. New investors get caught up in the emotions of fear and greed, they don't let their profits run and they don't cut their losses quickly enough when a trade turns against them.
- 3.** A lack of diversification, which has more in common with gambling. New investors think they have found the 'perfect trade' and they put all their money into it so they can get rich quick. What usually happens is they get poor quick instead.

## **Why I believe new traders should find a coach or mentor.**

This is what helped me to become a successful trader. Having a coach or mentor to hold my hand was vital. You can't buy experience – it's something that takes time, but being mentored is one way of speeding it up. We learn best by following someone else's example. If you want to be a professional golfer, you have a coach. If you want to be a great tennis player, you have a coach. If you want to be a great stock market trader, you need a coach.

I had the privilege of sitting next to brokers and watching them trade live. I listened to their expert advice on the market direction, and how to choose the right stock by fundamental and technical analysis. I rode their backs in the beginning, that's how I learnt so quickly. That's why I love sharing what I do. I like to teach others from my success.

It is really important to learn from others who have walked through that same minefield so you can follow in their footsteps. There is a saying, 'You will pay for education once, but you will continually pay for ignorance'.

I learnt a Warren Buffett strategy, selling covered calls, from my mentor and it changed my trading. I implemented that strategy and now I take five to ten per cent profit every month. If you don't value education enough and decide you don't want to pay for it and just start trading, then you will lose money. You could have spent that money learning something very useful and getting a valuable return on your investment instead of just heartburn and stress!

## **How can people find a really good coach and what amount should one expect to pay?**

A good coach in the stock market is very rare, as many don't wish to share their knowledge and success; they are simply too busy living the good life. However, if you are keen enough you can find one that suits your style. That's why we offer coaching at StockCourse. StockCourse students also meet in their own time and share trades and ideas.

I was willing to pay \$1,000 a day to learn from the experts. We waste a lot of money on stuff in our lives that do not offer a return. If coaching and mentoring works for us what would we be willing to pay? Each person has to ask themselves the hard questions and then find a coach or mentor who matches their personality and trading style.

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## **How would someone go about acquiring more information about trading?**

There is a lot of information out there, but the problem is knowing which information is worthwhile and what is not. There are literally thousands of books and hundreds of courses available. There are also some good, reputable industry websites, such as the Chicago Board of Trade website and the Australian Stock Exchange website, that have useful information, free seminars, online tutorials and webinars.

If you're looking for something more in-depth, my advice would be

to choose a course that has some credibility. We offer a home study pack that is nationally accredited and will provide you with everything you need to know. It makes no assumptions as to how much you already know about investing and trading.

Once you've undertaken an accredited course you can take your first steps into the stock market world, educated and with an abundance of useful knowledge that will help you with your investing strategies.

## **A word of warning**

*Don't fall into the trap of looking for the Holy Grail of trading – there isn't one. If you subscribe to too many newsletters or commentaries that promise you 'the secret of this' and 'the secret for that' then you will expose yourself to too many different opinions and won't know who to believe. There are no secrets! Keep it simple and you won't suffer from information overload and 'analysis paralysis'!*

## **When is the best time to start investing in the share market?**

There is no 'best time' to start investing – there is only now! If you wait for the perfect time you'll never do it. Seize the moment and take the first step today if trading is what you want to do. But remember, the first step isn't diving in with your hard-earned savings. The first step is education, closely followed by research and practise.

Sure, there are cycles in the stock market but if you have the right education then you can make money whether it is going up, down or sideways. Any education that only allows you to make money when the stock market is going up isn't worth the money. You need to be able to adapt your trading style to the markets – the markets won't adjust to you!

## **What do you say to people who think it is too late to get into the market and fear they've missed the boat?**

I don't think that it is ever too late. We've taught people in their eighties to trade. It's ideal for a retired person because you can do it all from the

comfort of your own lounge room! There is a new ship coming into port every day so I don't think anyone can miss the boat.

## **What recommendations would you make to a person who wants to get started in trading the share market?**

First of all, save! Save until you have at least \$10,000 to trade with.

Trading with less than this is possible but it's much harder. What's more, you must have the attitude that this is money you can do without. Don't trade with money that will cause you hardship to lose.

You also need to get educated. There is no quick fix for this. It's like all things worthwhile – it takes time and effort. Once you think you have all the knowledge you need to paper trade, paper trade, paper trade until it works for you.

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When you place your first live trade make sure you have ticked all the boxes on your trading plan and that you have your risk management strategy implemented. Start small, don't put all your eggs in one basket and don't have too many trades on at once.

## **Why do you think it is so important that women today actively seek to secure their own financial future?**

We live in a very independent world today, so relying on males for financial security is not most women's idea of independence. I have observed many women who have never worked for a living, who are dependent upon their husband's or partner's salary, and they often have low self-esteem and low self-confidence. What woman doesn't want to travel to Paris to be wined and dined and treated like a princess? But why not do it for yourself, when and where you want to? When you are financially independent the world opens its doors to you.

A lot of the time a lack of money is the reason why some women stay in unhappy relationships. I see this as insecurity. Becoming

a trader gives you freedom and provides choices for you and your children. It allows you to take control of your life. Women statistically make better traders than men and I have seen many women change their finances by trading. This empowers them to look at their lives and make the changes they need to in order to be fulfilled and happy. The great thing about trading is that it allows women to earn an income during flexible hours. They can trade the London market in the early evening, the Aussie market during the day or the US market at night.

### **What advice would you give to other women who want to begin investing but don't know where to start?**

Read as much as you can about trading from reputable traders. Check out the Australian Stock Exchange (ASX) website to familiarise yourself with the terminology and so on, it also offers free tutorials online and lots of useful company information. You could enrol for the Stock Market Game. This game is run by the ASX, is free, and would give you a feel for what type of trader you want to be. Also, complete a course like StockCourse and find a mentor.

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THE GREAT THING ABOUT TRADING IS THAT IT ALLOWS WOMEN TO EARN AN INCOME DURING FLEXIBLE HOURS.

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### **What is your definition of 'financial freedom' and what does it mean to you?**

Financial freedom is about being able to do whatever you like, when you like, without being restricted by money. To me it's about being able to take my daughter shopping, or getting on a plane to Paris, or buying a yacht to travel the Whitsundays. It's about having the choice to do things when you want to, to be able to follow your dreams and live the life you want.

Financial freedom isn't just about me either. It's also about sharing. It's about being able to help my children in whatever they want to do. It's also about the future. Most people just live from day to day without a thought for how they are going to live when they're older. If you



have managed your finances properly then retirement, provided you have good health, won't be a problem for you. And think about this – if you don't have good health, how much more do you need money? If you want to have access to the best doctors and dentists, the best treatments, the best hospitals then you need money. Financial freedom means not having to worry about all that.

## **If you had to start over again with an account of just \$10,000, what would you do?**

Starting with a small amount of money is always difficult, but it can be done. You have to be very careful to implement your risk reduction and stop loss strategies. Every trader takes losses and sometimes a string

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**IF I WAS STARTING AGAIN WITH \$10,000 I WOULD SHORT-TERM TRADE OPTIONS ON THE QQQQ. USING CALLS AND PUTS YOU CAN TRADE THE QQQQ WHETHER IT IS GOING UP OR GOING DOWN.**

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of losses. If you only have a small amount of money then your ability to weather something like this is limited. That's why it is imperative to manage your risk properly.

If I was starting again with \$10,000 I would short-term trade options on the QQQQ. Using calls and puts you can trade the QQQQ whether it is going up or going down. I would compound my profits until I had doubled my money and then I would buy some stock and trade covered calls and options on stock split companies. As you grow your profits it is safer to diversify wherever possible.

## **Apart from the share market are there any other asset classes you invest in?**

Before I traded the markets I used to invest in real estate by buying properties, doing them up and selling for a profit. It was successful, but it was hard work, and I no longer have a passion for it. That said, I still invest in different forms of real estate. I think it is a good strategy to make your money in the stock market and then park it in real estate. It's all about diversifying your asset portfolio.

## **What are some of your plans or goals for the next five years?**

I have already met my financial goals, so my goals now are to teach others to meet theirs. I intend to spend my time teaching others how to invest in the stock market safely and – just as importantly – successfully!

## **Are great traders made or born?**

Traders are made through education and repetition, and from turning passion into discipline. I believe I was made a trader, not born one. It was the education and my passion to succeed that gave me what I have today. If you live and breathe it all the time then that turns into experience, which is something you can't buy.

I had a student visit me and tell me that between August 2006 and March 2007 he doubled his money and was expecting to do it again over the next six months. He is a trader who has been made by the education he received. He wasn't gifted, or born to be a trader, he is self-made. It takes people with the right attitude, dedication and focus to succeed in anything. Trading is no different. The responsibility for our success lies solely with us.

## **Bear Market Strategies**

### ***The Global Financial Collapse***

Option Trading is how we can profit from a fall in a stock and the last 12 months as this recession has taken place everything has been falling. A put option is an insurance policy where we can agree to sell a stock at today's prices sometime in the future. They are bought and sold in contracts one option contract controls 100 shares of stock. So when Citi Group was Trading at \$40 a share we buy the 40 put for \$4.00 x 10 contracts we spend \$4000 then Citi groups falls to \$2 a share we have the right to sell it at \$40 a \$38 profit.

We can exercise our put and buy Citi Group at \$2 then re sell it at \$38 instantly or just sell the option contract back to the market for

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**THE STOCK MARKET  
IS THE ONLY PLACE  
YOU CAN PROFIT  
FROM A FALL IN A  
STOCKS PRICE!!**

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**\$38.00 x 10 contracts \$38,000 profit on \$4000.00 investment. You can see how we have made over 1000% in just 12 months on buying puts across the financial stocks. Bear Stearns, Lehmann Brothers, Fannie Mae, Freddie Mac, Ginnie Mac, American Insurance Group, Citigroup, Bank of America, Suntrust Bank, Wachovia the list goes on the beautiful thing with a falling Market is it falls quicker than it ever rises.**

Some charts below to see the massive devastation that took place:



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The past 12 months, the U.S. government has spent, loaned, guaranteed and committed an astronomical sum of **\$11.6 trillion** in an

all out attempt to bail out failing companies, save Wall Street from a financial meltdown, and prevent an economic disaster.

Yet, despite these Heroic efforts, American households have lost \$12.9 trillion in wealth, millions are losing their jobs, and the economy is sinking into a depression.

Running the printing press to an endless supply of money is not the answer and will only have devastating consequences to find out how our economy here in Australia is effected by what happens in the US economy and how you can profit enormously in a once in a lifetime opportunity join us on our weekly one hour webinars.

***Register at [www.stockcourse.net/webinar](http://www.stockcourse.net/webinar) and keep informed and up to date on this coming Great Depression that America is heading into.***

## **What is an Option?**

Options are contracts.

1 contract controls 100 shares of stock (2 contracts controls 200 shares of stock, 10 contracts controls 1000 shares of stock and so on).

There are 2 types of options Calls and Puts.

You can Buy them and also Sell them.

## **Let's explain buying first.**

If you think the stock is going up you buy Call options, if you think the stock is going down you buy Put options.

So no matter which way the market trends options can make you money.

A call option gives you the right but not the obligation to buy a stock at a pre determined price which is called the strike price, on or before the expiry date.

Options have a time frame that you choose which is the expiration date.

A put option gives you the right to sell a stock at a pre determined price which is called the strike price, on or before the expiry date.

Options have a time frame that you choose which is called the expiration date.

You choose the month and the year options are available for purchase up to 3 years they expire on the third Friday of each month.

The price you pay for these options is called the premium.

Options will cost you about 10% of the current stock price they allow you to make a profit from the rise or fall of how much the stock increases or decreases without incurring to pay the full price of the stock.

They give you leverage and allows you to spend a little to make the same as the movement in the stock.

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**THE MOST YOU  
HAVE AT RISK  
IS \$1,000.00  
WHEREAS THE  
MOST YOU HAVE AT  
RISK WITH OWNING  
THE STOCK IS  
\$10,000.**

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You also have only the amount you spend at risk so your losses are capped.

Let's say instead of buying 1000 shares of stock at \$10 spending \$10,000 you buy a call option at the \$10 strike x 10 contracts for \$1 costing \$1,000.00.

The most you have at risk is \$1,000.00 whereas the most you have at risk with owning the stock is \$10,000.

How many more trades can you diversify into with the other \$9,000.00.

Let's say the stock moves up to 12.00 your option will increase from \$1.00 to \$3.00 a 200% profit instead of 20% profit.

Buying a put option allows you to profit from a fall in a stocks price they can also be used as insurance on stock you own.

Lets say a stock trading at \$10.00 you buy a \$10.00 put for \$1.00 the stock now falls to \$8.00 your put will increase in price from \$1.00 to \$3.00 you simply sell the put for a profit.200% return.

If you owned the stock this would act as insurance to make up the loss on the stock.

**Now let's explain selling calls and puts as I said you can buy them and sell them.**

### *Selling a call.*

If you own the stock you can sell a call option at a set price when you do this you are selling the right to sell your stock at a specific price, it's like renting your stock out you receive a premium for doing this, this is your rent money with the option for it to be purchased off of you on or before the expiry date.

Example you buy a stock at \$8.00 then you agree to sell it at \$10.00 for one month you sell the \$10.00 strike get paid \$1.00 for doing this.

On expiry if the stock closes above \$10.00 you will get exercised they will pay you this price for your shares plus you have received \$1.00 for doing this so infact you are receiving \$11.00 per share.

A win win

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**SELL A CALL**

**RENT YOUR STOCKS  
OUT TO RECEIVE A  
REGULAR MONTHLY  
INCOME**

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If it closes below \$10.00 on expiry you get to keep your stock now you can sell another month call option at \$1.00 now the shares owe you \$6.00 per share.

You can keep selling the call option every single month even if you get exercised you just rebuy the stock again and sell the call option.

You can also buy a put for insurance, what! Yes if you buy say a \$7.50 put for 50c giving back 50% of your premium you were paid now you are protected in case the stock falls to \$2.00 a share your put will be worth \$5.50 to sell.

Puts go up as the price falls the profit is calculated from the strike price \$7.50 – to the price of the stock \$2.00.

It's a win win you cannot loose.

Why don't most people do this because they don't know this is possible.... This is what I will teach you to do. Imagine controlling your own superfund you can beat your fund manager.

### *Selling a put.*

Selling a put means you are selling the right for someone else to put the stock to you when you sell a put you get paid a premium.

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**SELL A PUT  
GET PAID FOR  
AGREEING TO  
BUY A STOCK AT A  
CHEAPER PRICE!**

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Lets say a stock is at \$10.00 to buy it on the open market you would have to pay \$10.00 why not get the market to pay you for buying it yes....sell the \$10.00 put option for \$1.00 get paid on 10 contracts \$1,000 goes into your bank.

Now on expiry of that option if the stock is trading above \$10.00 they will not exercise you or put that stock to you why not cheaper than where it is currently trading so it expires the agreement is over but you have been paid for assuming the obligation, wow money for nothing.

If the stock closes below \$10.00 on expiry they will put the stock to you at \$10.00 it means you own it for \$9.00 now what can you now do go back to the strategy above sell a covered call take in more premium.

When you master this strategy you will never buy rental property again ask yourself where can you buy a property for \$10,000 and rent it out for \$1,000 a month with no maintenance or up keep fees, no late rental payments a lot less stress.

Yes the covered call Queen now you know why look at the example below if you want to replace your income here is the strategy for you....

<b><i>EXAMPLE Using 1,000 shares COVERED CALL STRATEGY - based on one we are currently using</i></b>		
<b><i>Step 1.</i></b> Buy the shares	@ \$4.82 by 10 Contracts	\$4,820 funds required
<b><i>Step 2.</i></b> Sell a \$5 June Call	Expires in 32 days it is out of the money paying \$0.70	\$700 Income from premium
<b><i>Step 3.</i></b> If Exercised	\$0.18 this is the difference between the \$5 strike price and the \$4.82 stock price	\$180 Income
		Total Income \$880
<b><i>Notes: Income of \$880 less brokerage. This is a return of 18.25% for the month</i></b>		
<b><i>Step 4.</i></b> Not Exercised	Get to keep your stock	\$700 Income from premium
<b><i>Notes: Income of \$700 less brokerage. This is a return of 14.52% for the month</i></b>		
<b><i>You then sell another call for the following month and repeat the procedure until you have been exercised.</i></b>		



If we are not exercised our breakeven is \$4.12. we can sell another call for the following month receiving another 70c now our breakeven is \$3.42 on the stock.

If the stock breaks below our breakeven we can buy a put for insurance protecting our downside.

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**IS YOUR FUND  
MANAGER GETTING  
YOU THESE  
RETURNS?!**

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***SAMPLE OF COMPOUNDING RETURN based on \$50,000 Capital with monthly return of 14.52% not Exercised. Over a period of six months***

<b>Month Ending</b>	<b>Capital plus Monthly Return</b>	<b>Balance</b>
<b>Month 1.</b>	\$50,000 plus \$7,260	\$57,260
<b>Month 2.</b>	\$57,260 plus \$8,314	\$65,574
<b>Month 3.</b>	\$65,574 plus \$9,521	\$75,095
<b>Month 4.</b>	\$75,095 plus \$10,903	\$85,998
<b>Month 5.</b>	\$85,998 plus \$12,487	\$98,485
<b>Month 6.</b>	\$98,485 plus \$14,300	\$112,785

***Happy Trading***

*Lyn Summers*