STRATEGY GUIDE
Selling Weekly Options

By Michael Shulman
The Weekly Paycheck Strategy:
Using Weekly Options For Consistent Income

By Michael Shulman
Options Income Blueprint
Let’s begin this report with a simple statement:

*If you are not using weekly options to produce regular, consistent income from your portfolio, you are missing out on hundreds, if not thousands of dollars in income.*

Now – let’s dive into the details and explain why.

First, if you’re an income investor or trader, you’ve probably noticed how difficult it has become over the past 5 years to produce sustainable income from your portfolio by relying on typical low-risk income methods of savings accounts, CDs, money market accounts, bonds and high yield dividend stocks.

Ironically enough – all of those once “safe” havens for investment income have become lands of lost returns since the stock market collapse of 2008-09.

Where you could have gained 7% on a $100,000 CD before 2008, you’re lucky to get 1% today (2014); and even holding US Treasuries – the absolute safest investment in the universe, right? – yields on the 10 year note have fallen more than 50% in the past 5 years.

In that same time, the stock market has recovered to post all-time new highs.
Look at the charts; in just the last 5 years, the interest paid to you on a $100,000 12-month CD?

.2% -- no, that’s not two percent – that’s two-tenths of ONE percent. That means your bank is paying you $200 on a $100,000 CD (while they turn around and loan out your cash for 8, 9 or even 10%).

Five years ago, that would have been $7,000 per year on the same money.

Holding US Treasury Notes?

Since 2008, when rates were 4%, you’ve seen a 50% or higher decline in the yield on your treasuries (now hovering in the low 2% range).
Which means holding $100,000 in US Treasuries is netting you a measly $2,200 per year… that’s $183 a month. Can you live on that?

It’s enough to make people ask whether the government hates income investors!

If you were unlucky enough to get caught up in the high-yield mania of 2011-2013, you probably learned the harsh lesson that high yields are usually “code” for high risk.

I’ve laid out the case so far that income investors face a challenge: low interest rates, low yields on bonds, high risk on dividend stocks; and none of that is going to change in the next five, or even ten years.

That means you must change your approach to producing income from your portfolio WITHOUT increasing your risk.

One answer you should consider is selling weekly options.

Yes, I said options and I know most people’s first thought is, “oh no, I’ve traded options before and lost money.”

I’ll be the first to tell you that most people who BUY options do lose money. 80% of the time, actually.

But think about it for a moment: If the buyer of the option is losing money…someone’s still making money, right?

That someone is the SELLER of the option (and it’s just as easy to sell an option as it is to buy an option).

For the last five years, I have helped income investors just like you embrace the use of weekly options to produce consistent, low-risk income from their portfolios.
The benefits to selling weekly options are simple:

- You produce instant cash when you sell an option
- You transfer risk to the buyer of the option
- You, and you alone, decide how much cash you want to keep
- Time is your ally when you sell an option
- When an option expires worthless (remember these are WEEKLY options, not monthly), you keep all of the cash you produced and your broker won’t even charge you a commission to close out the trade

There are now over 350 stocks, ETFs and indexes that that have weekly options, calls and puts.

If you need to produce consistent, low-risk income, you should learn to sell weekly options – either selling a put or selling a covered call – because I believe that, like me, you’ll become addicted to what I call that Extra Weekly Paycheck.

Here’s what you’ll learn in the next several pages:

- How to create a Weekly Cash Income Plan so you pay yourself more income without having to do more work.
- Generate higher overall returns on investment so you worry less about things like making ends meet.
- Use options correctly – to produce income, not to gamble – so you share in the money to be made in the stock market without all the risk.
- Most important, you’ll learn to use the “flip” – by flipping to the side of the seller, you’ll use the one strategy most investors don’t use.

Click Here for My Weekly Paycheck Video

This will take you to a very short, to the point video where you can learn more about how to use weekly options:
What Happens to All Those Losing Trades, Anyway?

Now, I said in the previous section that 80% of options expire worthless (meaning 80% of buyers lose all of their money).

Why?

As you might guess, time decay, the loss in value of the option over time even if the stock price does not change, is even more ferocious for a weekly option.

And that is the best thing for the SELLER of an option, because you, as the seller, have more variables in your favor.

That’s why the key to consistent, weekly profits from trading weekly options is to SELL them NOT BUY them.

You probably know that for every trade, there are two sides to it. Buyers can’t buy without sellers selling. Thus, if the options you buy aren’t making you money, you can be certain that the sellers are profiting consistently from your losing trades.

When almost 80% of stocks trade in a tight range most of the time, your premium erodes and those options expire without any value – when you BUY options.

Those options that expire worthless mean the sellers are keeping 100% of the premium collected from the sale of the option. Yes, 100%.

Add to that the fact that anywhere from 78% to 83% of options expire worthless or unexercised every year, and it’s clear that option buyers usually find themselves on the wrong side of the trade.
When you sell an option, you bring cash in – I love cash; so do you. The cash is instantly in your hands because the buyer of an option spends cash (gives it to you).

When you sell an option, you transfer risk – you give it away, the buyers accept that risk because they’re “Hoping” for a return.

And when you sell options, and have that cash in your pocket, you now have funds to help you manage that position if need be, avoiding the use of too much of your core capital if you want to modify a position.

It’s time to reverse your fortune … literally. When you move to the other side of the trade, you put those odds squarely back in your favor.

Even better, you can do it again and again and again … for as long as you need or want to collect a monthly “bonus” without working harder -- or at all!

Barring a gigantic surprise, there is a far lower chance of being called out or having a stock “put” to you.

If you do this on a regular basis, you calculate your returns – your estimated returns – over the course of a year and see if a weekly trade fits in and whether you should sell a covered call or sell a put.

Often, the returns on these trades are different over time.

This is a relatively “low maintenance” process – sell the put or call, place a “good until canceled” buy order in the system with your target price for buying back the option, or simply opt to accept being put the stock or called out if the stock moves too much.

You’re done.
Are You Collecting Apple’s Weekly Dividend?

And there is more to weekly options than a weekly payday. When you trade weekly options on the same name nearly every week, you are CREATING A DIVIDEND for yourself.

Think about it – Apple (AAPL) pays a small 2% annual dividend.

If you own Apple shares, it is sitting there, and your potential gain is about stock appreciation.

And if, for a period of weeks or months, Wall Street does not appreciate Apple, you may feel like you are tying up capital that could be generating a dividend.

Don’t wait for Apple to pay your next small quarterly dividend – claim your own every week by selling covered calls – each and every week.

When you sell weekly options against that (or, pretty much any) stock, you could very well collect a “dividend” 52 weeks out of the year!

Weekly options are particularly attractive if you’re doing covered calls, as the shorter time frame really minimizes your risk of being called out of the stock. Do it all year long, and make money on three out of four trades, and you have yourself an 8% dividend yield or better.

I do it. You should do it. You make fun of people with their money in Treasuries earning less than 2%.

What is the difference between that and having your capital tied up, waiting for the gods of Wall Street to push up a stock?
The $132 One – Day Dividend

If this all sounds too good to be true, sometimes it appears that way to me too.

Recently, I sold an option on Thursday at noon – I collected $612 for selling Gilead Sciences (GILD) Puts.

I closed the position the next day, spending $480 of my “instant cash” to buy back the put, leaving me with a $132 gain in less than one day.

Why did I call off the trade?

I wanted to use the capital – my core capital, which comes first and foremost before individual positions -- for something else.

And the puts were headed toward expiring worthless.

What did I want to do?

GILD had announced earnings and beat, sold off by the market, and but was bouncing back strong. I wanted to own shares of GILD and write covered calls – every Wednesday, because it was moving so fast.

$65 per contract two weeks ago.
$100 per contract one week ago.
$110 per contract just last week!

Think about that for a moment – I’m putting that cash in my pocket every week – and that’s on just one stock. Do it over 3, 5, 10 stock names and you should immediately see how much cash selling weekly options can create for you.
$500…$1,000, even $2,500 or more per week (depending upon you portfolio size).
Is there a trick? No.

A lot of specialized trading experience required? No.

Do you need to own stocks? No.

Do you need a specialized broker? No.

Do you need a lot of capital?

No, but the amount of capital you deploy will determine how much cash comes back every “payday.”

**Advantages of Weekly Options vs. Monthly Options**

Below are some of the advantages of selling weekly options along with monthly option positions.

**Trade Efficiency:** Monthlies are inherently more efficient, relative to commissions depending on the size of a position. However, with fewer days for a stock to go against you, many weekly option positions will expire worthless and you keep the cash in your account so you don’t have to pay a broker commission when trade closes.

**Rate of Return:** On the surface, the rate of return on weekly options is typically higher than on monthlies. Looking at a recent Gilead monthly April 102 put trade, the position had a 38% annualized rate of return. The weekly position, if executed perfectly, would’ve had a 57% rate of return, because when you sell that weekly put four times, you net $320. That said, you also have three more commissions and you have to get the position to expire four times without rolling, so the difference between the two rates of return may not be as great it seems.

**Flexibility:** A monthly position ties up your capital for a longer period of time. Weekly positions lasting two or three days give you much
greater flexibility, which in turn gives you more opportunities to reach your weekly income goals.

Time: Trading monthlies takes less time than trading weeklies, but not as much as you may think. You have to watch them both with one caveat however, if the potential rate of return on a monthly is high enough, you should always place a “good until canceled” order to buy them back. This is not something you want to do with weeklies and with weeklies you need to be a bit more attentive on Fridays depending on the movement of the stock.

Income Goals: The real determining factor should be your income goals. If your goals are in the 5%-10% per year range, monthlies may serve you very well. If you want a higher rate of return, you should sell weeklies or only weeklies.

**Keys to Strong Returns from Weekly Options**

So, what does a trading weekly option require?

A working knowledge – not experience, just some generalized training – about how to sell options. You can learn how to do this in about an hour.

A little bit of time – you can be in and out of a weekly option with about 30 minutes total trading time. It doesn’t take a lot of time to do this.

Some good ideas about what to trade – there are over 350 names to choose from, but you’ll find that you only need a few. And, you only need to be right that particular week, but it is far better to have an idea you can trade week in and week out, like I do with stocks like Apple, SanDisk and Gilead Sciences.

Some discipline – you need to be willing to close “losing” positions and, if your original idea is intact, do it again the following week. I put the word losing in quotes because:
(a) The only “loss” on a covered call is foregone profit. If you sell a covered call and get called out, it means you made money two times: once selling the option, and twice with the rise in the price of the stock.
(b) You should sell a put only when you are willing to own the stock at the “strike price” – BUT I can show you a sneaky trick that prevents losing trades and actually INCREASES the amount of cash you’re making on the same trade.

Have parties to go to? Now you can brag about the cash you are bringing in with a seemingly never-ending series of small, less than one week trades.

As I wrote above, the number of names is large and seems to grow every week. You can visit the CBOE – Chicago Board Options Exchange – at http://www.cboe.com/micro/weeklys/availableweeklys.aspx for updates

When Monthly Options Become Weekly Options

As volatility fell over the past two years or more, the universe of puts and calls we could sell for easy cash shrank. At the same time the universe of weekly options grew from less than 90 stocks and ETFs to more than 350 today.

But the third week of every of every month is option expiration week, which means all monthly options become weekly options for that one week.

During this week that universe of weekly options grows dramatically. If you just trade weeklies, starting on Monday you will see almost any stock that trades options expire that Friday.

That makes the third week of each month one of the best time to find a weekly or a monthly option that will expire in 4 to 5 days.
Another Reason to Love Fridays

If a regular payday every week, with cash in and secure no later than 4:10pm every Friday afternoon, appeals to you, weekly options are for you.

If turning a great, non-dividend stock into a high-yield stock appeals to you, weekly options are for you.

If you are already an options trader looking for consistent returns, and/or you are tired of hitting home runs but losing the overall game, weekly options are for you.

If you’re reading to begin learning a safe, simple and repeatable strategy to sell options for consistent weekly income, then you can use this special link below to take my Weekly Paycheck Training Course for just $7.95 (no that’s not a typo – I believe in helping as many investors as I can achieve their income goals, so I’ve made this the simplest education course you can buy online).

This will take you to a very short, to the point video where you can learn more about how to use weekly options:

Click Here for My Weekly Paycheck Training
Traders Reserve Copyright

All material in this report is, unless otherwise stated, the property of Traders Reserve, LLC. Copyright and other intellectual property laws protect these materials. Reproduction or retransmission of the materials, in whole or in part, in any manner, without the prior written consent of the copyright holder, is a violation of copyright law.

A single copy of the materials available through this course may be made, solely for personal, noncommercial use. Individuals must preserve any copyright or other notices contained in or associated with them. Users may not distribute such copies to others, whether or not in electronic form, whether or not for a charge or other consideration, without prior written consent of the copyright holder of the materials. Contact information for requests for permission to reproduce or distribute materials available through this report is listed below:

www.tradersreserve.com