COVERED CALLS

WHAT YOUR BROKER WON'T TELL YOU!

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Why Your Broker Won't Tell You About Covered Calls

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Introduction…

Welcome to our free report, "Covered Calls: What Your Broker Won't Tell You…"

Today, we're going to keep this report short and sweet… but packed with knowledge. We're going to touch on three distinct questions most readers have:

- What Is A Covered Call Exactly?
- Why Covered Call Trades Are So Popular? And,
- Why Your Broker Won't Tell You About Covered Calls!

It's that simple.

Now before we get started, I wanted to let you know… since you're very interested in covered calls, we've put together a video series called "How To Make Money Using Covered Calls." It's a step-by-step process leading you by the hand. We show you how to profit from covered calls.

We touch on cash flow planning, trading myths, rookie mistakes, the tools you need to trade covered calls, and much… much more.

I'll tell you how to access this free training at the end of this report.

So, let's not waste time, let's jump right in!

What Is A Covered Call Exactly?

Now, before we show you why the covered call strategy is so popular, let's go over exactly how it works.

Then we'll tell you exactly why your broker hates these types of trades and why he won't share this strategy with you!

In a nutshell, a covered call involves selling (writing) call options against positions of stock you already own. This is commonly called 'covered call writing' or 'buy-write', this strategy can really boost your returns on stocks you already own.

It works like this.

Let's say you own 100 shares of Google's stock. You would then sell an option giving someone the right to buy your 100 shares at some point in the future for an agreed upon price. For this right, the buyer of the option (the one that you're selling) will pay you a premium – consisting of cash up front.

So, as soon as you sell this option, the premium will immediately be deposited into your account. Yes you read that right – you GET PAID INSTANTLY!

Once you sell this call option, several things can happen between now and when it expires.

If the stock does not reach the agreed upon price (called the strike price), the option will expire worthless.

That means you get to keep the entire premium received and your shares of stock. Yes you read that right – you GET TO KEEP ALL THE MONEY AND THE STOCK!

If the stock does reach or surpass the strike price, you may be forced to sell your stock… In that case, you get to keep the premium received upfront, plus any appreciation in the stock up to the strike price.

As you are probably starting to see, this is a great way to amplify the returns on your portfolio and generate some extra income at the same time.

I know it may at first sound a little confusing, but once you do a few trades and learn a few tricks and insider secrets… you'll find it a very easy way to make money!

You've probably already figured out…

Why Covered Call Trades Are So Popular!

It's no secret that options have exploded in popularity over the years. The reason is simple. No other investment offers the broad range of benefits to investors that options do. And covered calls are a great way to put the power of options to use.

Here are the 5 most important reasons Covered Calls are in huge demand…

Everyone seems to have their own reasons for incorporating covered calls into their portfolio, but these are the most important ones:

1. Potential for a Higher Overall Return (AKA: You Make More Money!)

The main reason investors follow any strategy is usually because they think they can generate higher returns.

It's no different with covered call writing.

There have been a number of recent studies that have shown that covered call writing strategies have outperformed the S&P 500.

And this outperformance was over a long time period – almost 20 years!

For example, Ibbotson Associates completed a 16 year study in 2004 that showed a covered call writing strategy based on the S&P 500 actually outperformed the index itself with only two-thirds the risk!

Over an 18 year period ending in 2006, Callan Associates came to a similar conclusion; the strategy outperformed the market as a whole with considerably less risk.

Clearly, covered calls are a great way to put your money to work for you… and make it work HARD!

Another reason covered calls are so popular…

2. Lower Risk

Next to making more money, high on investors list of desirable investment traits is safety.

And safety is what a sensible covered call writing system can provide. Virtually anyone with a brain on Wall Street will argue that writing covered calls on stocks you own is actually less risky than owning the stock outright.

Covered call writing serves as a type of "hedge" that brings down your cost basis on your stock and insulates you somewhat from downward stock movement.

Recognizing the lower risk of covered call writing, the covered call strategy is allowed in IRAs by brokerage firms!

Here's another reason…

3. Covered Calls Generate Extra Income (OR Replace Your Current Income!)

This is the reason that a lot of people start selling covered calls in the first place.

They're able to generate extra income from stocks they already own. So, instead of sitting there and watching a stock do nothing for years, many use covered calls to put cold hard cash into their pockets (while they wait for the stock to move).

You can put in place a covered call strategy that pays you every month! It's like collecting your own paycheck, month in and month out. If done right, this system can be a simple income replacement strategy!

The extra income generated from this strategy can be substantial.

Another reason covered calls are popular…

4. Covered Calls Works in Almost Any Market

If you really break it down, stocks can only do 5 different things.

They can go up a lot, go up a little, stay even, go down a little, or go down a lot.

In 4 out of 5 of these scenarios, covered call writing tends to outperform the market in general. And, in the only scenario where it doesn't (when the market goes up a lot), you still make money.

Now the final reason covered calls are popular…

5. Allows You to Safely Take Advantage of Volatility

This one is esoteric but legitimate just the same.

Let me explain. Part of what determines option premiums is the volatility of the underlying stock.

If the underlying stock is very volatile, and moves around a lot, its option premiums will be very high.

Now, if the entire market is volatile like it is now, the overall level of premiums will be higher than normal.

This is good news for option sellers.

You'll be able to take advantage of some of the volatility in the market without exposing yourself to ridiculous amounts of risk. The best of both worlds!

Given all these benefits, you'd think your broker would be shouting about this strategy from the mountaintops… But he's not.

Here's Why…

Why Your Broker Won't Tell You About Covered Calls!

We're not here to bad-mouth your broker. I'm sure he or she has done an excellent job with your portfolio.

But let's make something clear…

Brokers HATE covered calls.

Here's why:

First off, while selling covered calls is very straight forward, it does have a lot of moving parts. Done properly, there are several variables to consider.

That means time – and time means money if you're a broker.

Think of it this way… if your broker has to spend time every month helping you find the best covered call trades, he doesn't have time to cold-call for new customers. And that means he makes less money!

Perhaps more importantly, covered calls (once you know what you're doing) are easy and can generate consistently positive returns. In that case, YOU'LL HARDLY NEED A BROKER ANYMORE.

After all, why spend gobs of money on a broker when you can run a covered call portfolio yourself?

Many brokers are more than happy to put your money into mutual funds without a second's thought… and charge you 1% to boot. Why settle for so little when you can do much more own your own?

By starting your own covered call portfolio, you can take your future into your own hands.

And you can do so without paying a dime to a broker (excluding commission costs of course – there's no way around those).

A Final Word

By now you can see just how powerful covered calls are.

The benefits are plentiful... and plain to see. Not only can covered calls boost your profits, they can also lower your risk and increase flexibility. That's why the pros use covered calls any you should too!

Done correctly, covered calls can provide huge upside potential. Even better, they can do it without increasing your risk. In fact, in many situations they'll even lower your risk.

Along with this report, you'll receive a free subscription to our *Options Trading Research* newsletter (delivered straight to the email address you provided).

Published several times a week, *Options Trading Research* will give you professional options trading ideas, market commentary and analysis all designed to make you a better options trader!

Now here's that **SPECIAL BONUS**!

As I mentioned at the start, we've put together a free training series called "How To Make Money Using Covered Calls."

It's a step-by-step process to making money using this trading strategy.

If you watch your email closely, you'll get emailed a special link where we posted the video.

But, if you don't want to wait, click this link to get the first video.

YOUR SECRET ACCESS LINK:

VIDEO #1: How To Make Money Using Covered Calls.

Along with the videos, we've put together a number of free giveaways... things like checklists and lists of tools we use...

So keep your eyes peeled for those free giveaways.

Sincerely,

Gordon Lewis,
Chief Options Strategist
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