Wealth Building Action Plan

If you've never traded options before, I think you'll find it's much easier than you thought. So please, don't let the terminology through you for a loop… it'll all become crystal clear in a minute.

The mechanics of buying and selling Options is identical to trading stocks… They're traded on an exchange, just like stocks are… You trade Options using the same types of "Market", "Limit", and "Stop" orders as you would with stocks…And price is determined by a bidding war between buyers and sellers, the same as with stocks.

CALL Options give you the "right"… but not the "obligation"… to BUY a stock at the "Strike" price.

PUT Options give you the "right"… but not the "obligation"… to SELL a stock at the "Strike" price.

Having both PUTs and CALLs to work with makes it super easy to profit in Bear Markets as well as in Bull Markets.

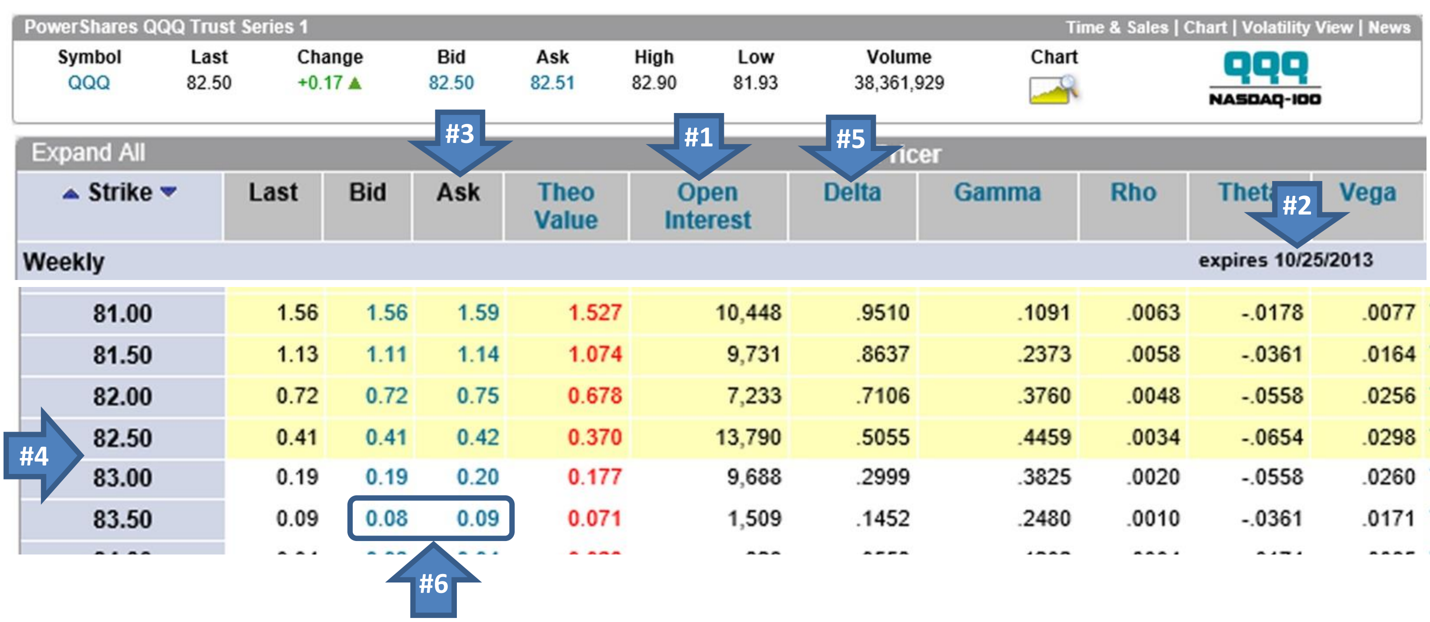
And best of all, since you aren't actually buying the stock itself, your investment is much lower… making your percentage returns as much as 100 times greater…. Sometimes even more!

For example… On April 8th QQQ was trading at $67.50 per share. And CALL Options to buy QQQ for $68… just 50¢ more… were trading at $0.63, ($63 for a 100-share contract). Consider these three alternatives…

On April 8th You Buy	Pay	Sell 2 Days Later	Profit	% Return
100 Shares of QQQ	$6,750	$6,959	$209	3%
1 April 68 CALL Option	$63	$198	$135	214%
10 April 68 CALL Options	$630	$1,980	$1,350	214%

Choosing the Perfect Option

Once you've found a profit opportunity ripe for the picking… next you look up an appropriate Option Chain and step-by-step choose the perfect option.   This OptionsExpress.com Option Chain was free and tells you everything you need to know.



Strike	Last	Bid	Ask	Theo Value	Open Interest	Delta	Gamma	Rho	Theta	Vega
Weekly									expires 10/25/2013	
81.00	1.56	1.56	1.59	1.527	10,448	.9510	.1091	.0063	-.0178	.0077
81.50	1.13	1.11	1.14	1.074	9,731	.8637	.2373	.0058	-.0361	.0164
82.00	0.72	0.72	0.75	0.678	7,233	.7106	.3760	.0048	-.0558	.0256
82.50	0.41	0.41	0.42	0.370	13,790	.5055	.4459	.0034	-.0654	.0298
83.00	0.19	0.19	0.20	0.177	9,688	.2999	.3825	.0020	-.0558	.0260
83.50	0.09	0.08	0.09	0.071	1,509	.1452	.2480	.0010	-.0361	.0171

Option Selection Checklist

Every QQQ MERIT PAYCHECK recommendation must pass the first 6 criteria on this checklist before it's emailed. The last two criteria are for you to determine yourself.

#1 **Open Interest** must be at least 100. And don't buy more than 10% of the Open shares. This is a general trading rule no matter what stock or ETF you're trading, and is almost a moot point with QQQ because trading volume is typically very high.

#2 Option Expiration date should be appropriate for the strategy. It wouldn't make sense to purchase a LEAPS Option that expires in 9 months when you only plan to hold the trade for a few days. And by the same token, you don't want to purchase a Weekly Option that expires in 4 days when you expect the trade to take a few weeks to unfold… And by all means, make sure you give yourself enough time to sell Monthly Options and LEAPS Options at least 30 days before expiration to avoid rapid time decay.

#3 Premium Cost is 100 times the Ask price, because each contract controls 100 shares of stock. Premiums vary depending on many influencing factors. And sometimes Weekly Options can be pretty cheap. To be sure there's enough "meat on the bone" to cover commissions, choose a strike price with premiums of $0.30 or higher

#4 Strike Price is the price at which you have the right to buy/sell the stock. In this Option Chain, yellow is in-the-money and white is out-of-the-money. For Weekly Options, select the first strike out-of-the-money (OTM)…and select at-the-money (ATM) or in-the-money (ITM) for Monthly Options and LEAPS.

#5 Delta is a percentage number that's used in the calculation of the Option Premium... the deeper in-the-money, the higher the Delta. For Weekly option expirations, buy one strike out-of the money (OTM) or at-the-money option (ATM) with a delta of .35 or better… When buying Monthly Options or LEAPS you want a Delta of .50 or higher, which will be at-the-money.

#6 Bid/Ask Spread is the difference between the Ask (price you pay) and Bid (price you receive)… and this difference is the market-maker's profit. You don't want to pay a Bid/Ask spread greater than $.30 on LEAPS options, $.12 on monthly option and .06 for weekly options.

#7 Position Size should be standardized. Don't trade $300 on one trade, $450 on another and $600 on yet another. Come up with a trade amount that feels comfortable… for example $600 for Weeklys and $1,200 for Monthlys. And maintain that position size until you make a conscious choice to change to another amount due to compounding, or whatever. Regardless, your own risk tolerance and financial strength should be a prime consideration.

#8 Broker Fees need to be kept as low as possible. Every few months of trading, contact your broker (especially online brokers) and ask if you're getting their best deal. Mention you want to make sure you're paying a fee commensurate to your volume of trading and competitive with other brokerage firms. Often they will drop their fee.

Now Let's Go Make Some Money!
Wendy Kirkland