Income Strategies

PRO PRACTICE WORKSHEET

Work through these by hand or with a spreadsheet. There's no wrong answer, the goal is just practice.

Section 1 - Calculate a Covered Call Outcome

You own stock at a $50 cost basis and sell a $55 call for $1.50 premium. Calculate the total P&L per share if the stock is at $48, $53, and $60 at expiration.

Section 2 - Calculate a Cash-Secured Put Outcome

You sell a put with a $50 strike for a $2 premium, with $5,000 cash set aside. What happens if the stock is at $55 at expiration? What about $42?

Section 3 - Weigh the Trade-Off

For a stock you own that you think could rally significantly, would selling a covered call still make sense? Why or why not?

Section 4 - Pick a Strike You're Comfortable With

For a stock currently at $75 that you'd be happy to buy more of at $65, would a cash-secured put with a $65 strike make sense as an entry strategy? Explain.

Section 5 - Reflection

In your own words, explain why these are called 'income strategies' rather than risk-free strategies.