

# How to get paid with Credit Spreads.





# VectorVest<sup>®</sup>

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**Why is this so  
important?**



# Generate Income

*An Income Trade is one where you can profit even if you are wrong on direction.*



**5**

# **Key Principles**





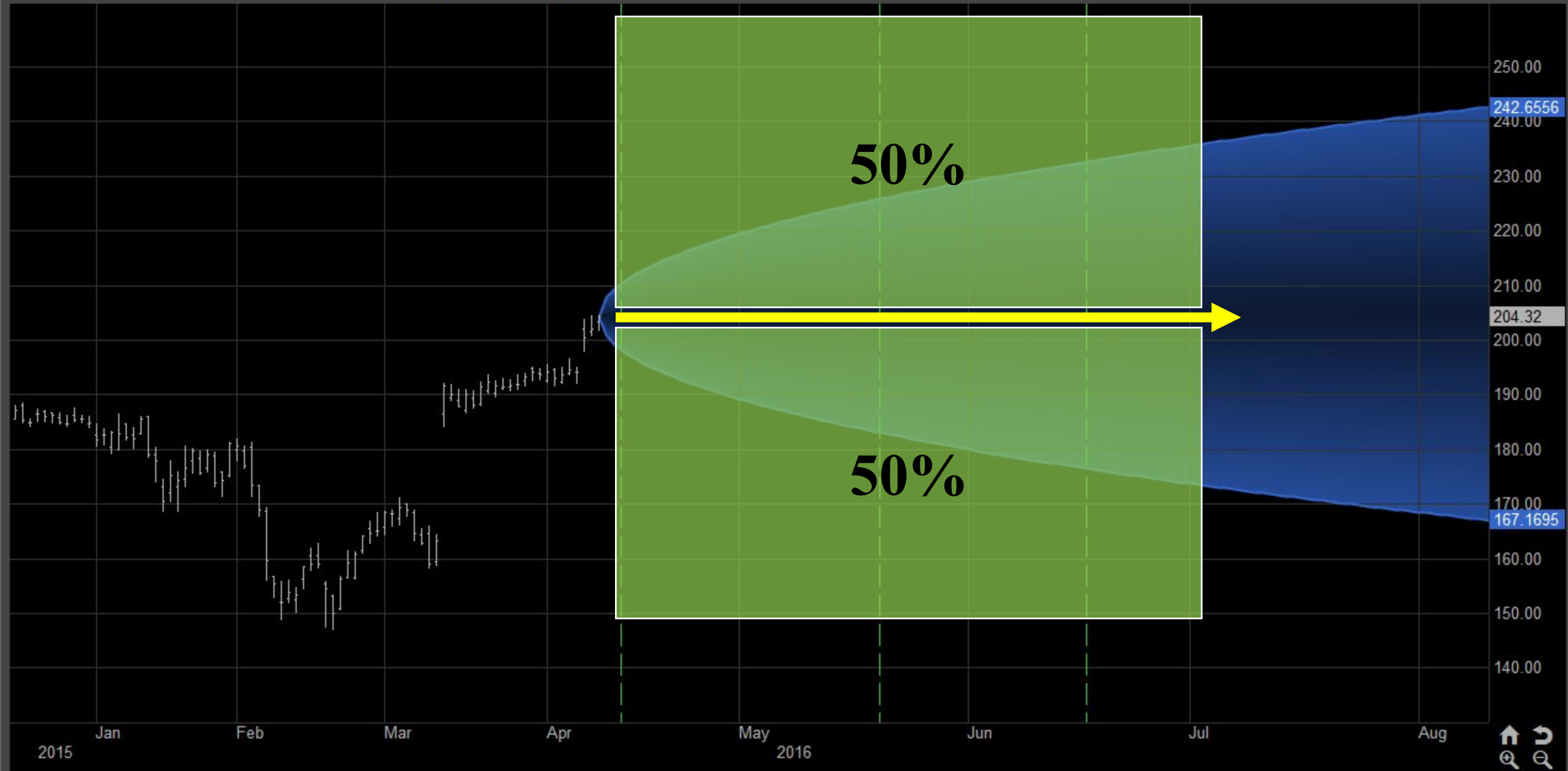


***Sell Low Probability***

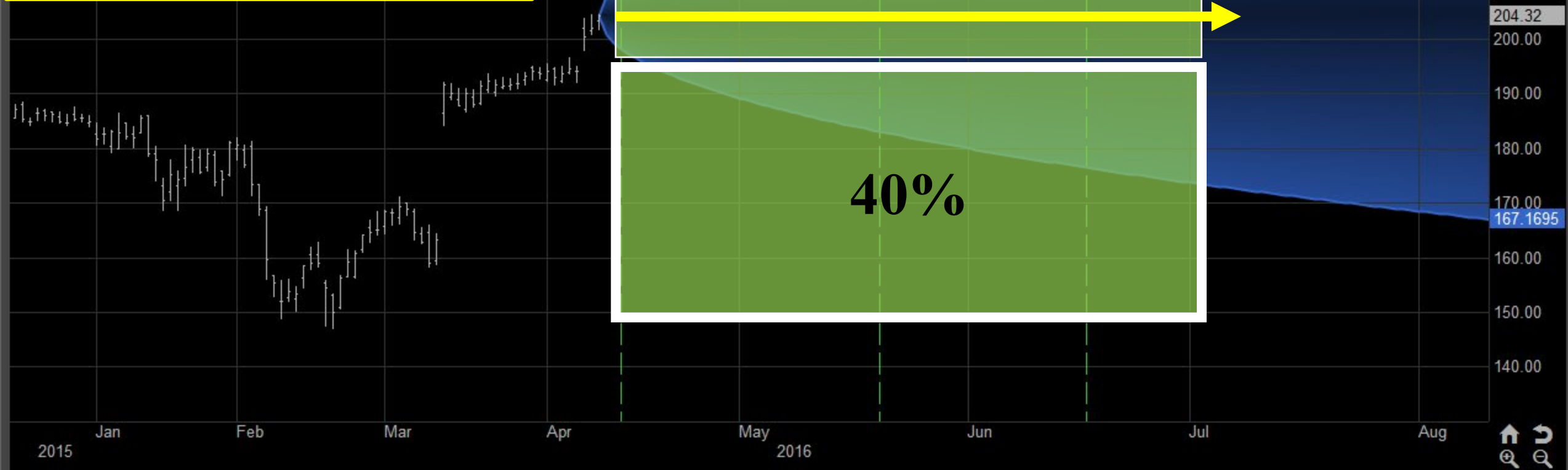


ULTA  Daily

Open 203.50 High 204.47 Low 201.64 Last 204.32 Net 2.22 Vol 547K

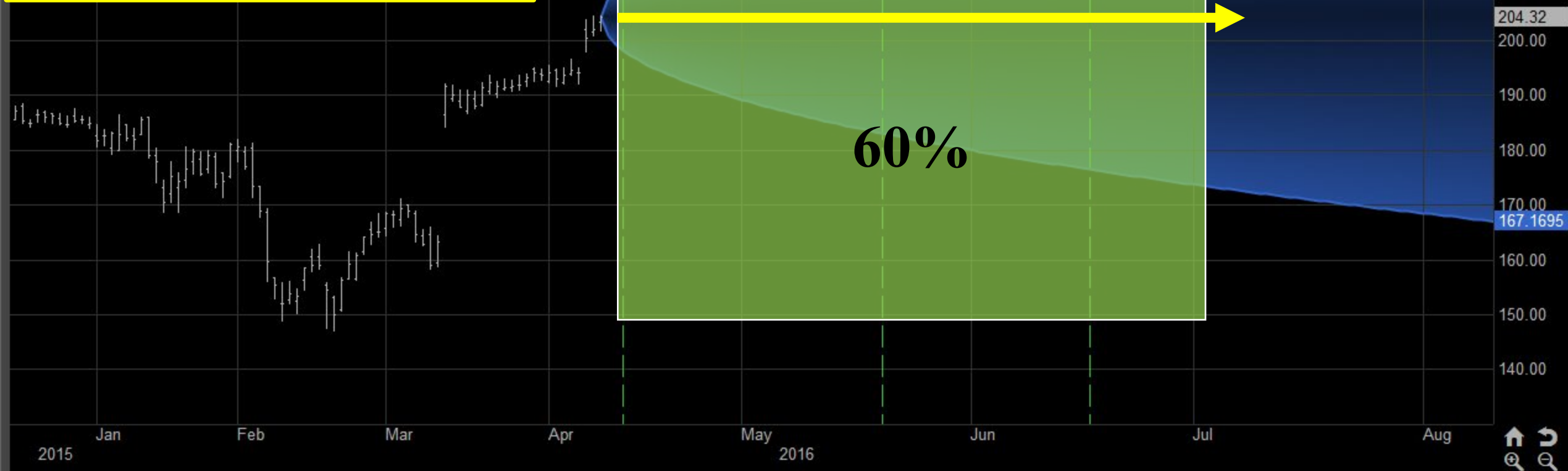


If you're bullish,  
target the strikes  
that have less than  
a 40% probability  
of getting hit.





If you're bearish,  
target the strikes  
that have less than  
a 40% probability  
of getting hit.



# Target Options with less than a 40% ITM/Prob ITM

▼ Spread

May 20, 2016

6 Strikes

Above and Below

Select Strike(s)

Look Back:

as of 04/12/16

Puts													
Strike	Last	Ask	Bid	Net	Vol	OI	IV	Delta	Gamma	Vega	Theta	ITM	BrkEven
May 20, 2016 (38 days till expiration)													
170.00	0.30	0.35	0.25		10	64	31.72	-0.0344	0.0036	0.0517	-0.0206	10.8%	10.6%
175.00	0.60	0.50	0.35		1	260	29.54	-0.0497	0.0052	0.0632	-0.0258	15.0%	14.6%
180.00	0.75	0.70	0.60		5	162	27.71	-0.0754	0.0077	0.0954	-0.0335	20.0%	19.3%
185.00	1.15	1.10	0.95		27	176	26.07	-0.1159	0.0113	0.1302	-0.0431	25.7%	24.5%
190.00	1.58	1.70	1.55		67	147	24.58	-0.1763	0.0159	0.1725	-0.0539	31.9%	29.9%
195.00	2.45	2.65	2.50		61	136	23.35	-0.2625	0.0211	0.2174	-0.0645	38.6%	35.1%
200.00	3.90	4.20	3.90		46	177	22.23	-0.3771	0.0258	0.2531	-0.0710	45.4%	39.9%
210.00	8.69	9.30	8.50		6	23	20.10	-0.6579	0.0277	0.2453	-0.0611	58.7%	46.9%

Delta is another measure of probability.  
Focus on Delta less than 30.

CIV Calls 25.25  
CIV Puts 23.25

Spread

May 20, 2016 6 Strikes Above and Below Select Strike(s) Look Back: as of 04/12/16

Strike	Last	Ask	Bid	Net	Vol	OI	Puts	Delta	Gamma	Vega	Theta	ITM	BrkEven
May 20, 2016 (38 days till expiration)													
170.00	0.30	0.35	0.25		10	64	31.72	-0.0344	0.0036	0.0513	-0.0206	10.8%	10.6%
175.00	0.60	0.50	0.35		1	260	29.54	-0.0497	0.0052	0.0692	-0.0258	15.0%	14.6%
180.00	0.75	0.70	0.60		5	162	27.71	-0.0754	0.0077	0.0954	-0.0335	20.0%	19.3%
185.00	1.15	1.10	0.95		27	176	26.07	-0.1159	0.0113	0.1302	-0.0431	25.7%	24.5%
190.00	1.58	1.70	1.55		67	147	24.58	-0.1763	0.0159	0.1725	-0.0539	31.9%	29.9%
195.00	2.45	2.65	2.50		61	136	23.35	-0.2625	0.0211	0.2174	-0.0645	38.6%	35.1%
200.00	3.90	4.20	3.90		46	177	22.23	-0.3771	0.0258	0.2531	-0.0710	45.4%	39.9%
210.00	8.69	9.30	8.50		6	23	20.10	-0.6579	0.0277	0.2453	-0.0611	58.7%	46.9%



# Why 40% Probability?

As you'll learn later, it's the perfect balance of probability and Risk to Reward.

If we go too far out of the money, the monetary risk can increase substantially and the reward decreases.



# Delta and ITM/Prob ITM

These may not always match.

Delta is a much more complex calculation based on Black-Scholes and takes into account more factors.



# Which to use?

Some brokers may not have an ITM %. In that case, you can use  $\text{Delta} < 30$  for your directional trades as well.

Just remember, the option you sell does not have to meet both criteria, only one.





# Key Point

Sell options that have an ITM %  $< 40$ ,  
or a Delta less than 30.

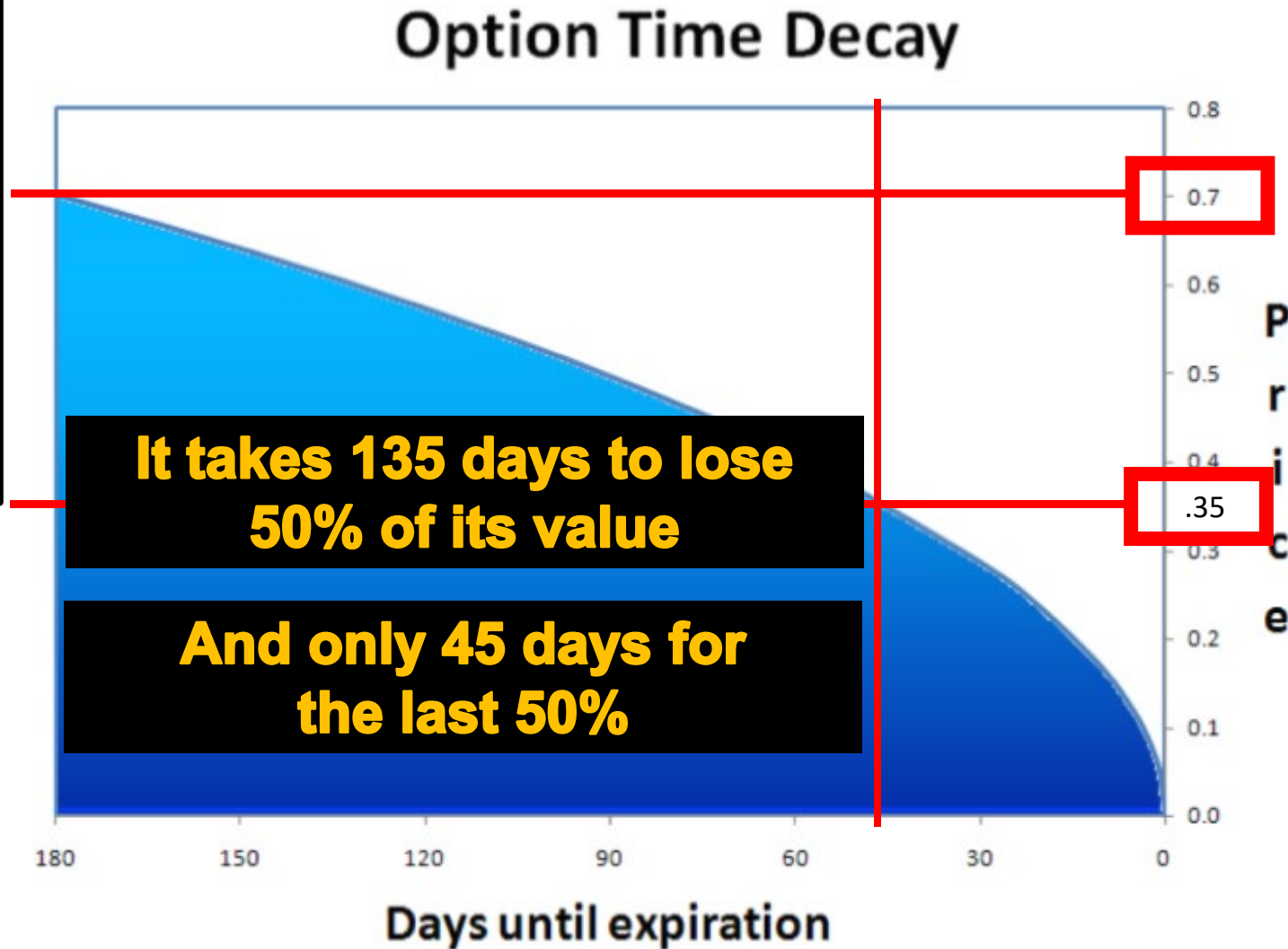




**Choose *Expiration* Sweet Spot**

## Pro Tip:

Sell  
options  
with 21-45  
days until  
expiration.





# Always Remember....

For directional trades:

1. You want the market to be directional to make money fast
2. Think of time decay as a bonus.
3. Time decay is what helps you make money when you're wrong.



# Key Point

Use 21-45 Days to Expiration for  
your trades.





***Build the Trade: Use Rights To Control Obligations***



**If you are bullish...**





Chart

HD-HOME DEPOT INC-Daily

Quote

HD

Daily

Open 136.80

High 137.00

Low 13

Matrix

Chain

Spread

Risk

Skew

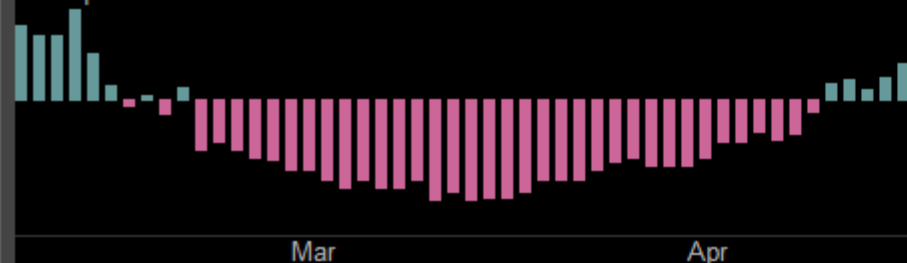
Groups

Decay

Project



DT Options Over/Under Priced



Mar

Apr

May  
2016

Jun

+ HD-Daily

## The Problem

Selling the 132 Put on its own, leaves you exposed to a max loss of over \$13,000.

Short Put	
Brkeven (Up):	130.15
Brkeven (Dn):	130.15
Max Risk:	13015.00
Max Profits:	185.00
Credit:	185.00

Overpriced

4.10

0.00

Underpriced

10.00

-10.00

HD-HOME DEPOT INC-Daily

HD

Daily

Open 136.80 High 137.00 Low 135.44

# The Solution: Buy Insurance!



DT Options Over/Under Priced



Mar

Apr

May  
2016

Jun

+ HD-Daily

142.50  
140.00  
137.50  
135.44  
135.00  
132.50  
130.00  
127.50  
125.00  
122.50

Overpriced

10.00  
4.10  
0.00  
-10.00

Underpriced

HD-HOME DEPOT INC-Daily

HD Daily Open 136.80 High 137.00 Low 134.85



Strike	Last	Bid	Ask
May 20 (30)			
128.00	1.05	0.97	1.02

Use the original credit of \$185 and purchase an insurance policy on your trade.

Purchase the 128 Put to limit your max loss.

142.50  
140.00  
137.50  
135.44  
135.00  
132.50  
130.00  
127.50  
125.00  
122.50

Overpriced

10.00  
4.10  
0.00  
-10.00

Underpriced



HD-HOME DEPOT INC-Daily

HD

Daily

Open 136.80 High 137.00

You now have a **Bull Put Spread**.  
You sold the 132 Put and purchased  
the 128 Put as Protection if the stock  
makes a dramatic drop in price.

Sell 132 Put

Buy 128 Put

DT Options Over/Under Priced

Overpriced

4.10

0.00

-10.00

Underpriced

Mar

Apr

May  
2016

Jun

HD-Daily

**If you are bearish...**



Chart

BWLD-BUFFALO WILD WINGS INC-Daily

Group ▾

Float

- □ ×

Quote

BWLD ▾



Daily ▾

Open 141.50

High 143.89

Low 140.49

Last 143.21

Net 2.20

Vol 168K

Matrix

Chain

Spread

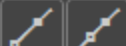
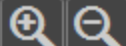
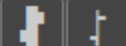
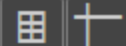
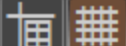
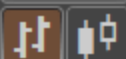
Risk

Skew

Groups

Decay

Project



Selling this Call will generate \$460 in revenue based on the last price of \$4.60. The price represents \$4.60 per share X 100.



DT Options Over/Under Priced

May 20 (30 days to expiration)

Prob Brkeven	Prob ITM	Theta	Vega	Gamma	Delta	IV	OI	Volume	Net	Bid	Ask	Last	Strike
19.6%	30.0%	-0.1138	0.1571	0.0216	0.3841	43.10	213	20	0.89	4.30	4.60	4.60	150.00



+ BWLD-Daily

## The Problem

Selling the 150 Call on its own leaves you exposed to an infinite max loss!  
Theoretically, the stock can go up in price forever.

Short Call	
Brkeven (Up):	154.60
Brkeven (Dn):	154.60
Max Risk:	INF
Max Profits:	460.00
Credit:	460.00

Underpriced

Chart

Quote

Matrix

Chain

Spread

Risk

Skew

Groups

Decay

Project

BWLD-BUFFALO WILD WINGS INC-Daily

BWLD



Daily



Open

141.50

High

143.89

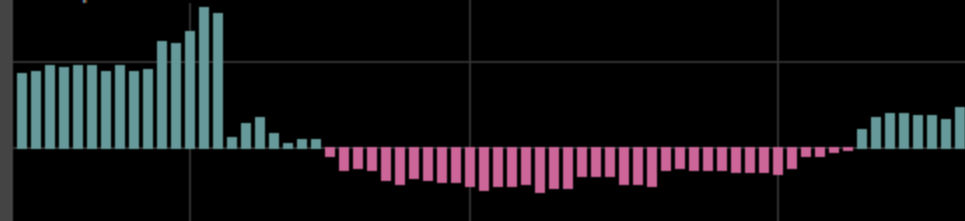
Low

# The Solution: Buy Insurance!



180.00  
175.00  
170.00  
165.00  
160.00  
155.00  
150.00  
145.00  
143.21  
140.00  
135.00  
130.00  
125.00

DT Options Over/Under Priced



Overpriced

25.00

11.84

0.00

Underpriced

Feb

Mar

Apr

May  
2016

Jun

Jul

BWLD-Daily

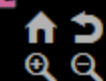




Chart  
Quote  
Matrix  
Chain  
Spread  
Risk  
Skew  
Groups  
Decay  
Project

DT Options Over/Under Priced

Feb  
Mar  
Apr  
May  
Jun  
Jul

Use the original credit of \$460 and purchase an insurance policy on your trade.

Purchase the 160 Call to limit your max loss.



Vector Vest Symbol List

+ BWLD-Daily

[ ] X

File Edit Chart Window Help

Chart

Quote

Matrix

Chain

Spread

Risk

Skew

Groups

Decay

Project

BWLD-BUFFALO WILD WINGS INC-Daily

BWLD



Daily



Open

141.50

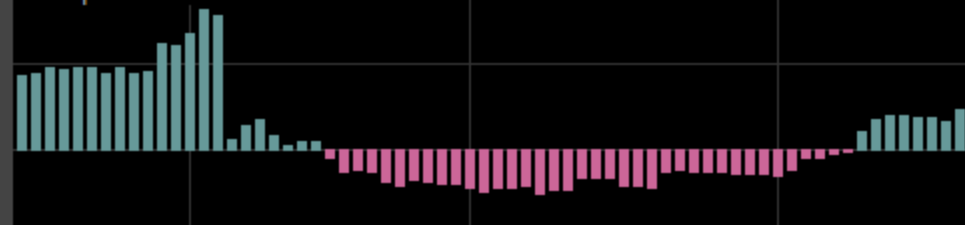
High



You now have a **Bear Call Spread**.  
You sold the 150 Call and purchased  
the 160 Call as protection if the market  
makes a dramatic increase in price.

**Buy 160 Call****Sell 150 Call**

DT Options Over/Under Priced



Overpriced

25.00

11.84

0.00

Underpriced

+ BWLD-Daily

Home

Refresh

Zoom In

Zoom Out

VectorVest Symbol List



***Control the Risk!***



# Control the Risk:

The enemy of any income trader  
is to take losses that far exceed  
the average gain.

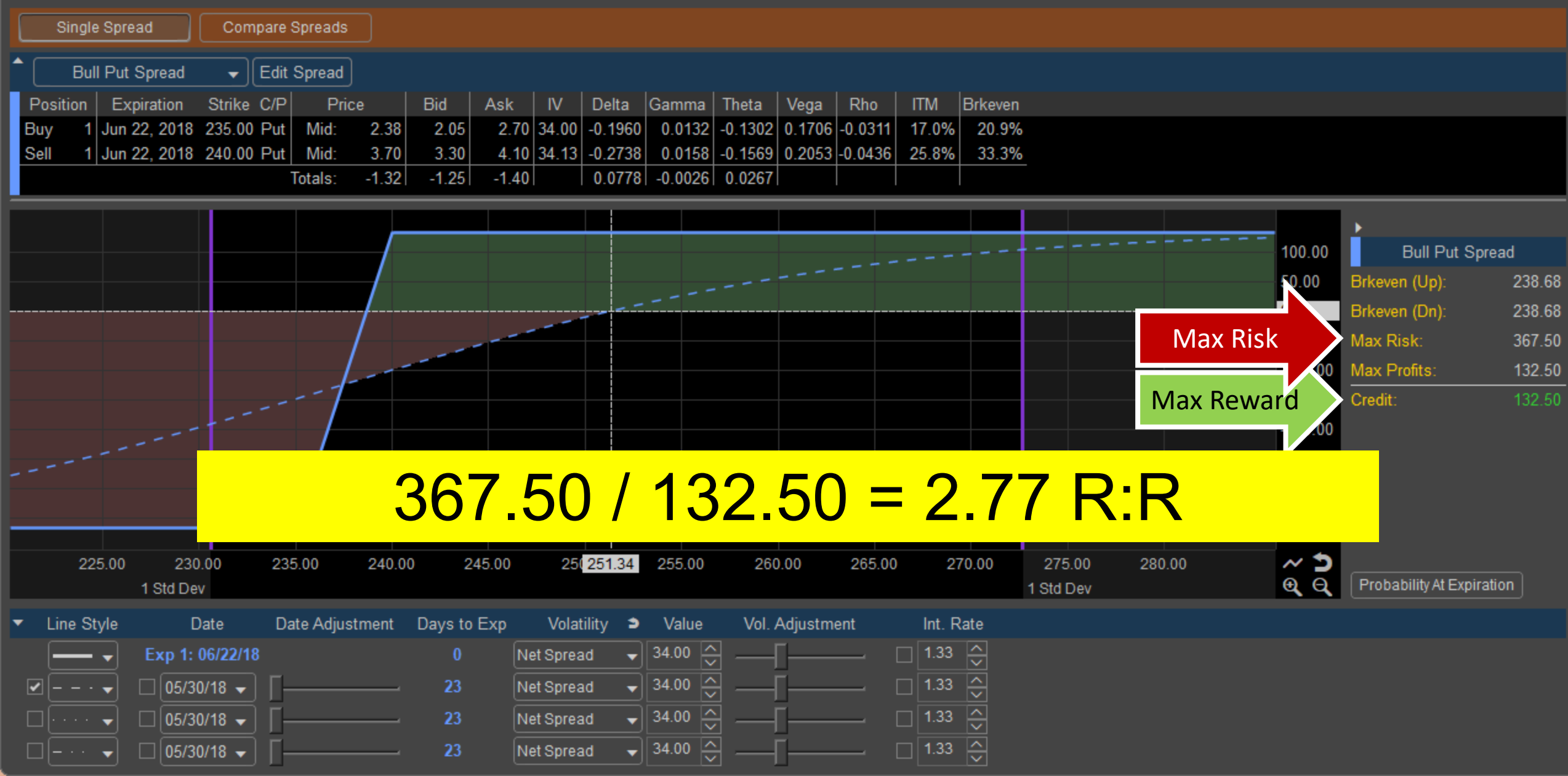


# Calculate the Risk to Reward



Divide the Max Risk 477 / Credit 23 = 20.73  
The Risk to Reward of this trade is almost 21:1.

# Let's check this one.





# Control the Risk:

Target Vertical Spreads that are  
3:1 or better only.



BANK OFFER  
**\$416,000**

***Don't be Greedy! Manage the Trade!***

*2 Techniques*  
to  
*Manage Your Credit*  
*Spreads*



# *Technique #1*

**Take Profits At 50%  
of Credit Received**



# *Technique #1*

**Example:**

*You sell a spread & receive \$550.  
You close trade when profits hit \$275.*



# *Technique #1*

**Example:**

*You sell a spread for \$0.55.*

*You close the trade when the  
spread drops to \$0.27.*





# **Technique #1**

**Example:**

***Let's take a look at this in action.***



Chart

TSN-TYSON FOODS INC-Daily

Quote

TSN



Daily

Matrix

Chain

Spread

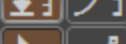
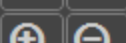
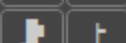
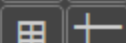
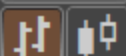
Risk

Skew

Groups

Decay

Project



DT Options Over/Under Priced



Feb

Mar

Apr

May

Jun

Jul

2016

+ TSN-Daily



# 4/25 - TSN

## Bull Put Spread

AMZN

NKE

AYI

INGR

GOOGL

ORLY

SBUX

ATVI

HD

MITK

ULTA

ADBE

BECN

EFX

EDU

GPN

ACN

Send To

Overpriced

6.39

0.00

Underpriced

Chart

TSN-TYSON FOODS INC-Daily

Quote

TSN



Daily

Matrix

Chain

Spread

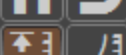
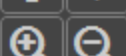
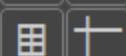
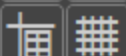
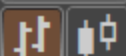
Risk

Skew

Groups

Decay

Project



62.00

60.00

DT Options Over/Under Priced



Feb

Mar

Apr

May

Jun

Jul

2016

TSN-Daily

# 4/25 - TSN Bull Put Spread

Puts					
Strike	Last	Bid	Ask	Prob ITM	Prob Brkeven
/ 20 (26 days to expiration)					
59.50	0.75	0.80	0.90	8.4%	4.9%
60.00	0.90	0.90	1.00	11.0%	6.4%
60.50	0.00	1.00	1.10	14.3%	8.1%
...					
61.50	0.00	1.30	1.40	22.3%	12.0%
62.00	0.00	1.45	1.55	27.1%	14.3%
62.50	1.60	1.65	1.70	32.3%	16.6%

Using Midpoint:  
 $1.50 - 0.95 = 0.55$   
credit received

65.00 AMZN  
62.50 NKE  
62.50 AYI  
60.00 INGR  
60.00 GOOGL  
57.50 ORLY  
57.50 SBUX  
55.00 ATVI  
55.00 HD  
52.50 MITK  
52.50 ULTA  
52.50 ADBE

6.39  
0.00

Underpriced



- Chart
- Quote
- Matrix
- Chain
- Spread
- Risk
- Skew
- Groups
- Decay
- Project

TSN-TYSON FOODS INC-Daily

TSN Daily

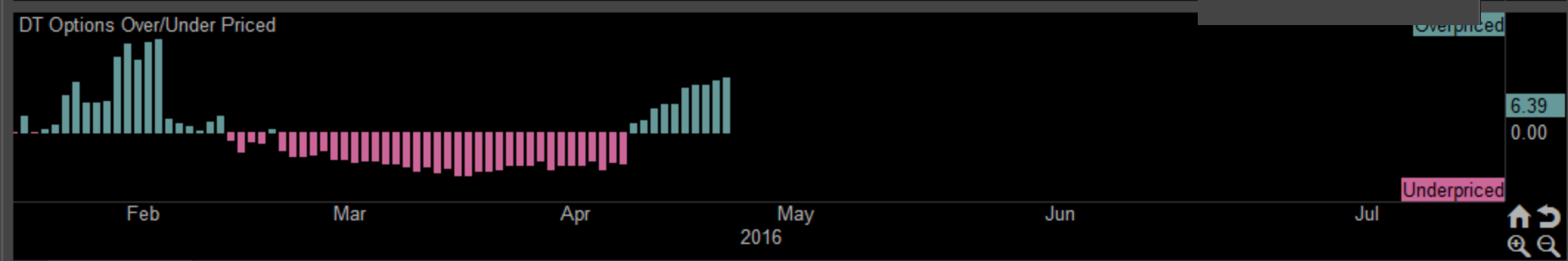


Since the credit on 10 contracts is \$550, look for profits at \$275.  
50% of credit received

# 4/25 - TSN

## Bull Put Spread

Bull Put Spread	
Brkeven (Up):	61.45
Brkeven (Dn):	61.45
Max Risk:	1450.00
Max Profits:	550.00
Credit:	550.00



- AMZN
  - NKE
  - AYI
  - INGR
  - GOOGL
  - ORLY
  - SBUX
  - ATVI
  - HD
  - MITK
  - ULTA
  - ADBE
  - BECN
  - EFX
  - EDU
  - GPN
  - ACN
- Send To

File Edit Chart Window Help

Chart

TSN-TYSON FOODS INC-Daily

Group ▾

Float □

-

□

×

Quote

TSN ▾



Daily ▾

Matrix

Chain

Spread

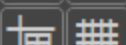
Risk

Skew

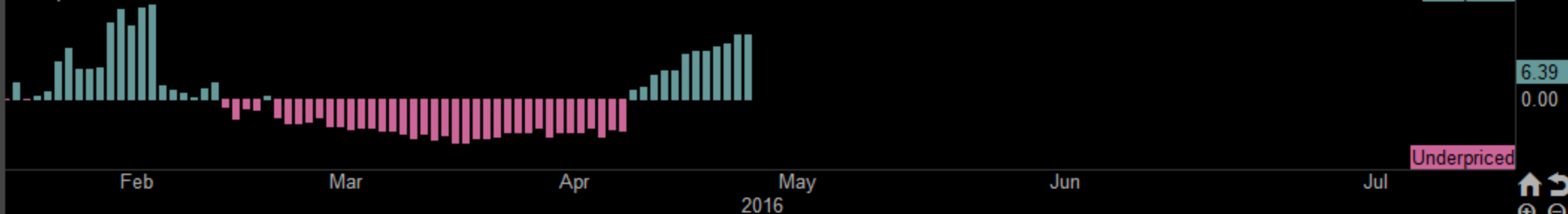
Groups

Decay

Project



DT Options Over/Under Priced



+ TSN-Daily

◀ ▶ ⌂ 🔍

Symbol List

Group

HRL  
TSN  
PSA  
HA  
AMZN  
NKE  
AYI  
INGR  
GOOGL  
ORLY  
SBUX  
ATVI  
HD  
MITK  
ULTA  
ADBE  
BECN  
EFX  
EDU  
GPN  
ACN

Send To ▾



**When a credit spread  
goes against you...**





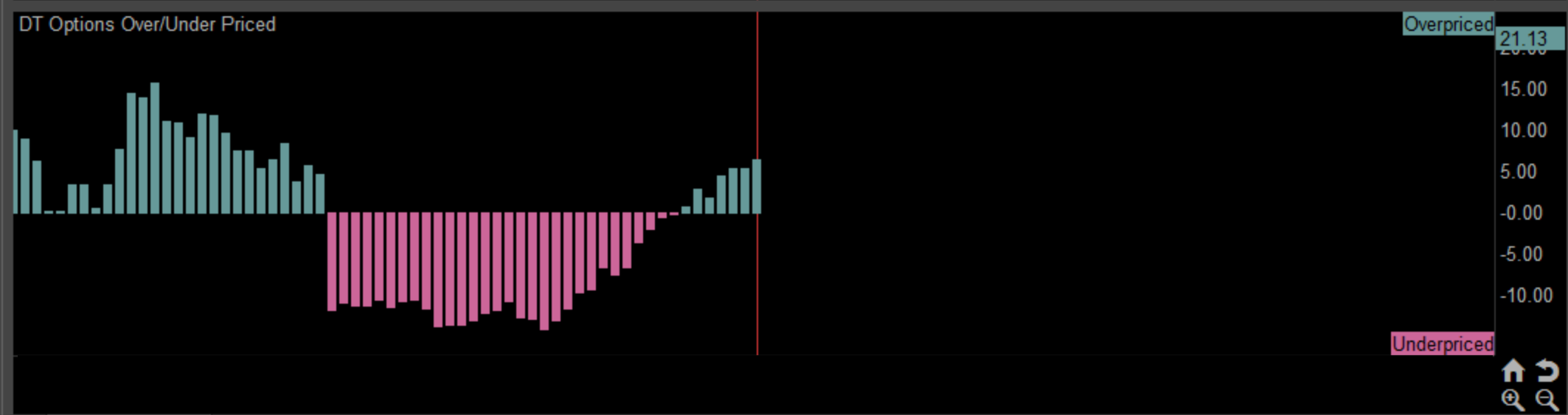
# *Technique #2*

**Always exit the trade  
at the short strike**



- Chart
- Quote
- Matrix
- Chain
- Spread
- Risk
- Skew
- Groups
- Decay
- Project

- [Zoom In]
- [Zoom Out]
- [Home]
- [Previous]
- [Next]
- [Full Screen]
- [Reset]
- [Mouse]
- [Pen]
- [Eraser]

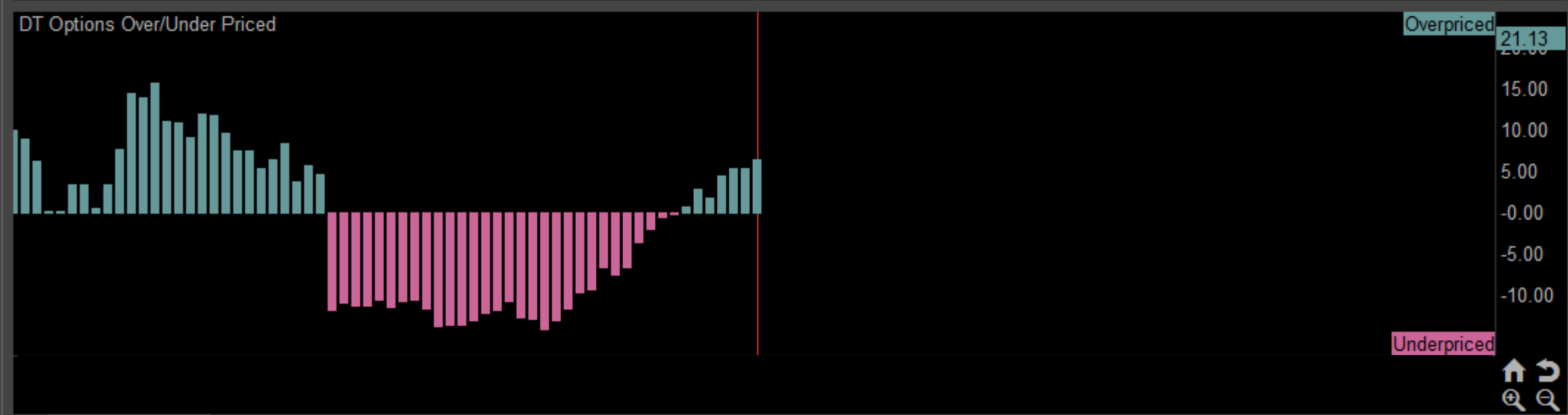


- Chart
- Quote
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- Groups
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- Project

- [Zoom In]
- [Zoom Out]
- [Home]
- [Previous]
- [Next]
- [Full Screen]
- [Reset]
- [Mouse]
- [Pen]
- [Eraser]



155.00
150.00
145.00
142.03
140.00
135.00
130.00
125.00
120.00
115.00



Overpriced
21.13
20.00
15.00
10.00
5.00
-0.00
-5.00
-10.00

Underpriced

# **Technique #2**

**Example:**

***Let's take a look at this in action.***



Chart

AVGO-Daily

Quote

AVGO



Daily

Matrix

Chain

Spread

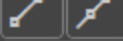
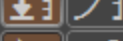
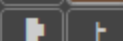
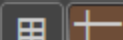
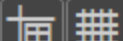
Risk

Skew

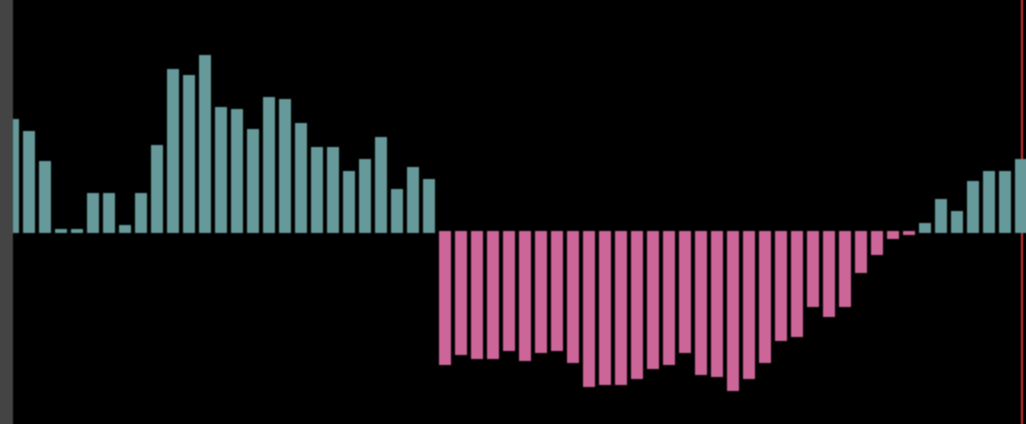
Groups

Decay

Project



DT Options Over/Under Priced



Feb

Mar

Apr

04/26/16  
2016

May

Jun

Jul

+ AVGO-Daily



# 4/26 - AVGO

## Bull Put Spread

150.00  
145.00  
142.03  
140.00  
135.00  
130.00  
125.00  
120.00  
115.00

Overpriced

21.13

Underpriced

TSS  
NUAN  
CTXS  
TREE  
HLF  
CDNS  
ELLI  
DY  
CALM  
DAL  
OZRK  
FDX  
TMO  
AVGO  
SYK  
AMSG  
LUV

Send To

Chart

AVGO-Daily

Quote

AVGO



Daily

Matrix

Chain

Spread

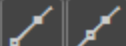
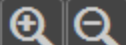
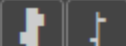
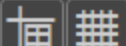
Risk

Skew

Groups

Decay

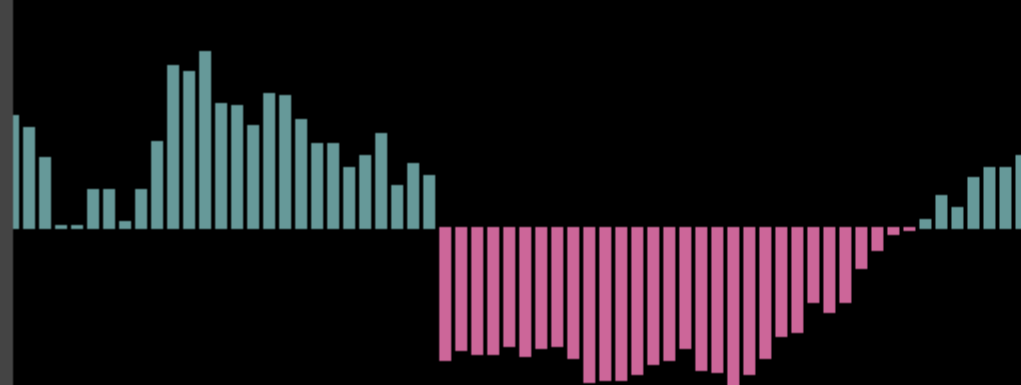
Project



145.00

140.00

DT Options Over/Under Priced

04/26/16  
2016

Puts					
Strike	Last	Bid	Ask	Prob ITM	Prob Brkeven
May 20 (25 days to expiration)					
139.00	0.65	1.15	1.30	15.1%	10.6%
140.00	1.50	1.40	1.50	15.3%	12.1%
141.00	1.65	1.60	1.75	17.8%	13.8%
...					
144.00	1.95	2.30	2.50	26.4%	19.4%
145.00	2.65	2.60	2.80	29.6%	21.3%
146.00	2.65	2.75	2.95	33.0%	23.8%

Overpriced

21.13

Underpriced

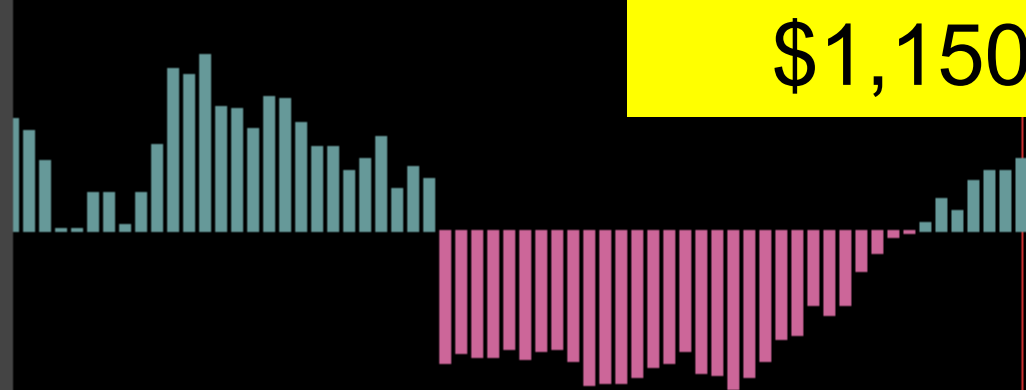
AVGO-Daily

TSS  
NUAN  
CTXS  
TREE  
HLF  
CDNS  
ELLI  
DY  
CALM  
DAL  
OZRK  
FDX  
TMO  
AVGO  
SYK  
AMSG  
LUV

Send To



DT Options Over/Under Priced



Feb

Mar

Apr

04/26/16  
2016

May

Jun

Jul

AVGO-Daily

# 4/26 - AVGO Bull Put Spread

Target is \$575,  
which is half of the  
\$1,150 credit.

## Bull Put Spread

Brkeven (Up):	143.85
Brkeven (Dn):	143.85
Max Risk:	3850.00
Max Profits:	1150.00
Credit:	1150.00

145.00

140.00

Overpriced

21.13

Underpriced

AVGO

TSS

NUAN

CTXS

TREE

HLF

CDNS

ELLI

DY

CALM

DAL

OZRK

FDX

TMO

AVGO

SYK

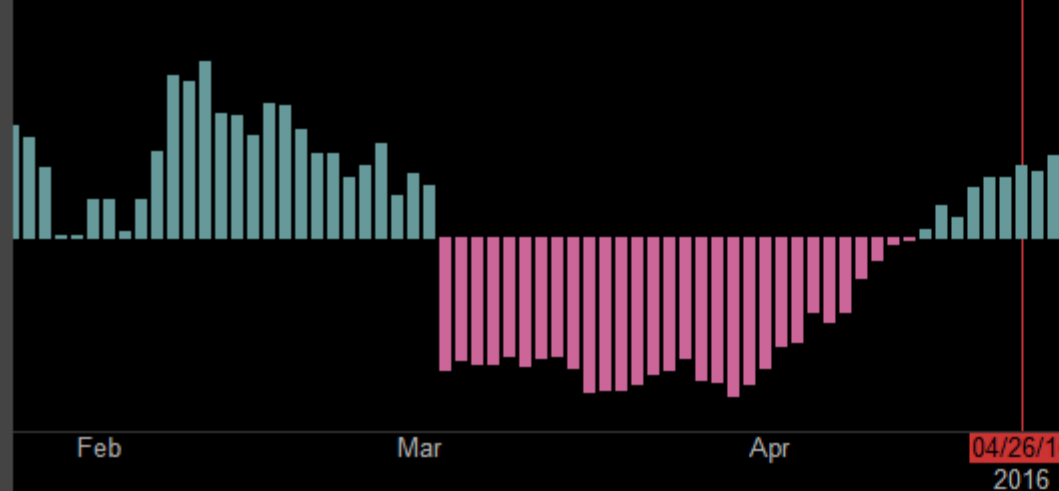
AMSG

LUV





DT Options Over/Under Priced



Feb

Mar

Apr

04/26/16  
2016

May

Jun

Jul

+ AVGO-Daily

&lt; &gt; C

# 4/26 - AVGO

## Bull Put Spread

On 4/29 AVGO  
drops to the short  
strike of 145.00

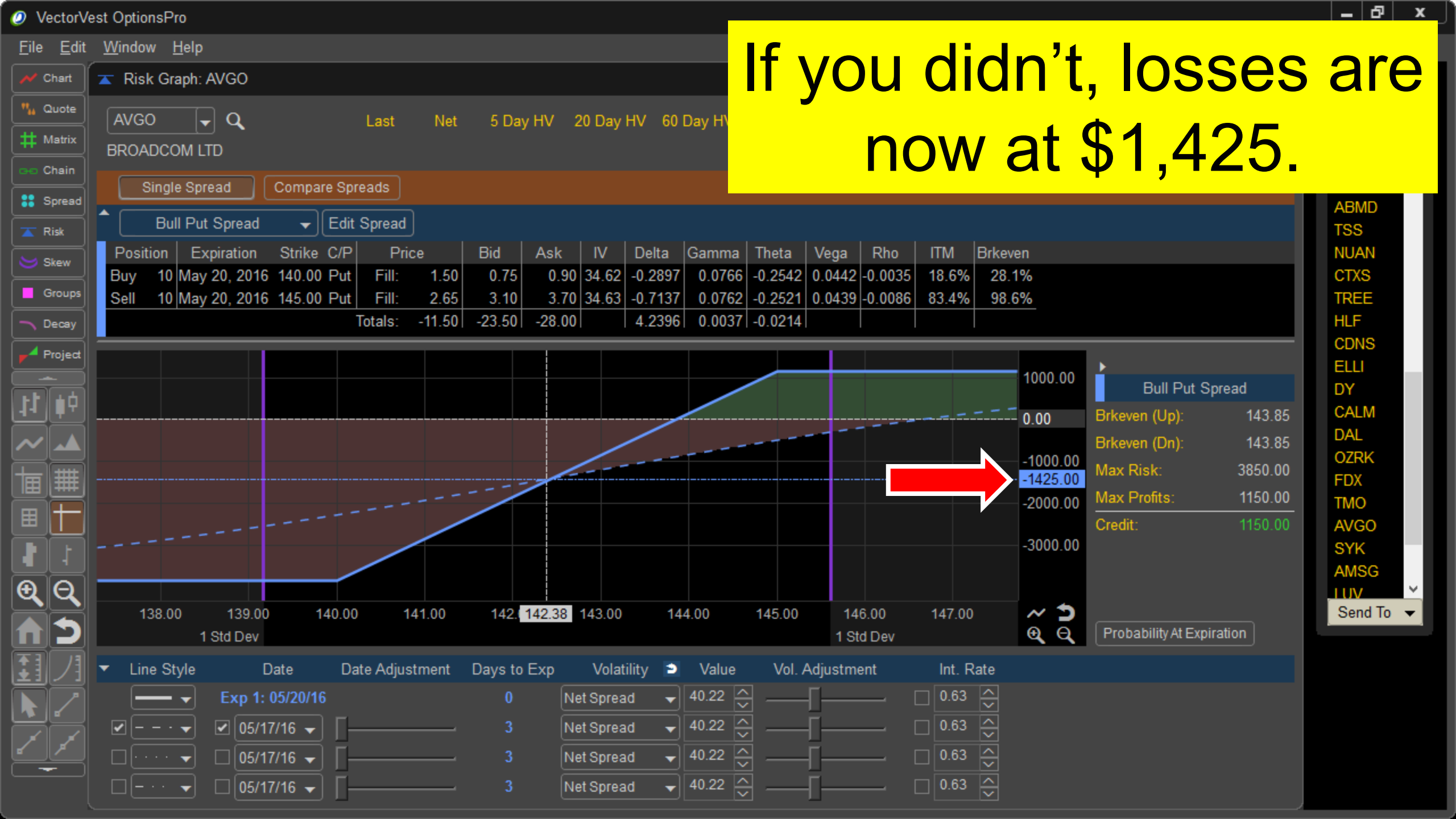
150.00  
145.00  
142.03  
140.00  
135.00  
130.00  
125.00  
120.00  
115.00  
21.13  
20.00  
15.00  
10.00  
5.00  
-0.00  
-5.00  
-10.00

AVGO  
TSS  
NUAN  
CTXS  
TREE  
HLF  
CDNS  
ELLI  
DY  
CALM  
DAL  
OZRK  
FDX  
TMO  
AVGO  
SYK  
AMSG  
LUV

Send To

Underpriced





If you didn't, losses are now at \$1,425.

**Following these simple guidelines  
will keep you from ever needing to  
worry about stock assignment.**



# *The Options Paycheck*

Module 1	Module 2	Module 3	Module 4	Module 5	Module 6	Module 7
<b>Option Foundation Builder</b>	<b>Getting Paid System - 1</b>	<b>Getting Paid System - 2</b>	<b>Trade Selection Roadmap</b>	<b>Trade Set-Up Maximizer</b>	<b>Trade Management Game Plan</b>	<b>Trade Execution Planner</b>
Map out your system...	Profit from Rising or Falling Markets	Profit from Sideways & Neutral Markets	Find Trades Quickly...	Set Yourself Up For Success	Be Prepared...	Get Ready For Income...
<input checked="" type="checkbox"/> 5-Phase Income System <input checked="" type="checkbox"/> Learn calls & puts <input checked="" type="checkbox"/> Filter out the noise	<input checked="" type="checkbox"/> Spread building <input checked="" type="checkbox"/> Core set-up principles <input checked="" type="checkbox"/> When to take profits	<input checked="" type="checkbox"/> Identify neutral markets <input checked="" type="checkbox"/> Core set-up principles <input checked="" type="checkbox"/> Trade repair building block	<input checked="" type="checkbox"/> Find the best stocks <input checked="" type="checkbox"/> Match trade to market <input checked="" type="checkbox"/> Trading indexes	<input checked="" type="checkbox"/> High probability trading <input checked="" type="checkbox"/> Get paid top dollar <input checked="" type="checkbox"/> Easily search for the best option trades	<input checked="" type="checkbox"/> Your preparedness checklist <input checked="" type="checkbox"/> Repair techniques <input checked="" type="checkbox"/> Turn losers into winners	<input checked="" type="checkbox"/> How to enter trades <input checked="" type="checkbox"/> Get the most premium <input checked="" type="checkbox"/> How to exit trades

***Call 1-888-658-7638***