**Lynn’s Trading Plan**

(Revised February, 2012)

**Primary Guiding Principles**

I will sell Covered Call and Cash Secured Put options because I can achieve an above average return on a consistent basis, with better control of risk, under most market conditions. I can put the stocks in my portfolios to work for me in any market condition.

I will only sell options on qualified stocks and ETFs, as defined by my criteria;

I will adequately diversify whenever possible;

I will set up a tax-deferred account specifically for options, in order to minimize taxes and paperwork;

However, I will sell options in my taxable account if I can achieve a respectable return;

I will be of the mindset to cut my losses short and let my profits run; (Need to better define)

I will sell short term options because I want as little time as possible to be wrong. (Keep?)

I will never trade against the market as no one stock is ever more powerful. (Need to define)

**Criteria for Underlying Stocks and ETFs**

I will seek to find and follow fundamental and technical measures that will have the greatest impact on my decisions. And while I wish to remain flexible, I will commit to completing my due diligence on the underlying security before I make a purchase. I will look for: (Work in progress on stock profile)

* Sound fundamentals
* Positive technicals
* Reasonable point of entry
* No negative news
* Earnings reports and ex-dividend dates
* Pending corporate announcements

**Trading Journal**

I will create and maintain a trading journal and profile template for each trade and store them in a 3-ring binder. This way, I can follow metrics in a uniform manner, and I can add pages to specific stocks, as necessary. These metrics will be used down the road for analyzing my trades, and to better develop my discipline.

**Watch List**

I will accumulate and maintain a watch list that includes an accumulation of stocks that I would like to own. These securities will meet my quality criteria and be used to replace current holdings, as needed. The list will be updated at least monthly, or on an individual basis if considered for a trade.

**Selling Options**

When choosing my trades, I will:

* Not initiate a trade on a down market day; (Define)
* Avoid cheap stocks or those that are thinly traded; (Define)
* Be responsible for making my own decisions;
* Look for options that produce a worthwhile return (a goal of 2%+ on short trades);
* Seek options with premiums of $.50 or higher;
* Know my entry, exit and break even points (upside potential; downside protection);
* Know where I will take my profits;
* Know where I will activate my stop loss;
* Check real time quotes at the time of execution to ensure the stock is not declining.
* If I can’t find an appropriate trade, I’ll stay out of the market.
* If I’m not reasonably sure of success, I won’t place the trade in the first place.
* And, I will remind myself that *loss of opportunity* is preferable to *loss of capital*;

When making my trades, I will:

* Only make as many trades as I can reasonably follow;
* Place limit orders for the "day only" at a premium that will reasonably ensure execution;
* If I am selling multiple contracts, I will use the “All or None” option;
* Set mental stops at odd amounts;
* Promise to obey my stops;

Once executed, I will:

* Update my portfolio log, profile, and journal;
* Monitor my positions *daily*(?) and be ready to exit my positions; (monitor for what?)
* Use Email Alerts to alert me of news and trading information (SeekingAlpha is best)

**Exit Strategies:**

An exit strategy involves buying back an option in order to prevent a loss;

1. In most cases, if a stock price rises significantly, I will let the option get called away;
2. I will close a position, at any price, if the underlying stock price declines by 10%, in order to sell the stock to preserve capital; *(All big losses start as small losses.)*
3. I will close a position if the options calculator shows the cost to close the position would benefit my portfolio. Choices are:
	1. Rolling out – replace one call with another;
	2. No Action – buy back the option and sit on the stock until it comes back;
	3. Convert Dead Money to Cash – buy it back and sell the stock *(cut my losses).*

**Expiration Weekend**

In the few days after expiration, I will:

* Finalize my options portfolio log, profile and journal;
* Re-evaluate all holdings – Are there any fundamental or technical red flags?
* Check for news, earnings and ex-dividend announcements;
* Update and inspect my watch List.
* I will practice patience and watch the market, giving it time to shake out before selling new options. (Terranova said never sell upon open; Thursdays and Fridays are best. Also good to sell 30 minutes before close so there are no surprises before the session ends)

 [End]