

Options Trading Strategy

Safe Investing (protect your profit)

Always allocating a **predetermined and fixed amount (principal) of your trading capital to options trading is a key strategy** to protect your profits. There is no trading system in the world that can guarantee a 100% success rate. Sooner or later, you will likely experience a negative trade, i.e., a trade where you lose all the money you invested.

Following a winning options trade, reinvest only the original trade principal, never the principal plus the profit! For instance, if your trade allocation for options is \$1000 and a previous trade provided you with a \$500 profit, we strongly advise against reinvesting the full \$1500 into your next options trade. Rather, we suggest applying only the original \$1000. In this way, should you have a (total) loss due to an option expiring worthless, **you would still have the \$500, your profit from the previous trade.**

Periodically, particularly tempting market situations can arise, which may entice you to commit more of your trading capital to options than originally allocated. A few such situations that might persuade you to abandon discipline are:

- your indicators show an extremely strong market;
- you have just had 5 successful trades in a row and are highly confident that the next one next one will be yet another winner;
- the price of the option you are considering is very low;
- you are considering buying additional contracts for the purpose of averaging down on an already established position.

Don't be tempted to break the rules under these or similar circumstances! **Never exceed the predetermined amount you allocated to options trading.**

Here's one tip to help you succeed: immediately transfer any profits from your options trades to another account, where you will not be tempted to reinvest them into your next trade.