Covered Call Starter Checklist (DRAFT)

Money Options · Educational only, not financial advice. Examples are illustrative. Practice on a paper account first.

Before you start

☐ I own (or have paper-bought) at least 100 shares of the stock, since 1 contract covers 100 shares.

☐ I am willing to sell those shares at the strike I choose.

☐ My outlook on the stock is neutral to mildly bullish for the period.

☐ My account has options approval for covered calls (or I'm using a paper account).

☐ I know my cost basis per share.

Check the calendar

☐ Earnings date: is it inside the expiration window?

☐ Ex-dividend date: early-assignment risk rises when the call's extrinsic value is less than the dividend.

Pick the contract

☐ Expiration: short-dated vs. about monthly. Shorter means faster time decay and more management.

☐ Strike: OTM / ATM / ITM tradeoff between premium, upside, and assignment odds.

☐ Is the strike above my cost basis (or am I OK selling below it)?

☐ The option chain is liquid: tight bid/ask spread and reasonable open interest.

Do the math (fill in your own numbers)

☐ Premium received = ____ × 100 = $____

☐ Breakeven = cost basis − premium = $____

☐ Max profit = (strike − cost basis + premium) × 100 = $____

☐ Static return = premium ÷ stock price = ____%

Place and plan

☐ Sell to open 1 call per 100 shares, using a limit order.

☐ Confirm the fill and position in the account.

☐ Write my plan: when I'd buy back early, roll, or let it expire or be assigned.

☐ Log the trade in my journal.

Know the risks

• You still carry the stock's downside. The premium only cushions it a little.

• Upside is capped at the strike.

• Shares can be called away, including early.

• Rolling can lock in losses or hide a broken thesis.

Full lessons: Module 7 (Covered Calls) and Module 8 (Poor Man's Covered Call).