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January 18, 2022

IUR Capital

Seeking Income for Retirement Accounts with Options

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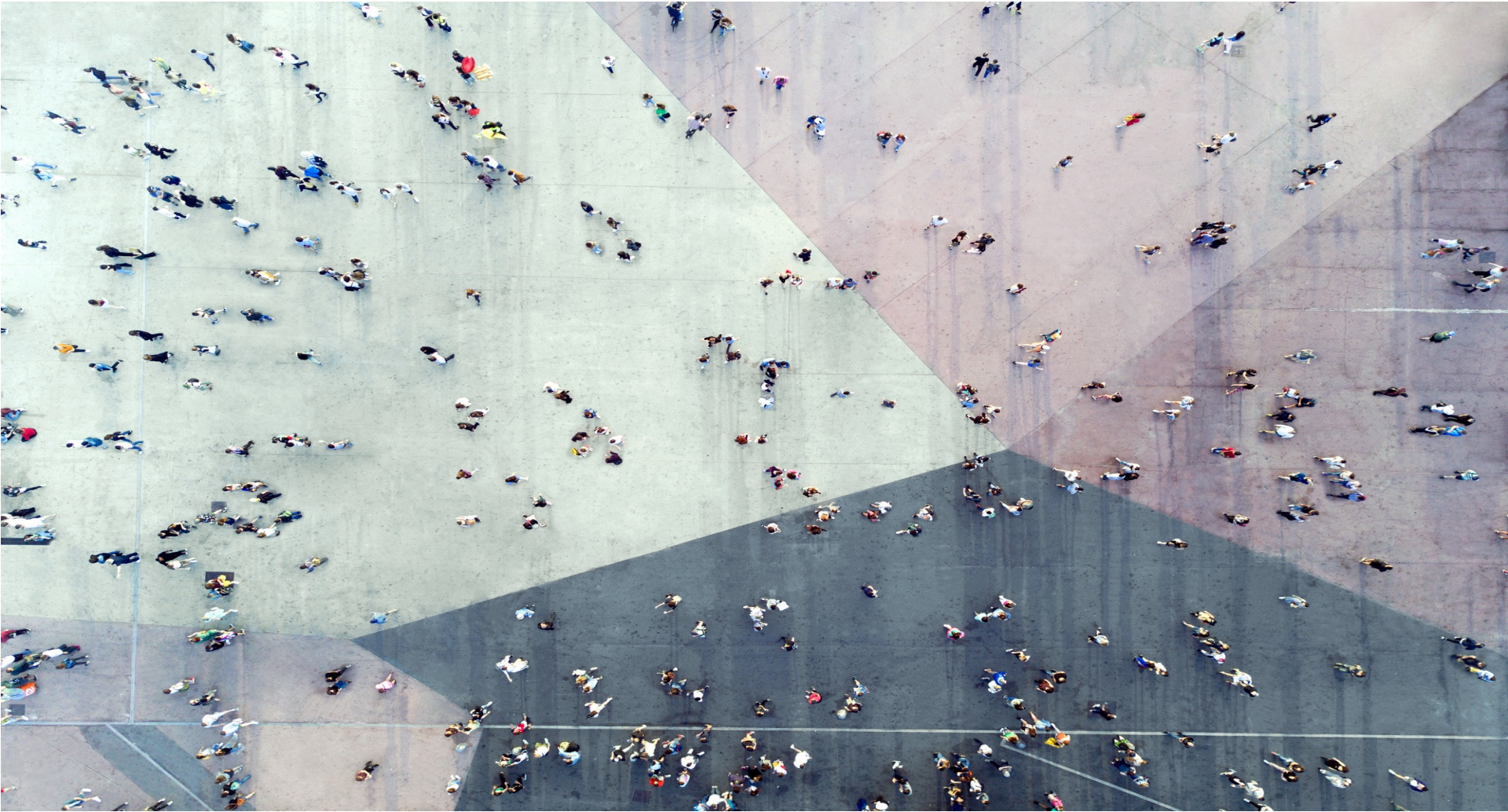
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Seeking Income with Options for Retirement Accounts



January 2022

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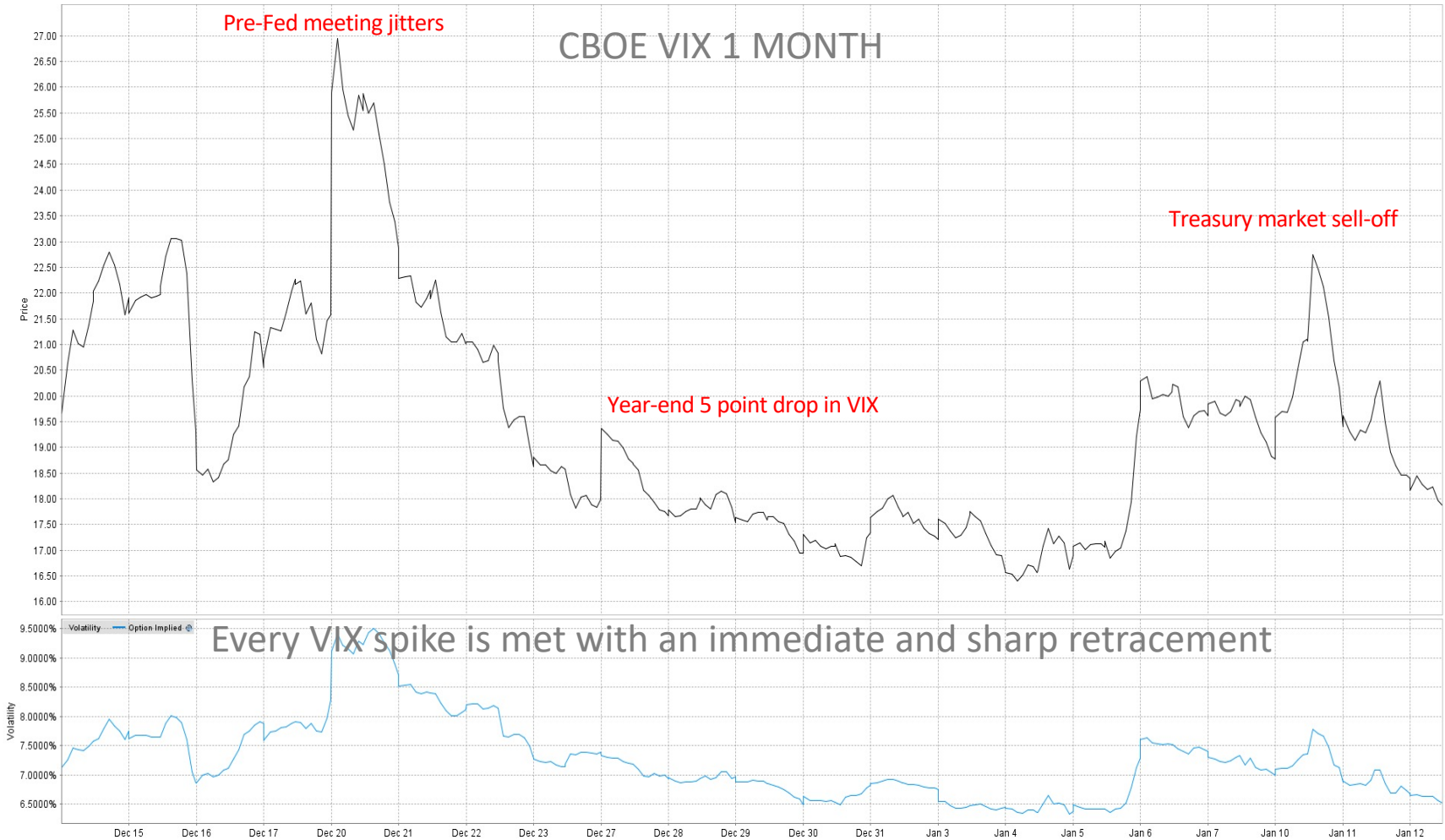
Host Profile (Gareth Ryan)

- Founded IUR Capital Ltd in 2007, IUR Capital LLC in 2010
- IUR Capital is an investment advisor for institutional and retail investors
- Specialising in exchange-traded option strategies

- SPX -1% YTD / Nasdaq -3% YTD
- The beginning of 2022 saw new highs for equity indexes
- Followed by 5 consecutive days of declines for SPX
- Treasury market sell-off put pressure on speculative tech stocks
- Inflation running at it's fastest pace since 1982
- And now we look to 3-4 rate hikes in 2022

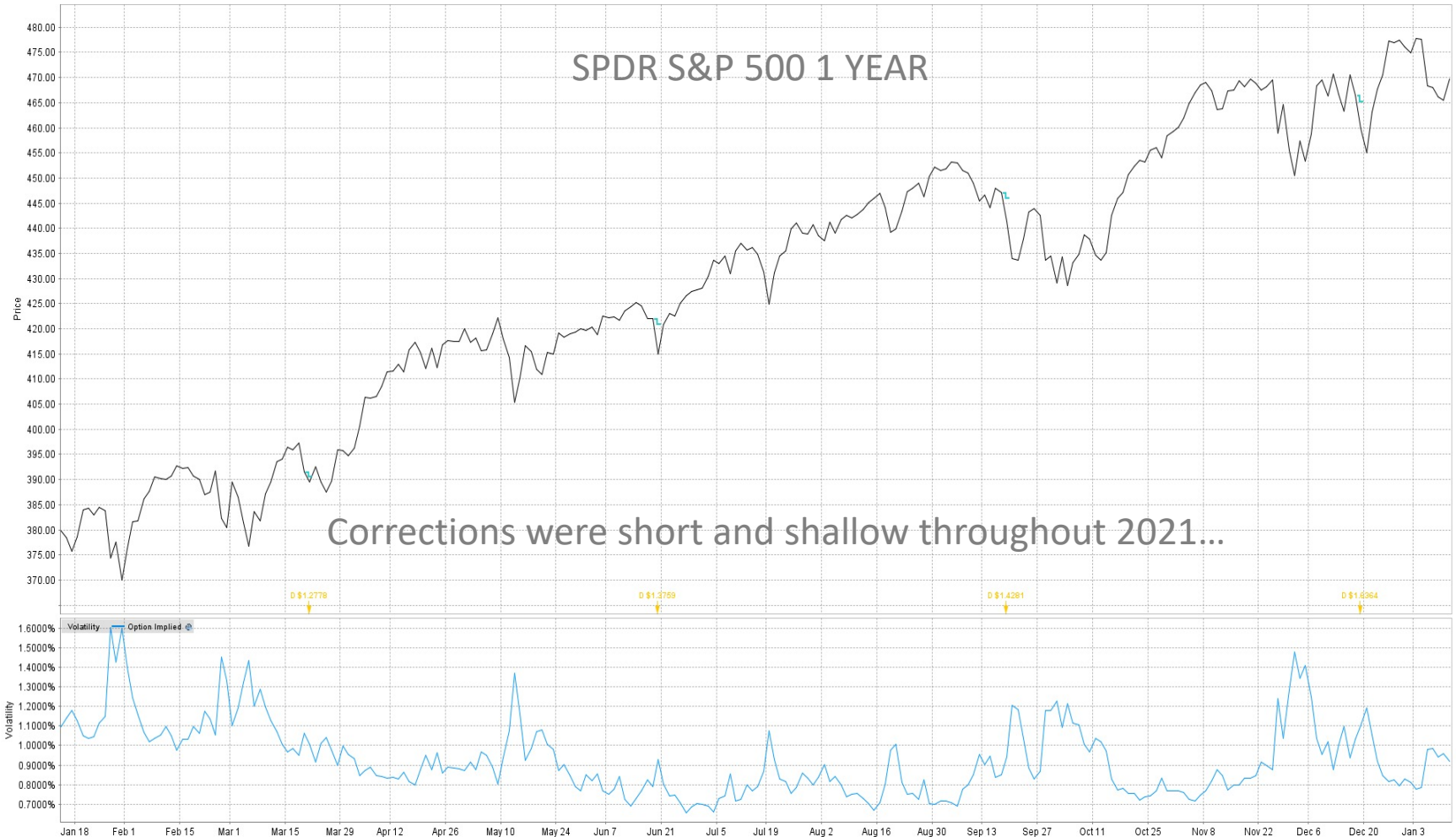
(As of January 12, 2022)

The VIX tells its own story about *implied* market moves...



Source: CBOE

SPDR S&P 500 ETF 27% gain in 2021... 2022 starts on a weaker note

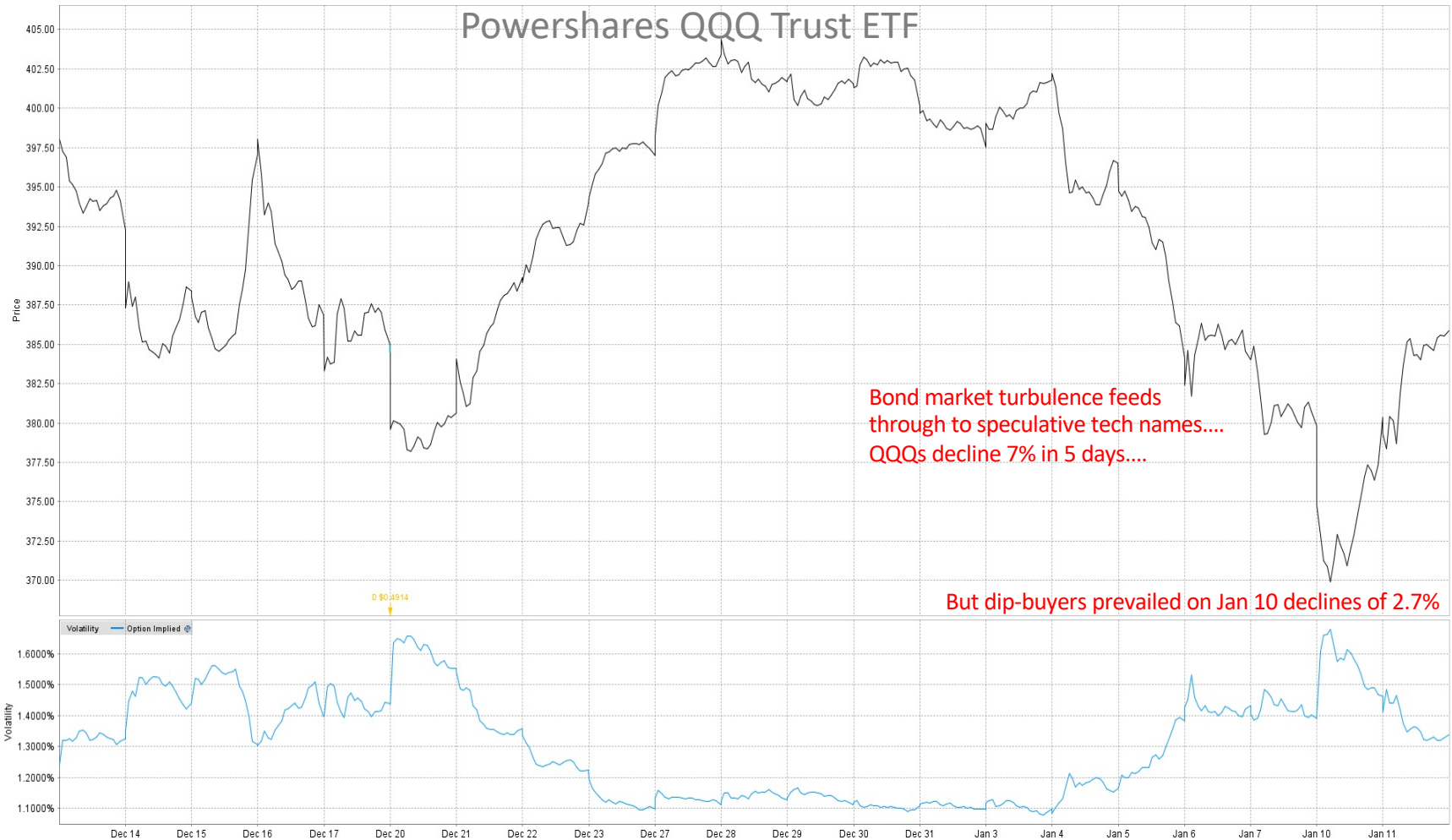


Source: CBOE

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Past performance is not necessarily indicative of future results.

Tech stocks begin 2022 with a bumpy start



Source: CBOE

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Scenario 1: \$5m portfolio

- You are in the 40-60 age range, married with 0 / 1 dependent
- You are looking to supplement income from employment through your current portfolio
- Currently invested in bonds, mutual fund, dividend-paying stocks
- You need to generate consistent income in the portfolio BUT with a focus on capital preservation
- You are willing to allocate 15-20% of the overall portfolio to a conservative options strategy to generate regular premium
- You want to achieve regular premium even if the market remains flat

Scenario 2: \$500k retirement account

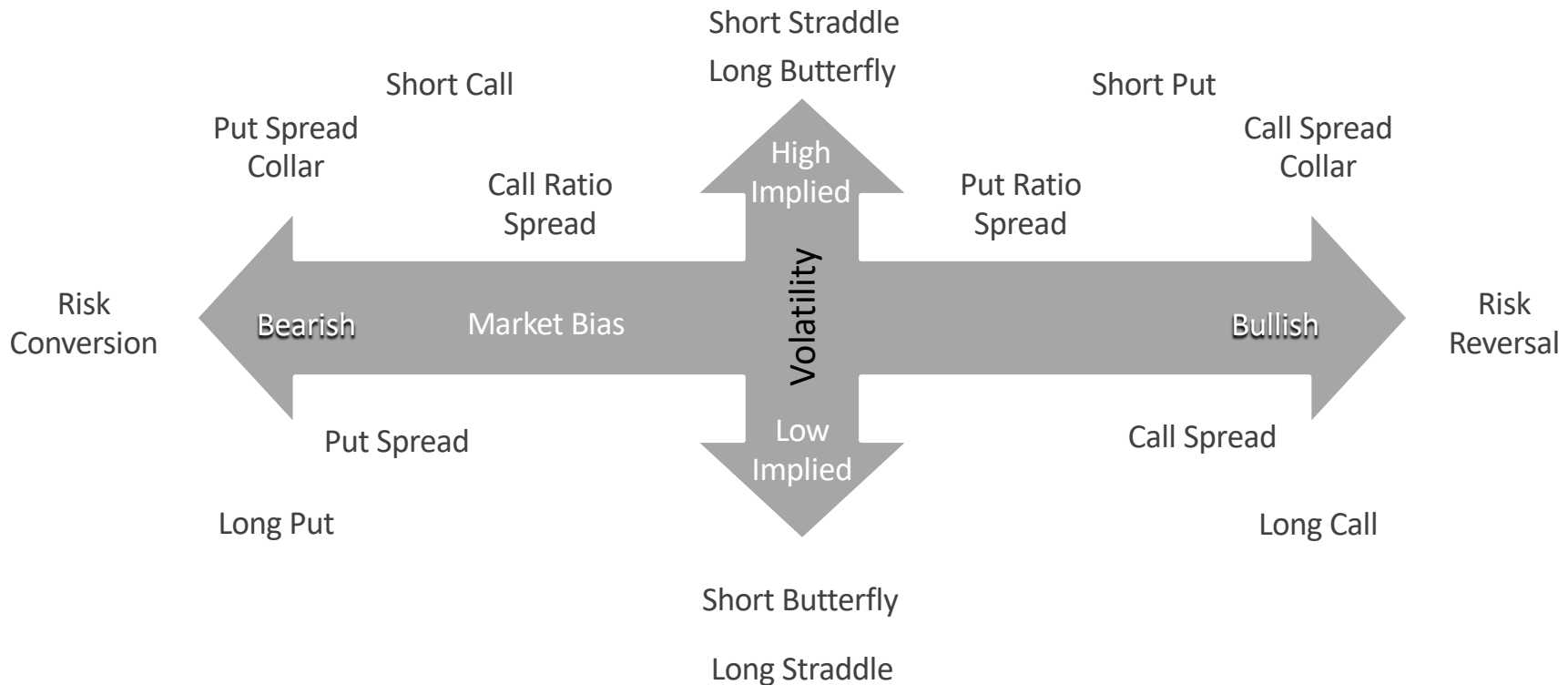
- You are nearing retirement or already retired, with no dependents
- Your income has dropped, but you are wary that you will still have living costs for you and your spouse
- Mostly invested in bonds with a small element of stocks, but your dividend income is not sufficient for regular drawdowns
- Preserving your capital in your retirement accounts is a priority
- But you are willing to look at an income strategy using options that does not require a rising market
- You want to achieve regular premium even if the market remains flat

Questions to ask about option strategies in a retirement account:

- What are the objectives for a retirement account?
- How can option strategies achieve a “*net benefit*”?
- If **seeking income** with options, what risk/return profile is appropriate?
- If taking **directional positioning** with options, what strategies can we use?
- For **hedging** an equity position with options, how can we justify costs?
- Do we have sufficient knowledge of the various strategies available?

Let's revisit our strategy suite...

Strategy Suite Income-seeking / Directional / Directional



Options involve risk and are not suitable for all investors. Multiple leg strategies, including spreads, will incur multiple transaction costs

Income-seeking strategies... an overview

Objective	To generate regular premium to portfolio / generate income	
Setup	Selling of put / call options for premium on underlying security Carries inherent market exposure	
Covered Call	Credit Spread	Iron Condor / Iron Butterfly
When it works:	Moderately trending market Sideways market	
Risks:	Sharp market moves with no hedge Realized volatility is higher than implied volatility	

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Use of index/index ETF products as underlying vehicles

Ticker	Instrument	Style	Settlement
SPY	SPDR S&P 500 ETF	American	Physical
SPX	Credit Spread	European	Cash
IWM	Russell 2000 Index ETF	American	Physical
RUT	Russell 2000 Index	European	Cash
QQQ	Invesco QQQ Trust	European	Physical

*Note that SPY / IWM ETF products have quarterly dividends.

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Using SPY ETF options as a vehicle for income

- Vertical Spreads
- Creates defined-risk, defined-reward scenario
- Buy one option, sell another
- Same underlying
- Same expiration
- Different strike prices
- Established as a credit spread
(premium received on opening transaction)

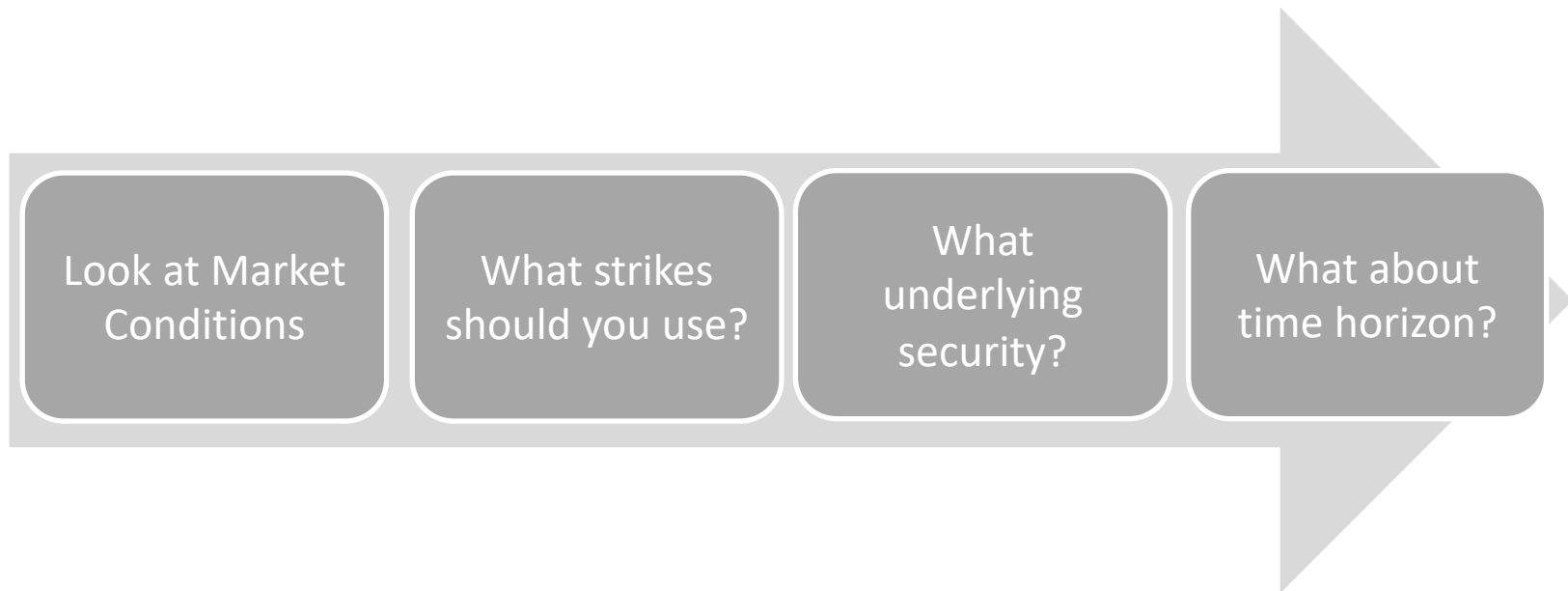
SPDR[®] S&P 500 Credit Spread Strategy

- Seeks to harvest premium on a continuous basis to the portfolio using both put spread and call spread premium on SPY ETF.
- Makes use of short-dated and long-dated options
- Seeks to outperform the underlying benchmark index net of fees.
- Can be used on any equity index or index ETF.

2022 approach for retirement accounts

- Combine weeklies and traditional monthlies to harvest premium
- Weeklies setup could be as short as 14 days
- Use of at least 2 weeklies and the traditional monthly in any given month
- Consider an outright hedge

Making option-based strategies work in a portfolio.....



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Let's talk...

Email me gryan@iurcapital.com to request the slides or to have a chat....