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# IUR Capital

## Income Strategies for Retirement Accounts

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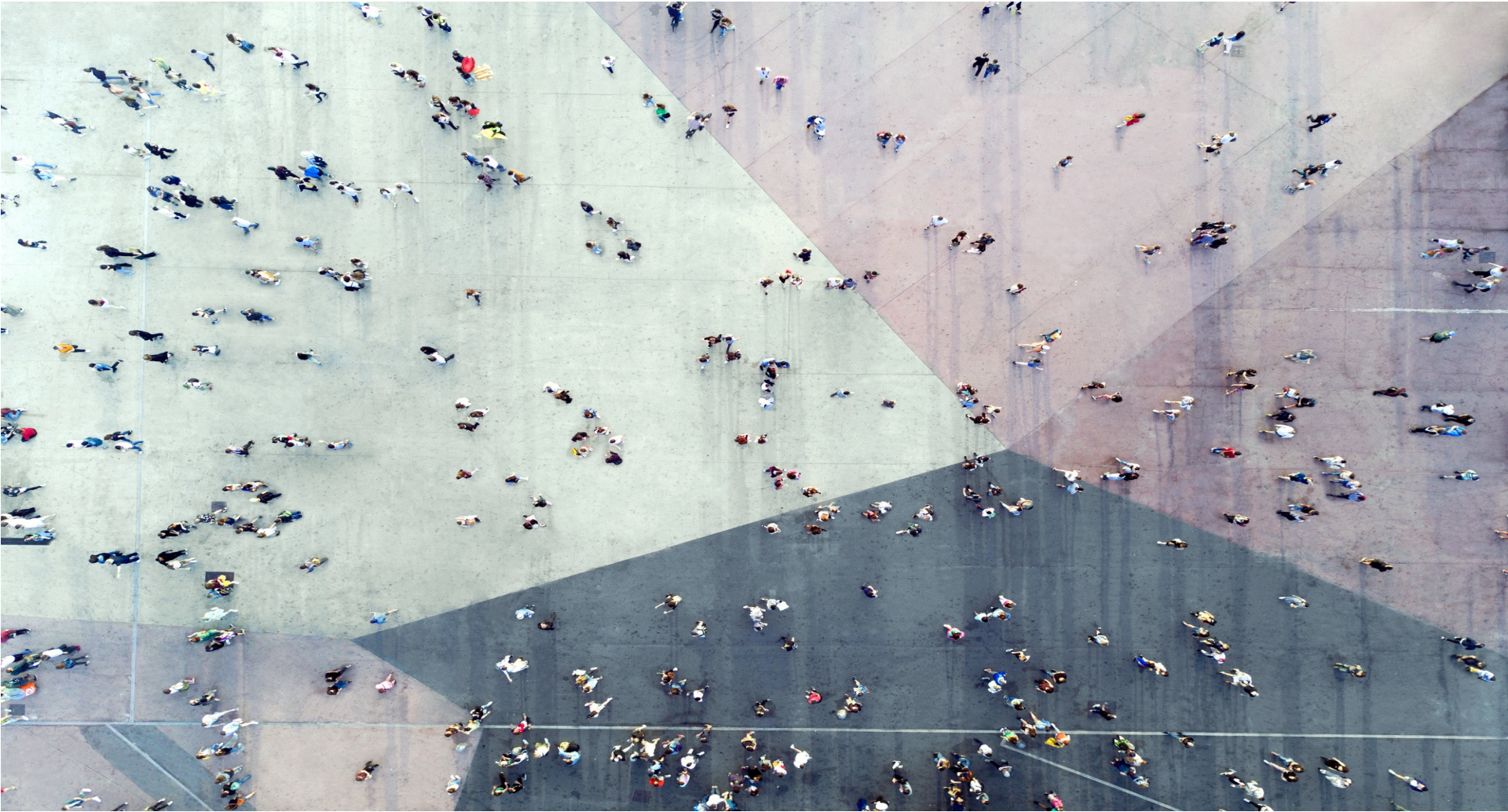
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# Seeking Income with Options for Retirement Accounts



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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
- Focused on exchange-traded option strategies

# How has your 2022 been so far?

- Nasdaq remains in bear market from late April
- More than 25% of Nasdaq components are down >50% YTD
- SPX bounces off bear market in mid-May
- Negative sentiment dominates risk assets since January
- Commodities remain in a “super-cycle” / Inflation at 40-year high
- Every Fed meeting this summer is a cross-asset market-moving event

*(As of May 27, 2022)*

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

CBOE VIX YTD



Source: CBOE

# SPDR S&P 500 ETF -14% YTD... but off the bear market lows

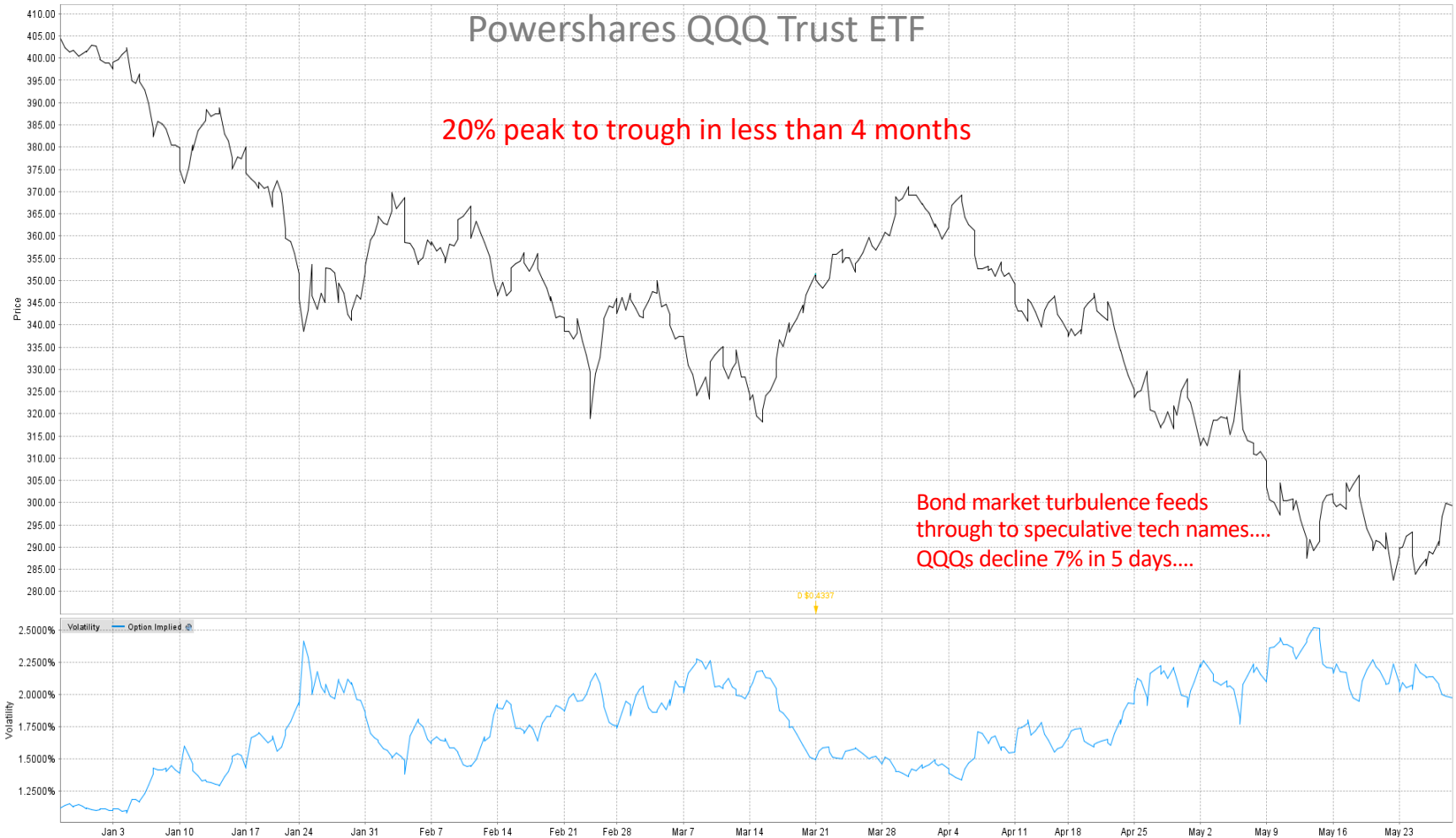


Source: CBOE

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# QQQ still in bear market.... Growth names hit the hardest



Source: CBOE

# Question of the day....

## **Will the S&P 500 retest bear market in 2022?**

**(First test of bear market on May 20)**

Answers please in the Q&A Panel

Correction territory = 10%  
decline from recent high

Bear market territory = 20%  
decline from recent high

# Scenario: \$500k retirement account

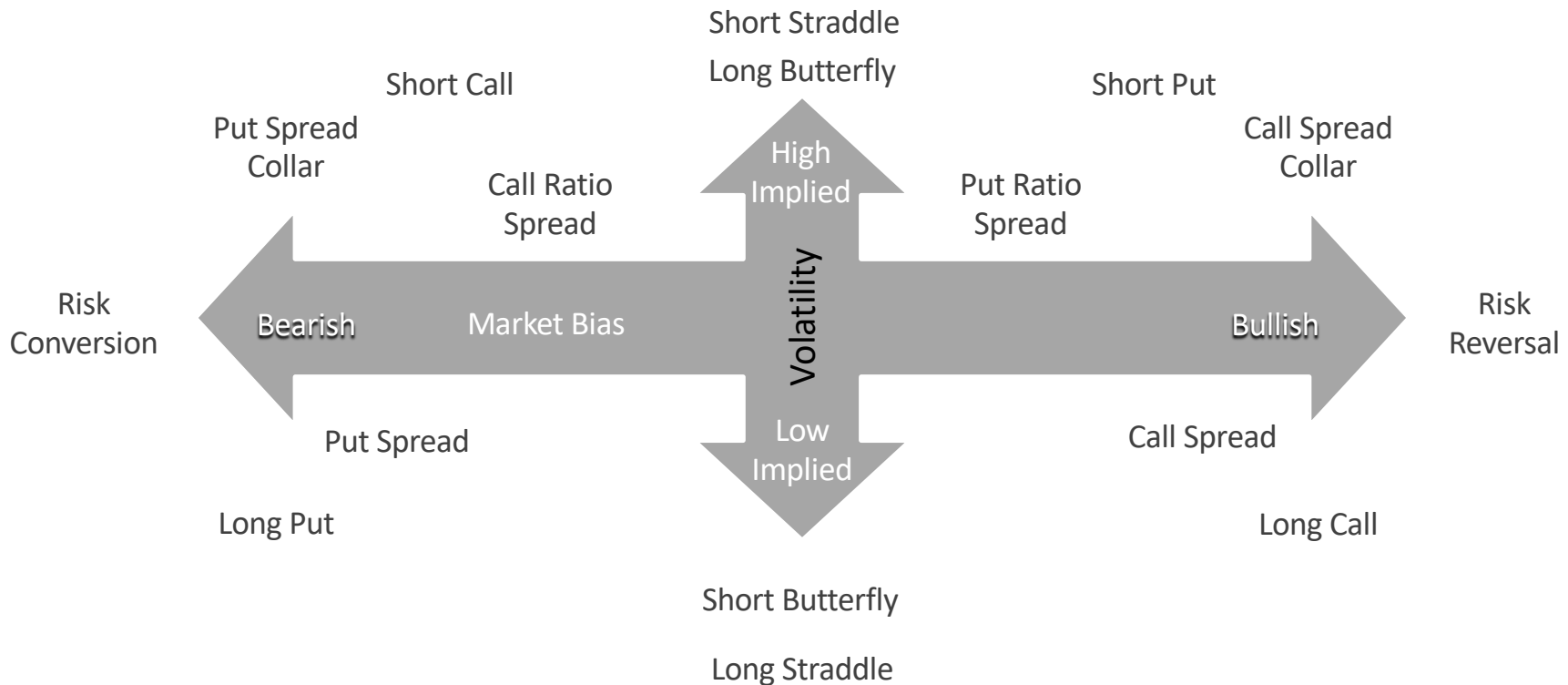
- You are nearing retirement or already retired, with no dependents
- Your income has dropped, but you are wary that you will still have living costs for you and your spouse
- Mostly invested in bonds with a small element of stocks, but your dividend income is not sufficient for regular drawdowns
- Preserving 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 / Hedging



*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 index 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)

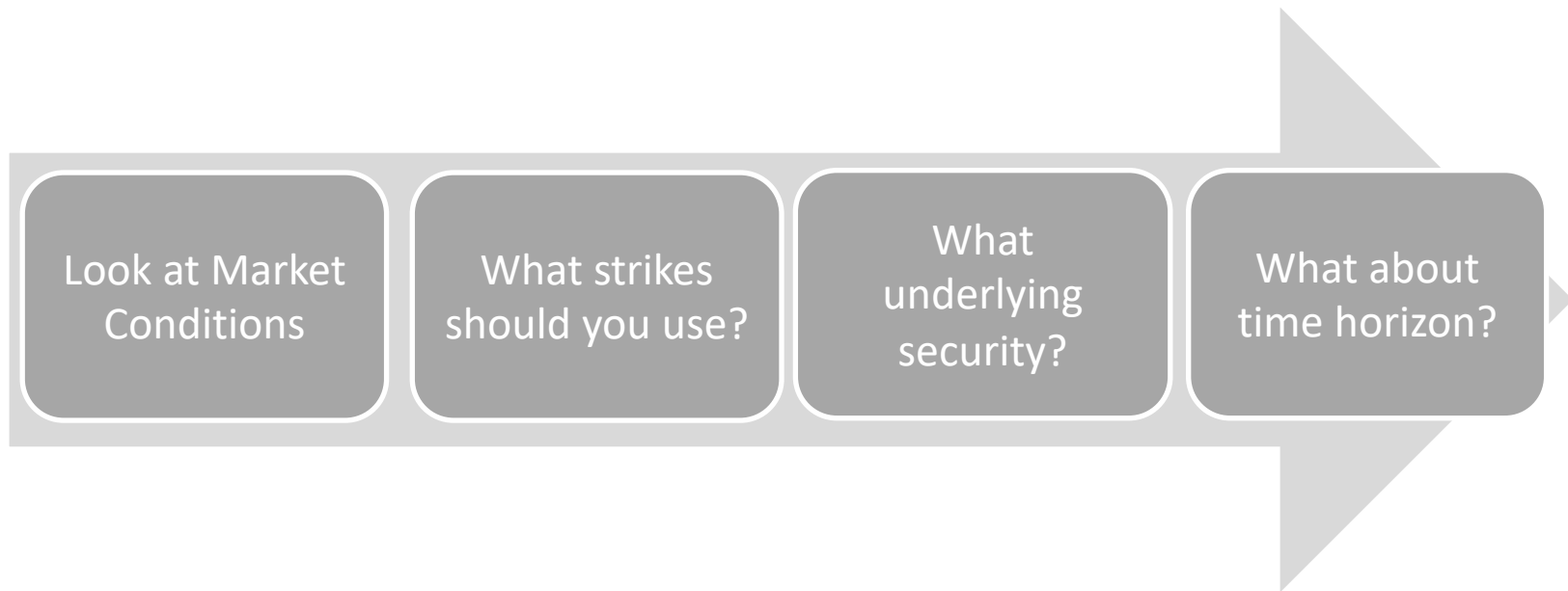
- Seeks to harvest premium on a continuous basis to the portfolio using both put spread and call spread premium on SPY ETF.
- Makes use of short-dated and long-dated options
- Seeks to outperform the underlying index ETF.
- Can be used on any equity index or index ETF.

# 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

- Both maximum gain and maximum loss are defined
- Best case scenario is both legs of the credit spread expire OTM at zero
- Worst case scenario is for SPY to fall below the lower strike at expiry (put credit spread) or above the higher strike (call credit spread)
- Adjustment points determined at the outset to avoid assignment
- Credit Spread Strategy can also be hedged to reduce directional exposure
- **This requires active management of the position...particularly in market corrections**

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



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# Let's talk...

Email me [gryan@iurcapital.com](mailto:gryan@iurcapital.com) to request the slides or to have a chat....