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IUR Capital

Seeking Income for Retirement Accounts

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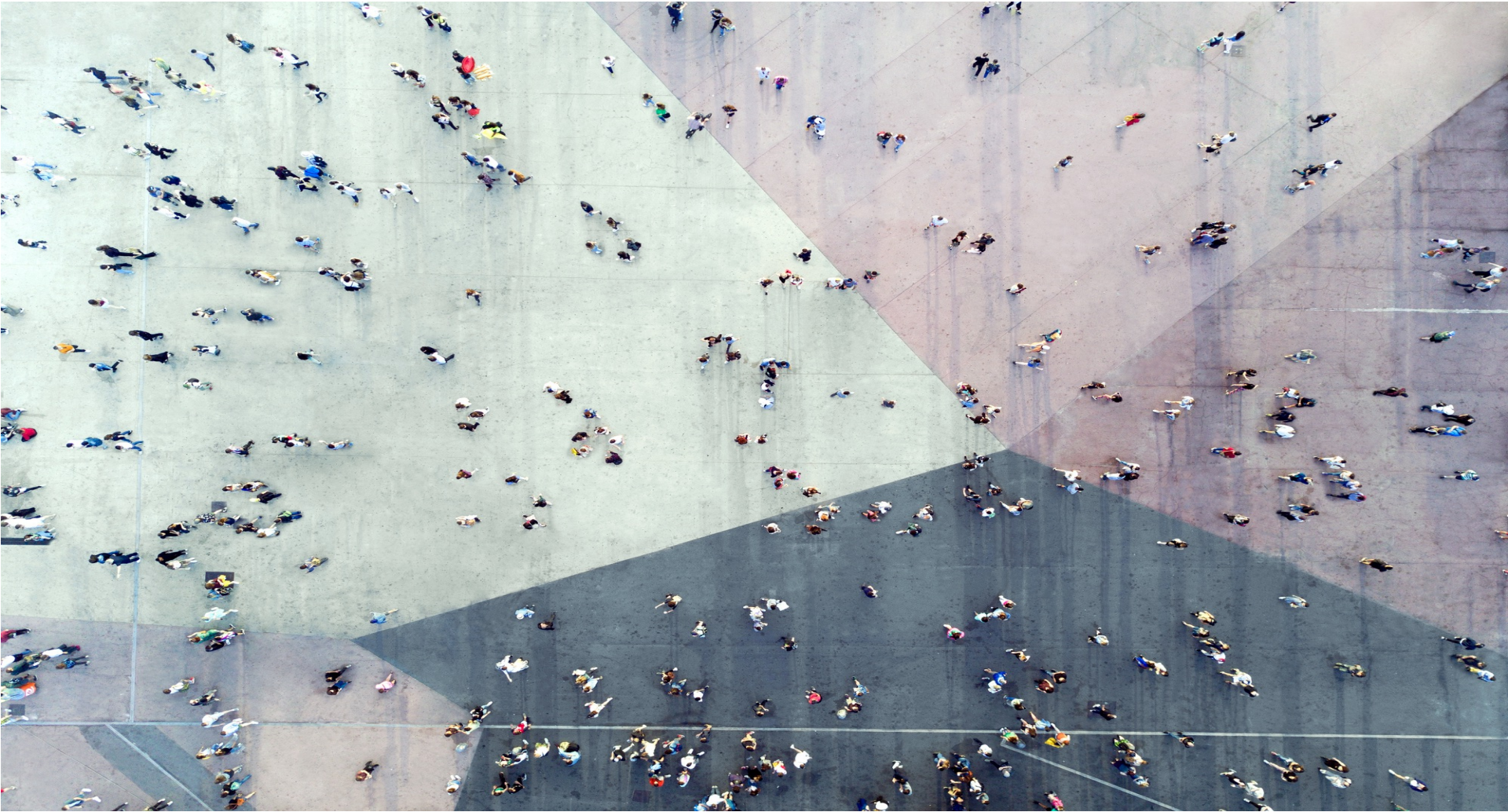
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Seeking Income with Options for Retirement Accounts



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A copy is also available at: <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>

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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 in exchange-traded option strategies

“2022....let’s call it quits”

- SPX -21% YTD / Nasdaq -34% YTD
- 10Y Treasuries remain under pressure post-Fed meeting
- VIX remains range-bound in mid-20s
- Oil continues to see upside trend on demand
- Fastest change in rate environment in 4 decades taking a toll on growth
- Did we mention the December Fed Meeting a CPI before year-end?

As of November 9th, 2022

Source: Bloomberg / Trader Workstation

What causes volatility, and why is volatility important?

- The March 2020 market meltdown saw historic moves in x-asset volatility:
- *1: Fastest ever correction for S&P 500*
2: Fastest ever bear market for S&P 500
3: Record VIX print of 84
4: Dow has two of its largest ever daily points declines in the same week
5: US equity options volume breaks new daily records
- High volatility = High option pricing
- 2022 has been a brutal bear market, but no comparison to March 2020
- Inflation, Fed talk, Treasury Markets all driving sentiment
- Does a 25 VIX understate the size of the YTD declines for SPX?

Question of the day....

Will the S&P 500 end the year above 4000?

Answers please in the Q&A Panel

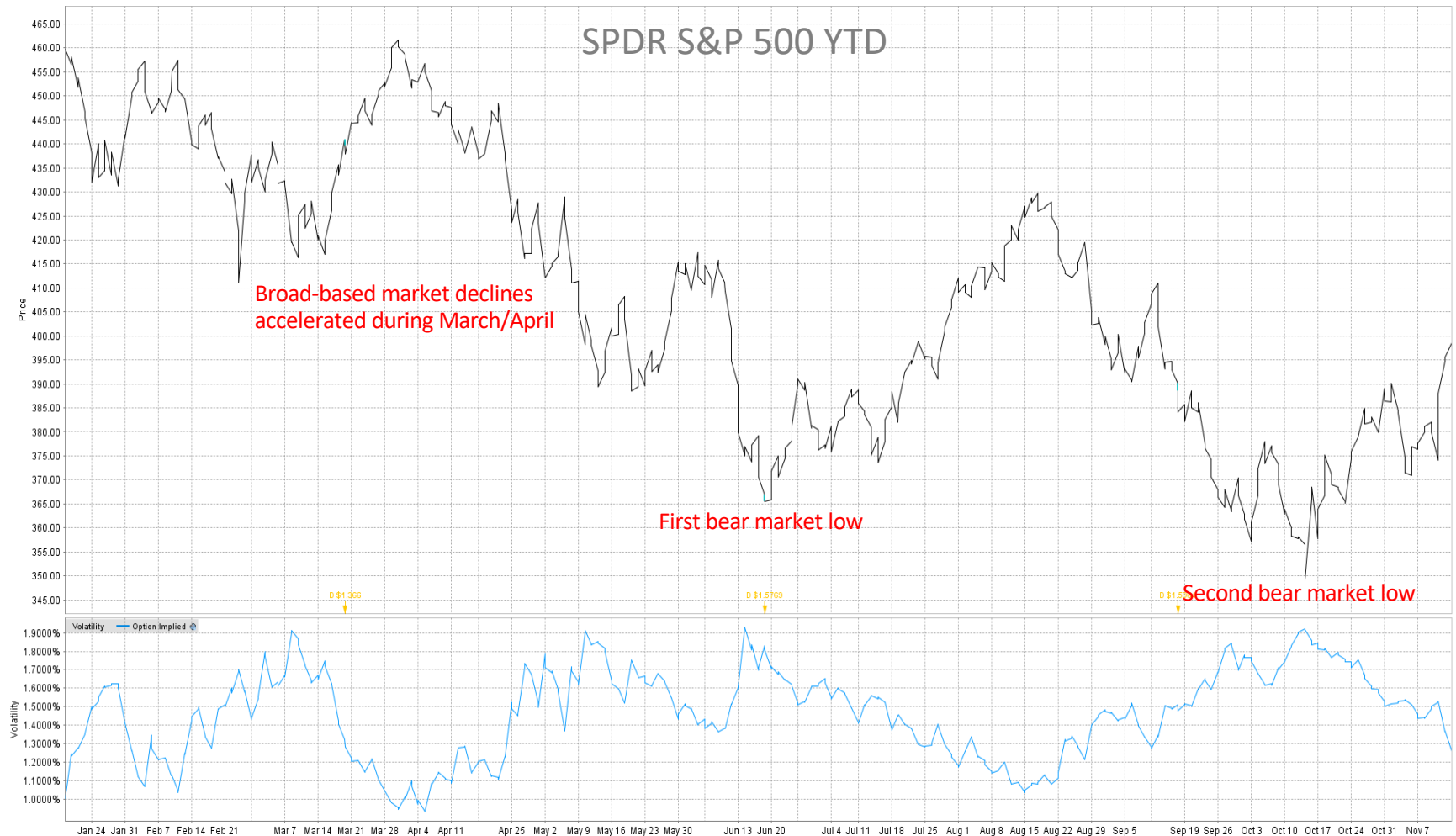
The VIX tells its own story about *implied* market moves...



Source: CBOE

Indexes are unmanaged, and one cannot invest directly in an index. Exposure to an asset class represented by an index may be available through investable instruments based on that index. Index pricing information does not reflect dividend income, withholding taxes, commissions, or fees that would be incurred by an investor pursuing the index return

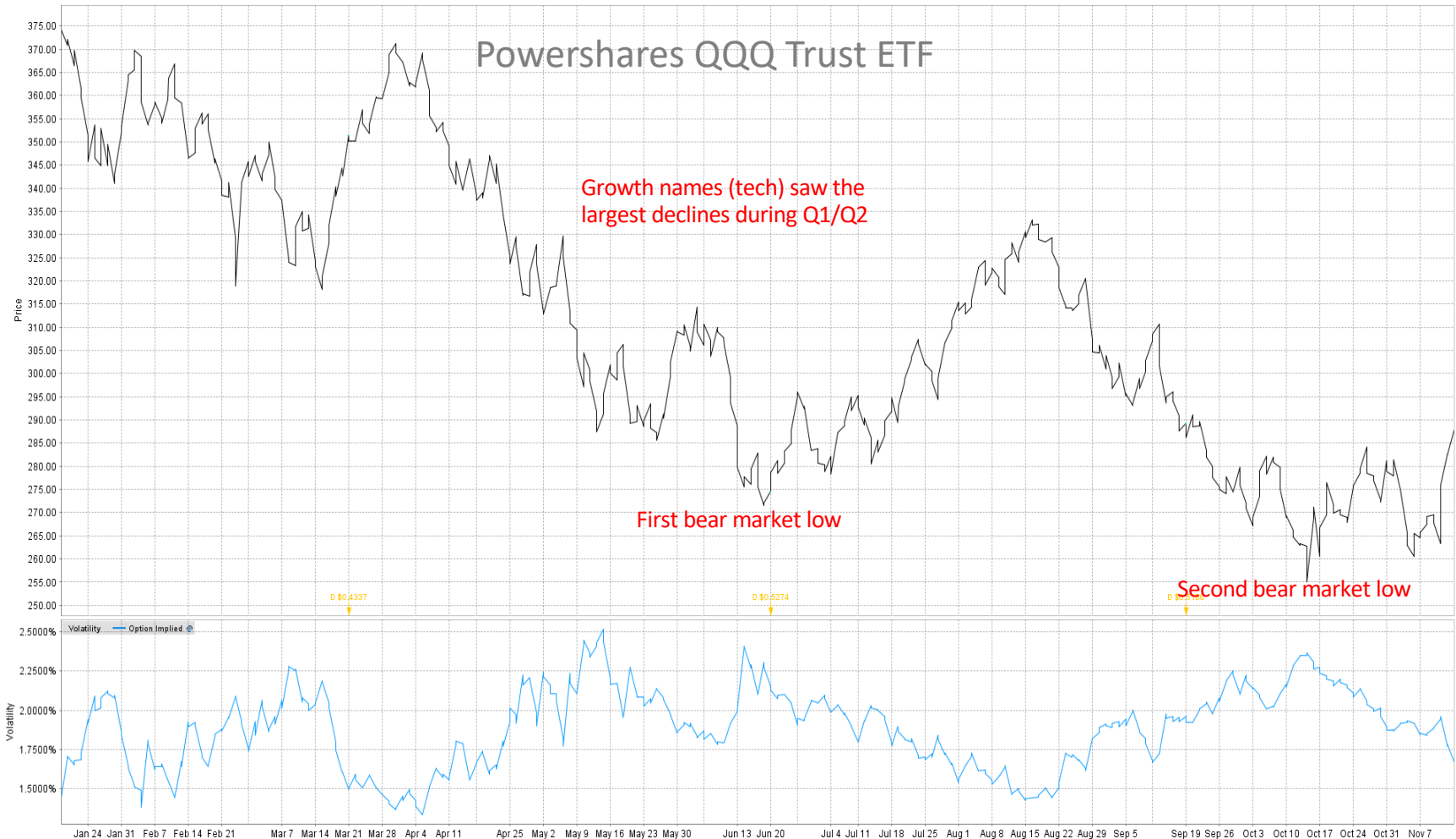
SPDR S&P 500 YTD....it's been tough out there



Source: CBOE

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Nasdaq remains deep in bear market ..but have we made the lows?



Source: CBOE

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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
- 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

Do we have an approach for Q4?



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	

Using index 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)

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S&P 500 Index Credit Spread Strategy

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

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2023 approach for retirement accounts

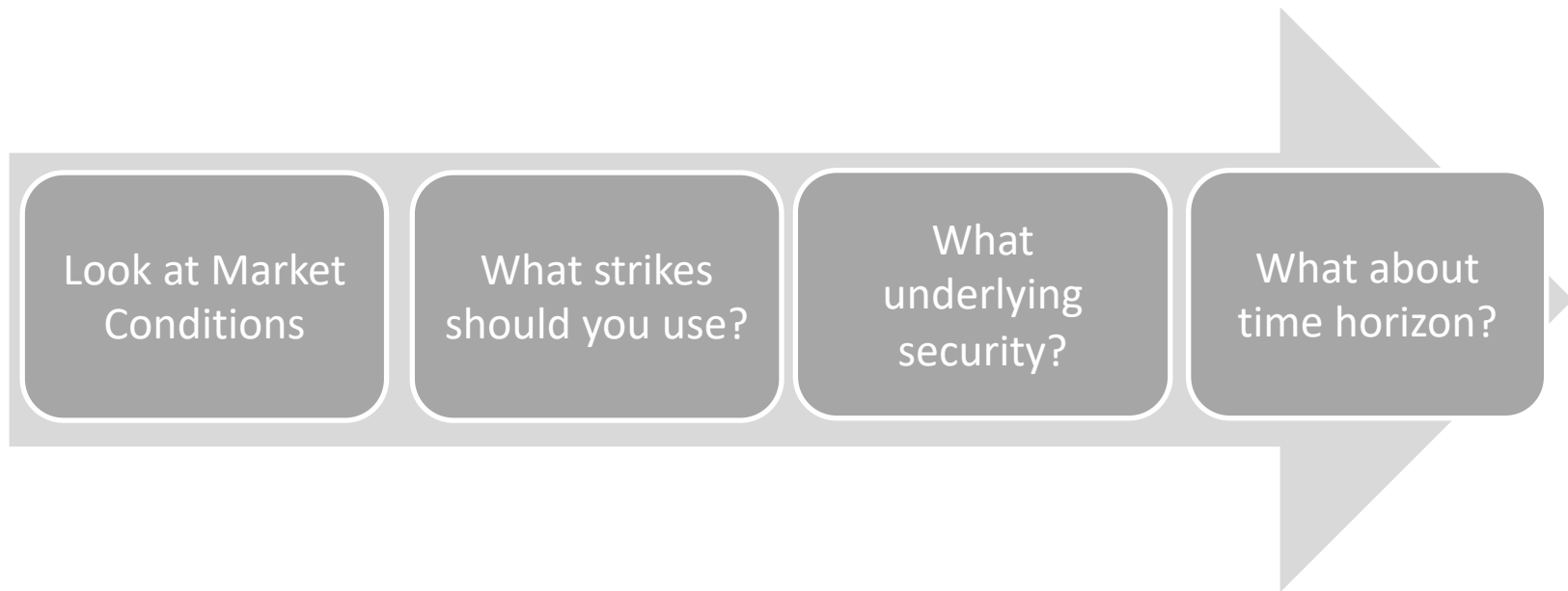
- Combine weeklies and traditional monthlies to harvest premium
- Weeklies setup could be as short as 14 days
- Consider an outright hedge

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- 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 S&P 500 to fall below the lower strike at expiry (bull put spread) or above the higher strike (bear call 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 to request the slides or to have a chat....