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November 6, 2023

IUR Capital

Seeking Income for Retirement Accounts

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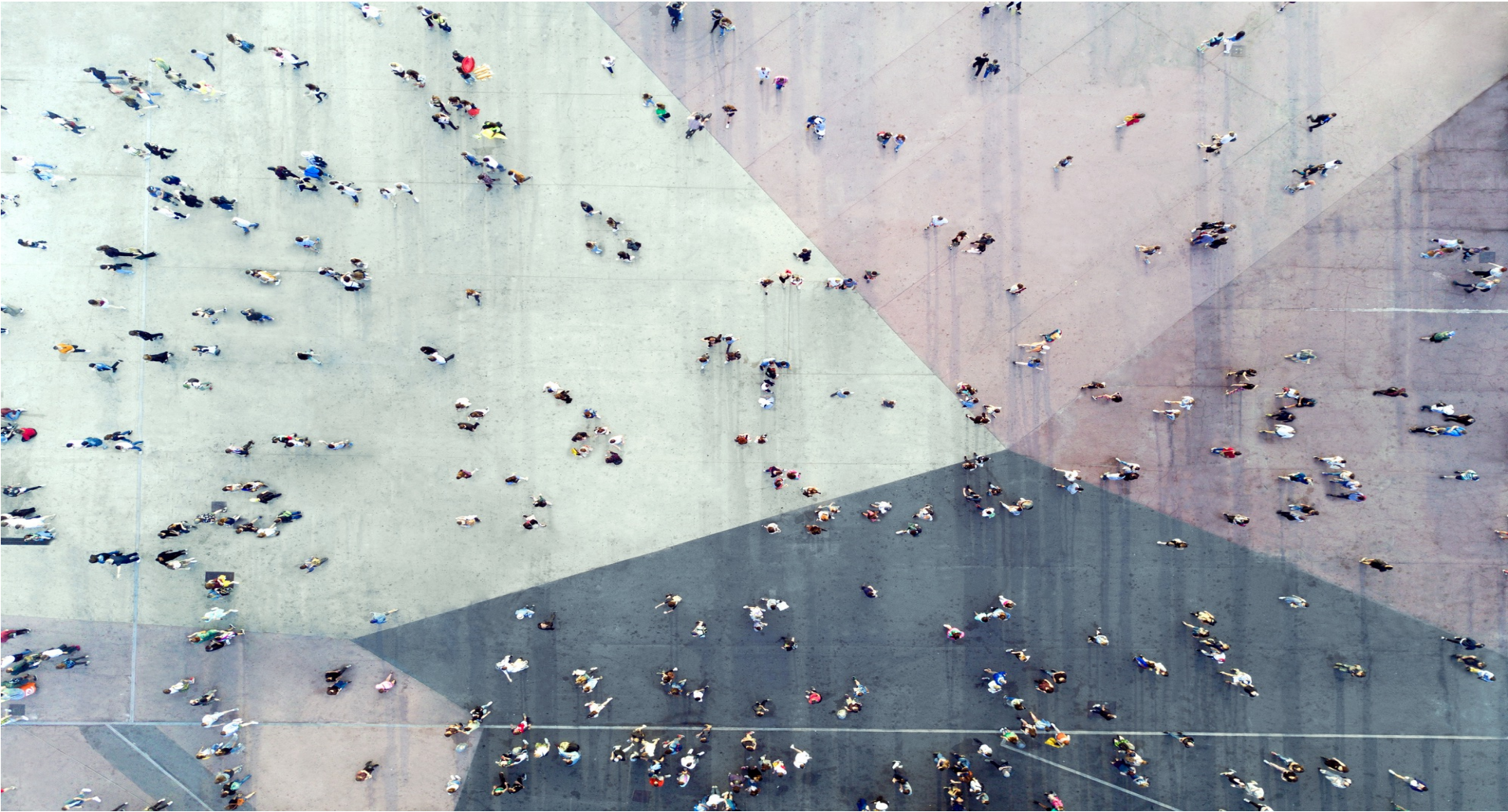
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As with all investments, your capital is at risk



Seeking Income with Options for Retirement Accounts



November 2023

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Options are leveraged products that involve risk and are not suitable for all investors. Before committing capital to any option strategies, read the “Characteristics & Risks of Standardized Options” provided by the Options Industry Council. For a copy call 312-542-6901.

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

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Market Update..

- S&P / Nasdaq both had a tough October (but still positive YTD)
- First week of November was best week in 12 months for SPX
- Geopolitical risks elevated, inflation, treasuries all headwinds
- Earnings rolling on
- Oil continues to see strength
- Potential for a “risk-on” tone for equity markets into year-end?

(As of November 3rd, 2023)

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



Source: CBOE

S&P 500 remains in double-digits YTD



Source: CBOE

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Nasdaq 100 +36% YTD...



Source: CBOE

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What we need to watch in the coming months....



Question of the day....

Will the S&P 500 end 2023 above 4500?

Answers please in the Q&A Panel

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

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

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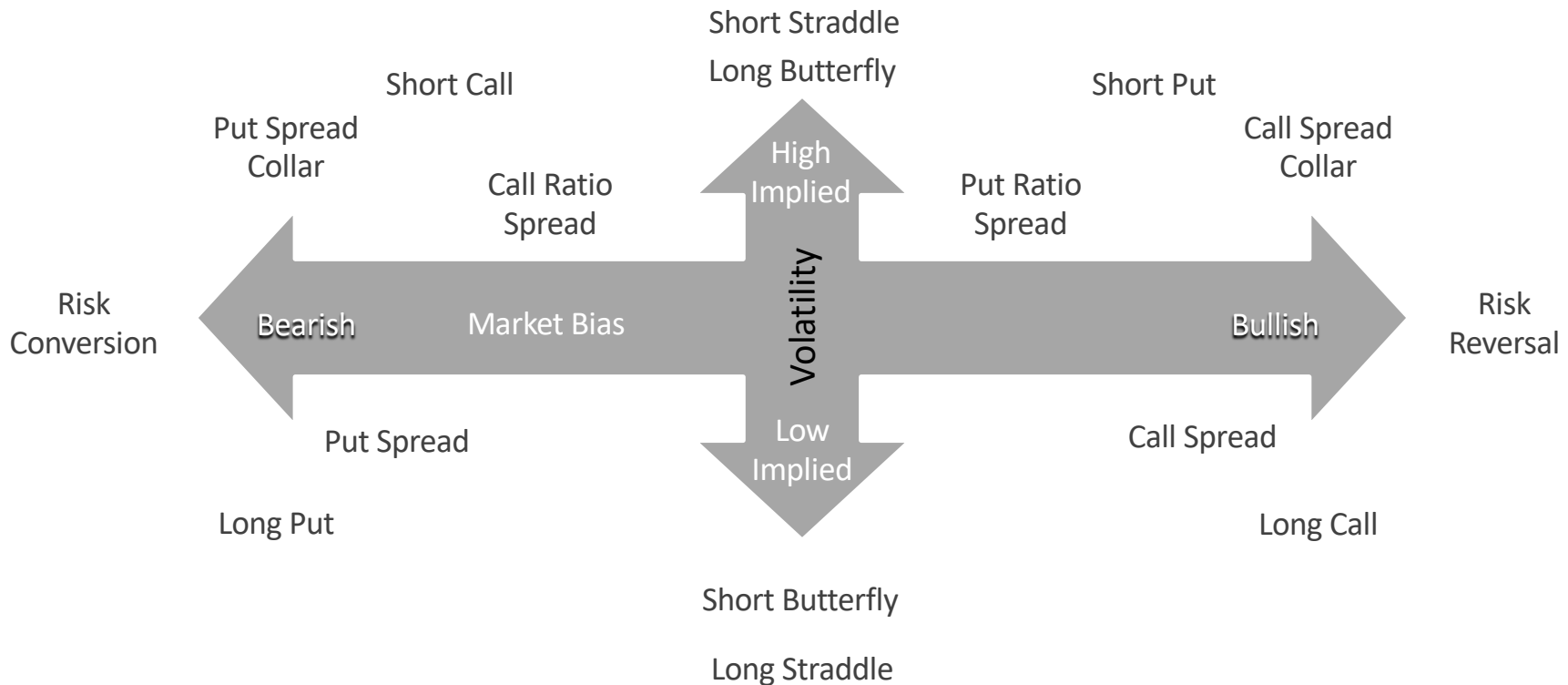
Questions to ask about option strategies in a retirement account:

- 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?

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Let's revisit our strategy suite...

Strategy Suite Income-seeking / Directional / Hedging



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Three premium-harvesting strategies to consider....



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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 products as underlying vehicles

Ticker	Instrument	Style	Settlement
SPX	S&P 500 Index	European	Cash
RUT	Russell 2000 Index	European	Cash

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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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- Seeks to harvest premium on a continuous basis to the portfolio using both put spread and call spread premium on S&P 500 index.
- Makes use of short-dated and long-dated options.
- Can be used on equity options or index options.

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Weekly Option Premium

- >14 day-time horizon, active rolling of weeklies each expiry
- Provides opportunity for two credits each calendar month
- Strike selection should carry >90% probability of retaining premium
- Market bias dependent on underlying security
- Bear call spread premium provides both option overlay and partial hedge
- Set a monthly credit target based on each underlying

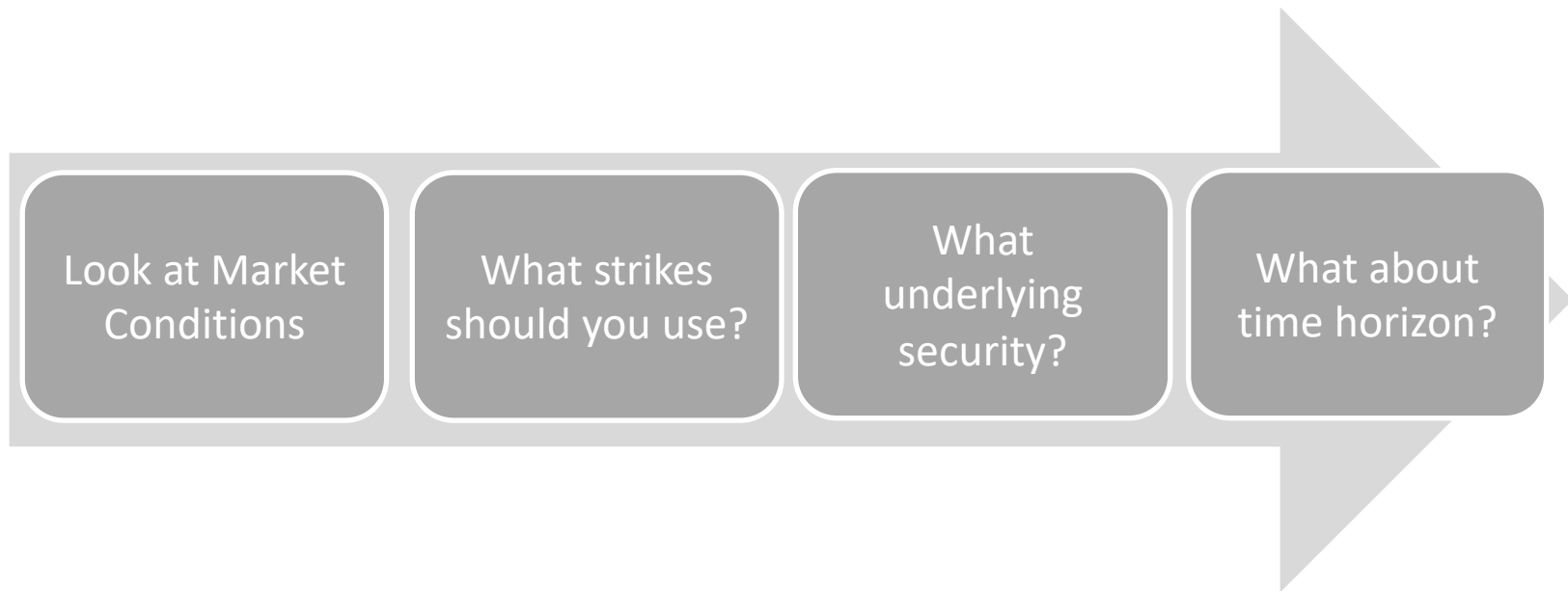
Traditional Monthly Premium

- >30 day-time horizon, desire for larger credits over longer timeframe
- Strike selection should carry >80% probability of retaining premium
- Allows greater underlying volatility over longer horizon
- Considered more conservative given increased tolerance for price swings
- Market volatility may require reduction in weekly option positioning

- 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 the underlying security or index 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**

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



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How we advise on the IBKR platform....

Advising on existing IBKR account

Divide account into two partitions

Create a new advisor-linked account

Join us on our November Options Roadshow with IBKR!

Los Angeles – Kimpton Hotel Palomar

Monday November 6th, 2023

12pm - 3pm

Vancouver - Hyatt Regency

Tuesday November 7th, 2023

12pm - 3pm

Toronto – Park Hyatt Toronto

Wednesday November 8th, 2023

1pm – 4pm

Miami - JW Marriott Marquis

Friday November 10th, 2023

12pm - 3pm

New York City – Marriott Marquis Times Square

Monday November 13th

12pm – 3pm

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please email gryan@iurcapital.com**

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All times are local.

Let's talk...

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