



OPTIONS
TRADING ACADEMY
— SYSTEMATIC INCOME —

BEGINNER'S GUIDE TO CASH-SECURED PUTS & COVERED CALLS

A simple introduction to systematic options income



PURPOSE

Understand the two core strategies, how premium and assignment work, and the basic discipline required before risking capital.



Educational material only. Options involve substantial risk and are not suitable for every investor. This guide is not a promise of returns or individualized investment advice.



01.

Options in Plain English



Before learning a strategy, understand the obligation you are accepting when you sell an option.

An option is a contract tied to a stock. One standard stock option contract normally represents 100 shares. In the OTA framework, you are primarily the option seller: the buyer pays you premium, and in exchange you accept an obligation that may require you to buy or sell shares at an agreed price.

Term	Simple meaning	Why it matters
 Premium	Cash paid to the option seller	Income collected when the trade is opened
 Strike	Agreed buy or sell price	The price that matters if assignment occurs
 Expiration	The date the option contract ends	Defines how long the obligation lasts
 Assignment	The option obligation is exercised	You buy shares on a CSP or sell shares on a CC
 DTE	Days to expiration	How much time remains on the contract



BEGINNER MINDSET

You are not collecting “free money.” Premium is compensation for accepting a real obligation and real market risk.



The two strategies in this guide

-  **Cash-Secured Put (CSP):** get paid for agreeing to buy shares at a selected strike if assigned.
-  **Covered Call (CC):** get paid for agreeing to sell shares you already own at a selected strike if assigned.





02. Cash-Secured Puts (CSPs)

A CSP can be thought of as getting paid while waiting to buy a stock at a price you are willing to accept.

A Cash-Secured Put is a promise to buy 100 shares at the strike price if the option is assigned. You receive premium for accepting that obligation. The key rule is simple: only sell a CSP on a stock you would genuinely be comfortable owning at the strike price.



Simple CSP example

Item	Example	What it means
 Stock price	\$52	Current market price
 Put strike	\$50	You agree to buy 100 shares at \$50 if assigned
 Premium	\$1.00/share	\$100 collected for one contract
 Cash collateral	\$5,000	\$50 x 100 shares

If the stock stays above \$50 through expiration, the put may expire worthless and you keep the premium. If the stock falls below \$50 and you are assigned, you buy 100 shares for \$5,000. The stock can continue falling after assignment, which is why stock quality and position size matter.



ROOKIE CSP RULE

Never sell a CSP only because the premium looks attractive.
First ask: "Would I be comfortable owning 100 shares at this strike?"
If the answer is no, reject the trade.





03.

Covered Calls (CCs)



A Covered Call lets you collect premium on shares you already own, but you must be willing to sell those shares at the strike.

A Covered Call is a promise to sell 100 shares you already own at the strike price if the option is assigned. You collect premium for giving someone else the right to buy those shares from you at that strike.



Simple CC example

Item	Example	What it means
 Shares owned	100 shares	The call is covered by stock you already own
 Cost basis	\$48	What you paid per share
 Call strike	\$50	You agree to sell the shares at \$50 if assigned
 Premium	\$0.80/share	\$80 collected for one contract

- > If the stock stays below \$50, the call may expire worthless and you keep the shares plus the premium. If the stock rises above \$50 and you are assigned, the shares may be sold at \$50. In this example, that would create a \$2 per-share stock gain plus the premium.
- > The trade-off is opportunity cost. If the stock rises far above the strike, you may still have to sell at the agreed strike. That missed upside is the price of collecting premium.



ROOKIE CC RULE

Do not sell a Covered Call at a strike where you would be upset to lose the shares. Premium is compensation for giving up some upside.





04. How CSPs and Covered Calls Work Together

The strategies can form a repeatable income cycle, but OTA does not require constant rotation.

-  **Sell a CSP** on a stock you are willing to own.
-  If the put expires worthless, **keep the premium** and evaluate the next setup.
-  If assigned, you now **own the shares**.
-  When conditions are favorable, **sell a Covered Call** at a strike you are comfortable accepting.
-  If the call expires worthless, **keep the premium** and retain the shares.
-  If the shares are called away at a profitable strike, **evaluate a new high-quality setup**.

IMPORTANT



Do not automatically sell the next option simply because the previous one ended. Every new trade still needs to make sense. The correct trade can be no trade.



The operating principle

A trade is not “good” simply because it makes money. A good trade followed the process, respected risk, and made sense when it was opened.

05. Capital and Risk Come First

Position sizing is the first defense against a bad outcome.
More premium does not justify taking more risk than the account can handle.



OTA STARTING SCOPE

\$25,000 is the minimum recommended account size in the full OTA playbook. Newer students will usually focus on CSP/CC positions requiring roughly \$10,000-\$25,000 of stock value or put collateral.



Before you place a trade

- ✓ Use only capital intentionally allocated to trading. Do not count emergency savings or money needed for near-term bills.
- ✓ Keep position size small enough that one bad stock move does not control the entire account.
- ✓ Understand the maximum obligation before entry: CSP assignment means buying 100 shares per contract; CC assignment means selling 100 shares per contract.
- ✓ Never increase size simply because the premium looks attractive.
- ✓ Do not use margin just because buying power is available. The strategy can be executed without leverage.



QUALITY STANDARD

Account size changes the dollar amount. It should not change the quality standard. Discipline, event awareness, and risk control must scale with the account.



06. Beginner Trade Filters

The full OTA system uses detailed probability, cushion, yield, event and timing rules. A beginner should first learn the logic behind those filters.



1. Stock quality

Would you actually want to own the company if a CSP is assigned? If not, the trade is not appropriate just because the premium is high.



2. Event risk

Earnings and major market events can quickly change a normal probability-based setup into a binary prediction. In the full OTA system, no new CSP is opened when earnings are within the next 14 calendar days.



3. Cushion and probability

A strike farther from the current stock price generally provides more room for error, while probability measures help estimate how likely the trade is to stay favorable. Neither is a guarantee.



4. Premium

Premium matters, but it comes after risk. Higher yield is not automatically better if it is being paid because the trade is substantially more dangerous.



ENTRY RULE

Strong premium never compensates for weak risk structure.





07. Common Beginner Mistakes

Most errors come from abandoning the process, not from misunderstanding the definition of a put or call.

MISTAKE	WHY IT MATTERS
 Chasing premium	Choosing the highest-paying contract without understanding why it pays more.
 Selling CSPs on stocks you do not want	Assignment then feels like a disaster instead of an accepted outcome.
 Selling Covered Calls too aggressively	A strike that is too close can create regret when the stock rallies.
 Trading into earnings	A short-term income trade can become a binary gap trade.
 Over-sizing	One position becomes emotionally and financially dominant.
 Forcing activity	Feeling that unused cash means you are “missing out.”
 Judging only by P&L	A lucky trade can still be a poor decision; a disciplined trade can still lose money.



DISCIPLINE

The objective is not maximum activity. It is repeatable decision-making, controlled exposure, and long-term compounding.



08. Your Next Step

This guide gives you the foundation. The full OTA framework goes deeper into entry standards, position sizing, trade management, exits, rolling, margin discipline, psychology, weekly process and case studies.



Before your first CSP or Covered Call

1. Make sure you understand premium, strike, expiration and assignment.
2. Choose only stocks you would be comfortable owning.
3. Know exactly what happens if the contract is assigned.
4. Size the position so the outcome remains manageable.
5. Check earnings and other major event risk.
6. Write down the plan before the trade is opened.
7. Judge the decision by the process, not only by the outcome.



JOIN THE OTA COMMUNITY

Continue learning CSPs and Covered Calls with other traders, ask process-focused questions, and get access to OTA educational resources.



ACCESS OPTIONS TRADING ACADEMY

Use the OTA link provided with this guide to join the community.

Learn the system. Understand the risk. Make your own decisions.

Educational material only. Options involve substantial risk and are not suitable for every investor.
Nothing in this guide is individualized investment advice or a promise of returns.

