

Beginner's Step-by-Step Guide to Placing Your First Options Trade

This guide walks you through everything a new trader needs to do, from opening a brokerage account to placing their first safe options trade. We'll use the Cash-Secured Put strategy as the beginner-friendly example.

Step 1: Open a Brokerage Account

- Choose a reputable broker that offers options trading. Examples: Fidelity, Schwab, TD Ameritrade, Interactive Brokers (or local equivalent).
- Select a **Cash Account** (not margin).
- Apply for options trading approval (Level 1–2). This allows Covered Calls and Cash-Secured Puts.

Step 2: Fund Your Account

- Transfer money from your bank account into the brokerage.
- Suggested starting amounts:
 - \$1,000: small, defined-risk trades (credit spreads).
 - \$2,000–\$3,000: one Cash-Secured Put on a low-priced stock.
 - \$5,000+: flexibility to trade multiple positions safely.

Step 3: Learn the Platform (Practice First)

- Log in and explore the options chain (list of strikes and expiries).
- Place a few paper trades before using real money.

Step 4: Pick a Stock

- Choose a well-known, stable stock or ETF under \$30 per share.
 - Ensure it has liquid options (tight bid/ask spread).
- Example: Stock XYZ trading at \$12.

Step 5: Open the Options Chain

- Find the PUT side of the chain.
- Choose an expiration date 20–45 days away.
- Example: Select the \$11 PUT when stock is \$12.

Step 6: Place the Trade

- Action: **Sell to Open**
- Quantity: 1 (represents 100 shares).
- Strike: \$11 PUT.
- Expiration: ~30 days out.

- Price: Between bid and ask (e.g., \$0.22).
- Confirm order: "Sell to Open 1 XYZ \$11 PUT Exp 9/20 @ \$0.22."

Step 7: Understand Outcomes

- If stock stays above \$11 → option expires worthless, keep the premium (income).
- If stock falls below \$11 → you must buy 100 shares at \$11, but you keep the premium, lowering your cost.
- Then, you can sell Covered Calls on the shares to continue earning.

Step 8: Manage and Close Trades

- Consider taking profits early if option loses half its value (e.g., from \$0.22 down to \$0.10).
- To exit: place a ****Buy to Close**** order at the new option price.

Step 9: Rinse and Repeat

- Start with one trade at a time.
- Keep a log of each trade.
- Scale up slowly as confidence grows.