

# ■ Hedge Checklist for Options Traders

## ■ Small Accounts (\$10K–\$20K)

### 1. Portfolio Review

- Am I mostly in ETFs or a few single stocks?
- Is my exposure too concentrated in one ticker?

### 2. Hedge Setup

- Add SPY or QQQ put spread (1 contract) for broad market insurance  
Example: Buy SPY 530 Put / Sell 500 Put (~\$500)
- Buy 1–2 VIX calls for cheap volatility protection

### 3. Income Trades

- Avoid naked puts/calls (too big)
- Use bull put spreads for income (risk capped)
- Use bear call spreads as a covered call substitute

### 4. Risk Check

- Max loss per spread  $\leq$  10% of account
- Hedge cost  $\leq$  5% of account (preferably offset with income)

## ■ Larger Accounts (\$50K–\$100K+)

### 1. Portfolio Review

- What % is buy-and-hold stock?
- How much is in income trades (covered calls, cash-secured puts)?

### 2. Hedge Setup

- Buy SPY puts (1 contract per ~\$50K exposure)
- OR use SPY put spreads if cheaper desired
- Add 2–5 VIX calls to cover volatility spikes

### 3. Income Trades

- Run covered calls on core holdings (AAPL, MSFT, ETFs)
- Sell cash-secured puts (or spreads) on stocks you'd own lower
- Roll calls down during corrections to harvest extra premium

### 4. Risk Check

- Hedge cost  $\leq$  3% of portfolio (paid for with premiums)
- No single position  $>$  10% of portfolio risk
- Collars for long-term holdings if you want near-zero risk

## ■ Quick Rules of Thumb

- Small accounts = always spreads + index hedges
- Large accounts = mix of covered calls, cash-secured puts + index/VIX insurance
- Target: hedge cost offset by option income (so insurance is free or nearly free)