

SPECIAL REPORT

---

# How to Open An Options Account

# How to Open an Options Account

Before you begin trading options, you must first figure out what you want... and how to get it.

It's important to have a clear idea of what you hope to accomplish. Options can play many different roles in a portfolio, and picking a goal narrows down the strategies you might choose.

My goal with the *Delta Report* is to show you how to use options to *reduce your risk*... and add a little bit of "pop" to an otherwise conservative portfolio. To help reach that goal, we'll be applying two options strategies...

**Purchasing call options: Buying a call option means we'll make money if the "underlying asset" (like a stock, index, or ETF) goes up.**

**Purchasing put options: Buying a put option means we'll make money if the underlying asset goes down.**

As I wrote in the [Delta Report Guide to Options Trading](#), trading options is a process. And if you want to be in the options market for any length of time... you have to do it the "right way."

Learning the "right way" to use options might involve a little extra effort on your part if you want to trade in the market successfully. But I'm here to help you master the basics...

That's what this report is all about... I'm going to walk you through all the steps – from setting up your brokerage account to executing your first options trade.

Let's get started...

## STEP 1: FIND A BROKER

Once you're mentally ready to invest in options, you need to choose a brokerage firm to execute your trades. Some traders choose discount firms that charge lower commissions, while others (both beginners and pros) prefer to talk to their brokers over the phone before opening or closing out a position.

If you already have a general investment account, skip to Step 2.

Here's a table of online discount brokers and their specifics for you to get your options account started (please note that the fee schedules could have changed since this writing)...

	<u>TD AMERITRADE</u>	<u>OPTIONS-XPRESS</u>	<u>FIDELITY INVESTMENTS</u>
Minimum Account Balance	\$2,000	\$2,000	\$2,500
Fees	\$9.99 per trade + \$0.75 per contract	\$1.25 per contract or \$12.95 minimum <sup>1</sup>	\$4.95 per trade + \$0.65 per contract
Phone	800-454-9272	888-280-8020	800-353-4881

<sup>1</sup> Or \$1.50 per contract with a \$14.95 minimum if less than 35 trades are executed per quarter.

	<u>TRADEKING</u>	<u>E*TRADE SECURITIES</u>	<u>CHARLES SCHWAB</u>
Minimum Account Balance	None	\$500	\$1,000
Fees	\$4.95 per trade + \$0.65 per contract	\$4.95 per trade + \$0.50 per contract <sup>2</sup>	\$8.95 per trade + \$0.75 per contract
Phone	877-495-5464	800-387-2331	866-232-9890

<sup>2</sup> Or \$6.95 per trade and \$0.75 per contract if less than 30 trades are executed per quarter.

### Do not consider anything in this note a recommendation for any one firm.

This is simply a list of brokerages that receive excellent ratings for customer service... plus a few we have personally used and have had good experiences with. We do not receive any compensation for mentioning them. You'll have to choose a brokerage that suits your needs.

Keep in mind, creating a new account is easy. It takes minutes. Even though every brokerage website differs slightly, the basic terminology you need to look for is similar across all of them.

To set up an investment account with Fidelity, for example, here's what you need to do...

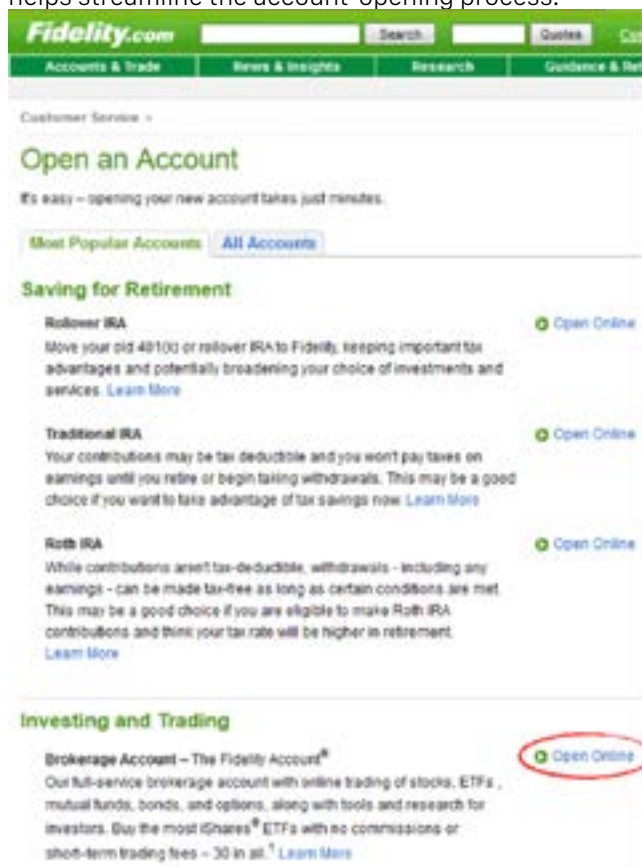
First, go to [www.fidelity.com](http://www.fidelity.com). On the homepage, look for the "Choose an Account" button. Most online brokers display this prominently on their websites.

Once you've selected that option, you'll see displays of the different types of accounts Fidelity offers its clients on the next page. Scroll down to the "Investing



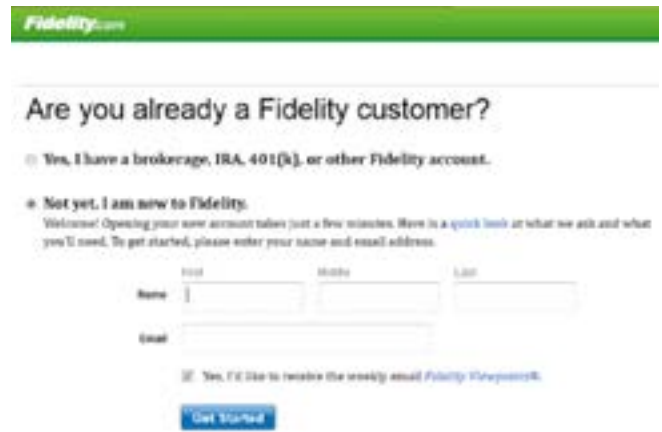
and Trading" category, and click on the "Open Online" link (shown below).

After you've selected your account type, you'll be directed to the webpage below... At some point, most brokers will ask if you're an existing customer. This just helps streamline the account-opening process.



Before "getting started," it will take less time to complete the process if you have some basic information on hand.

To open an account, all brokers require your Social



Security number, your employer's name and address, and your bank account and routing numbers (to move money from a bank). If you have a brokerage account with another firm, you may also want to have that account number and type available. Providing your new broker with this information will make it easier to move assets over from another brokerage firm.

Once you've provided the requested information, simply log in.

Once you've opened a general investment account, you're ready for Step 2...

## STEP 2: "UNLOCK" YOUR BROKERAGE ACCOUNT



Unless you know how to "unlock" your brokerage account, you can't do any trades using options. Fortunately, it's an easy process... All you have to do is

ask your broker for a "Standardized Option Agreement."

This simple form only takes a few minutes to fill out. But you need to complete it to authorize your brokerage account for trading options. It will differ from broker to broker, but to buy calls and puts, you'll likely need approval for "Level 4" options trading. Your broker will look at your trading experience and the amount of money you have in your trading account to determine what level to grant you.

In most cases, you can get the forms online, fill them out, and either fax them or mail them to your broker. Many discount brokers will even let you complete the agreement online. Look for language like "Account Authorization" on your broker's website to find the options trading agreement.

To stick with our example, Fidelity calls it "Account Access Rights." The link is located in the left sidebar once you've logged in... There, you can "apply for," "modify," or "revoke" option authorization on your accounts.

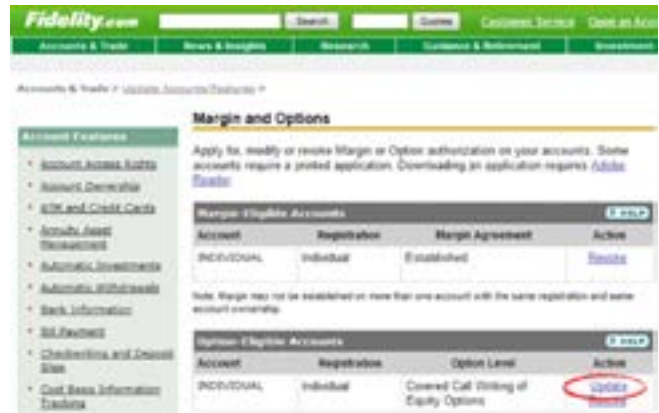
Here are some of the questions you can expect to find on a typical option agreement form...

After you've completed the forms online, verify your application and hit "I agree."

### UNDERSTANDING "OPTION LEVEL"

The "Option Level" assigned to your account is related to your experience, the varying degree of risk carried by different options trades, and the firm's desire to limit people from losing everything in riskier trades. Imagine a novice trader selling the total value of all his assets using (or misusing) a sophisticated option strategy that wipes him out in a few hours. It's bad for business, so brokerages create levels as a way of controlling the process.

By limiting the access to advanced trading strategies, the brokerages better maintain their risk to losses as well. Once you show your ability to handle certain trades and transactions, the brokerage raises your level.



Filling out the forms only takes about five minutes. It shouldn't take more than a few days (at most) for

1. Basic information – i.e. date of birth, marital status, and number of dependents
2. Employment information
3. Annual income and estimated net worth
4. Investment experience
5. Options level – We purchase calls and puts in *Delta Report*, so make sure to check that box
6. Options trading experience at each level – none, moderate, extensive

a broker to authorize your account. Most of the top names in the business can open options accounts for you easily and quickly.

### STEP 3: ENTER THE 15-DIGIT OPTION TICKER SYMBOL

Once you've "unlocked" your brokerage account, you're ready to begin executing options trades.

Every time I recommend a trade, I'll provide the exact ticker symbol for the trade. The ticker symbol specifies the underlying stock, strike price, and expiration date of the option. The following image depicts the anatomy of a call option on Microsoft stock...

This option is betting that Microsoft's share price will be above \$30 on option expiration day in April, which (in our hypothetical example) is the third Friday of the



month.

You can execute all the trades I recommend through your online brokerage account.

First, select the underlying stock you want to trade against. Somewhere on the screen (depending on the website's design), you'll see a link to that stock's

If you're confused at all about some of the terms we're using in this guide, be sure to read the glossary portion of the [Delta Report Guide to Options Trading](#).

options. Click on the link, and a list of options and their corresponding ticker codes will appear. This is often called the "Option Chain." You can then select the one with the strike price and expiration date you want. In most cases, the code will automatically be filled in for you.

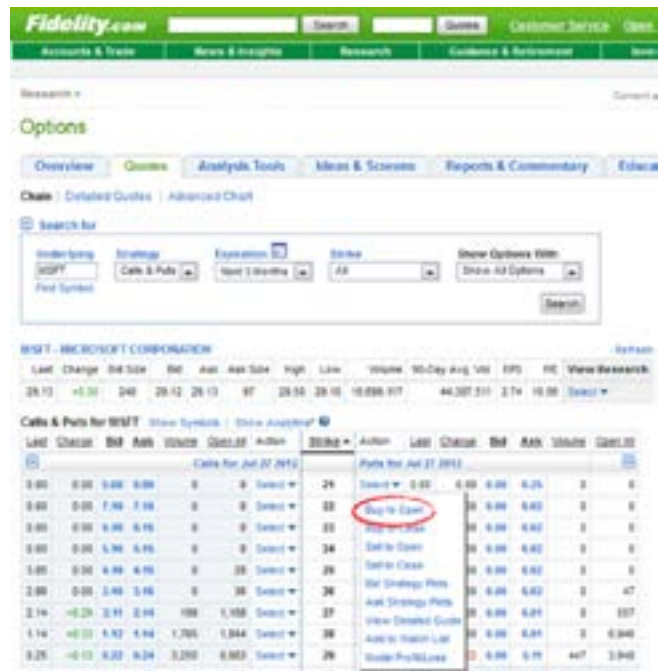
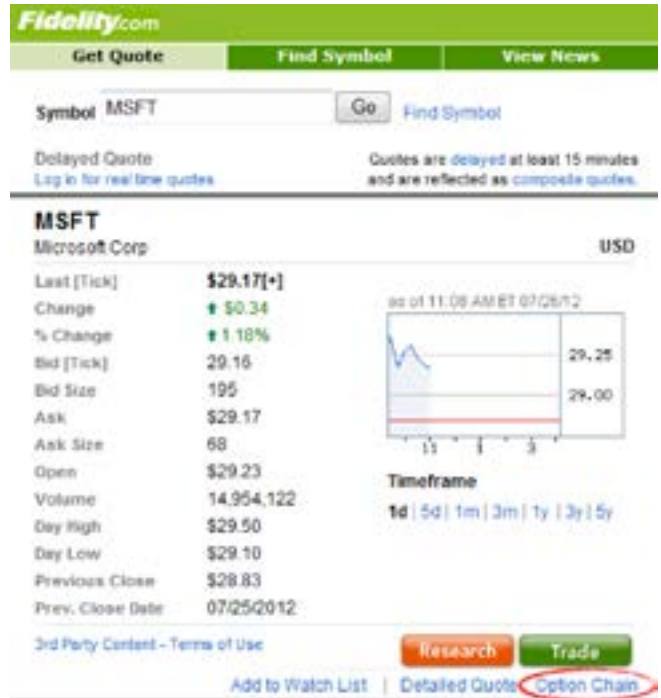
Here's how it's done with Fidelity...

After logging in, type in MSFT (the symbol for Microsoft stock) in the "Quotes" box at the top of the webpage.

It will take you to Microsoft's stock quote page. Click on "Option Chain," which is located in the bottom right-hand corner (below the green "Trade" button).



The complete list of available options on Microsoft will appear. Once you've found the correct option type (call or put), strike price, and expiration date, select "Buy to Open."



## WHERE ELSE CAN I FIND THE PRICES FOR OPTIONS?

You can find 15-minute-delayed data on Yahoo Finance. Go to [finance.yahoo.com](https://finance.yahoo.com). In the "Enter Symbol" box, enter the ticker of the stock you'd like to find options for. It will take you to the main page for that stock.

Once you pull up the main page for that stock, look to the center navigation bar beneath the security price. You'll find a link for "Options."



Once on the options page, select your expiration month along the top. You'll see the calls at various strike prices. Scroll down to see the puts at various strike prices.

You should also be able to look up option prices on your broker's website, though it may display the data differently. Call your broker's customer service line for help.

## IN SUMMARY...

To recap... to get started trading options, you need to find a broker and sign up. Then you need to fill out the required forms. Finally, you need to enter the 15-digit ticker symbol and execute the trade.

Now that you've read through this, you're ready to get started buying calls and puts. I look forward to a long (and profitable!) relationship with you in the *Delta Report*.

---

© 2017 Jeff Clark Trader, 55 NE 5th Avenue Suite 100, Delray Beach, FL 33483, USA. All rights reserved. Any reproduction, copying, or redistribution, in whole or in part, is prohibited without written permission from the publisher.

Customer service representatives are available to help you Monday-Friday, from 9 a.m. to 7 p.m. ET. Phone: (800) 752-0820 or (443) 353-4499 if calling from overseas. Email: [feedback@jeffclarktrader.com](mailto:feedback@jeffclarktrader.com).

Information contained herein is obtained from sources believed to be reliable, but its accuracy cannot be guaranteed. It is not designed to meet your personal situation – we are not financial advisors nor do we give personalized advice. The opinions expressed herein are those of the publisher and are subject to change without notice. It may become outdated and there is no obligation to update any such information.

Recommendations in Jeff Clark Trader publications should be made only after consulting with your advisor and only after reviewing the prospectus or financial statements of the company in question. You shouldn't make any decision based solely on what you read here.

Jeff Clark Trader writers and publications do not take compensation in any form for covering those securities or commodities.

Jeff Clark Trader expressly forbids its writers from owning or having an interest in any security that they recommend to their readers. Furthermore, all other employees and agents of Jeff Clark Trader and its affiliate companies must wait 24 hours before following an initial recommendation published on the Internet, or 72 hours after a printed publication is mailed.