
How to Do Cash-Secured Puts (Beginner Friendly)

What Is a Cash-Secured Put?

- A **cash-secured put** is an options strategy used to:
  - Get paid to buy a stock
  - Buy shares at a discount
- You **sell a put option**
- You keep enough **cash in your account** to buy the stock if assigned
- Commonly used for **income + long-term investing**

Why Use Cash-Secured Puts?

- Generate **consistent income** (option premium)
- Lower risk compared to buying options
- Allows you to buy stocks you already want
- Get paid **while waiting** to buy shares
- Ideal for **beginners and small accounts**

When Should You Use This Strategy?

- You are **bullish or neutral** on the stock
- You're happy owning the stock long-term
- You want to enter a position at a **lower price**
- Market is:
  - Sideways
  - Slightly bullish
  - Pulling back

What You Need Before Starting

- Options-approved brokerage account
- Enough cash to buy **100 shares**
- Example:
    - Stock price: $50
    - Cash needed: $5,000
- Level 1 or Level 2 options approval (varies by broker)

Step 1: Choose the Right Stock

- Pick stocks you **actually want to own**
- Look for:
    - Strong companies
    - High trading volume
    - Stable price movement
- Popular beginner stocks:
    - Apple (AAPL)
    - Microsoft (MSFT)
    - ETF like SPY or QQQ

Step 2: Pick the Strike Price

- Strike price = price you agree to buy the stock
- Choose a strike:
    - Below current stock price
    - At a level you'd be comfortable owning shares
- Example:
    - Stock trading at $50
    - Sell the $45 put

Step 3: Choose an Expiration Date

- Shorter expirations = faster income
- Beginner-friendly range:
    - 7–45 days
- Popular choice:
    - 30 days (good balance of time and premium)

Step 4: Sell the Put Option

- You **sell to open** a put contract
- Collect premium immediately
- Example:
    - Sell 1 $45 put for $1.50
    - You receive $150 instantly
- Cash is held as collateral in your account

What Happens Next? (Two Outcomes)

Outcome 1: Put Expires Worthless (Best Case)

- Stock stays **above the strike price**
- Option expires worthless
- You:
    - Keep the full premium
    - Keep your cash
- You can repeat the process again

Outcome 2: You Get Assigned the Stock

- Stock falls **below the strike price**
- You are assigned 100 shares
- Your effective purchase price:
  - Strike price – premium collected
- Example:
  - $45 strike – $1.50 premium = $43.50 cost basis
- You now own shares at a discount

What to Do After Assignment

- Hold shares long-term
- Sell covered calls for more income
- This turns into the **Wheel Strategy**
- Collect income on both sides (puts + calls)

Risks to Be Aware Of

- Stock can drop significantly
- You are obligated to buy shares
- Opportunity cost (cash is locked)
- Risk reduced by:
  - Choosing quality stocks
  - Selling conservative strike prices

Key Beginner Tips

- Start with 1 contract
- Avoid meme stocks
- Don’t chase high premium

- Always ask:
  “Would I be happy owning this stock?”
- Consistency > home runs

Cash-Secured Puts Summary

- Beginner-friendly income strategy
- Get paid to buy stocks
- Lower risk than buying options
- Perfect for long-term investors
- Foundation of many income strategies

Educational Purposes Only

- Not financial advice
- Options trading involves risk