
How to Do LEAPS Options (Beginner-Friendly Guide)

What Are LEAPS Options?

- LEAPS = **Long-Term Equity Anticipation Securities**
- Options contracts with **expiration dates 1–3 years out**
- Most commonly used:
    - **LEAPS Calls** → bullish strategy
    - **LEAPS Puts** → bearish hedge (less common for beginners)
- Allow you to control **100 shares** with **less capital than buying stock**

Why Traders Use LEAPS

- Long-term exposure with **lower upfront cost**
- Less short-term stress compared to weekly/monthly options
- Benefit from:
    - Stock price growth
    - Increasing intrinsic value over time
- Great for:
    - Long-term investors
    - Bullish traders
    - Smaller accounts

LEAPS vs Buying Shares

- Shares:
    - Higher capital required
    - No expiration
- LEAPS:

- Much cheaper than buying 100 shares
- Built-in leverage
- Defined risk (max loss = premium paid)
- Expiration risk (must manage before expiry)

When LEAPS Make Sense

- You are **bullish long-term** (6–24 months)
- The stock is:
  - High quality
  - Strong fundamentals
  - Market leader
- You want:
  - Capital efficiency
  - Upside exposure without tying up cash

Best Stocks for LEAPS

- Large-cap, liquid stocks
- Examples:
  - AAPL, MSFT, NVDA, AMZN, META
- Look for:
  - Strong revenue growth
  - Consistent earnings
  - Institutional support
- Avoid:
  - Low-volume stocks
  - Extremely volatile penny stocks

Choosing the Right Expiration

- Go **at least 12 months out**
- Ideal range:
  - 18–24 months (more flexibility)
- Longer expiration:
  - Slower time decay (theta)
  - More time for your thesis to play out

Choosing the Right Strike Price

- Focus on:
  - **In-the-Money (ITM)** or **At-the-Money (ATM)** calls
- ITM LEAPS:
  - Higher cost
  - Higher delta (moves more like stock)
  - Less time decay
- Avoid far Out-of-the-Money LEAPS (too speculative)

Understanding Delta (Beginner Tip)

- Delta measures how much the option moves vs the stock
- Target delta:
  - **0.70 – 0.85** for LEAPS calls
- Higher delta = more stock-like behavior

How Much Capital to Allocate

- Never go all-in on one LEAPS
- Suggested:
  - 5–20% of portfolio per position

- Diversify across:
    - Multiple stocks
    - Different sectors

How to Enter a LEAPS Trade

- Buy on:
    - Market pullbacks
    - Support levels
- Avoid buying after big run-ups
- Use limit orders (better pricing)

How to Manage LEAPS

- Monitor quarterly earnings
- Reassess thesis every 3–6 months
- Consider rolling:
    - If expiration is under 6–9 months
    - If stock has moved significantly

Common Exit Strategies

- Take profits:
    - 50–100% gain (depending on goals)
- Cut losses:
    - If original thesis breaks
    - Stock shows long-term weakness
- Roll forward:
    - Sell current LEAPS
    - Buy a later expiration

Advanced Upgrade (Optional)

- Turn LEAPS into income:
  - Sell covered calls against LEAPS
  - Known as **Poor Man's Covered Call**
- Reduces cost basis over time

Biggest Beginner Mistakes

- Buying too short-dated LEAPS
- Choosing far OTM strikes
- Holding until expiration
- Ignoring earnings and fundamentals
- Over-leveraging account

Key Takeaways

- LEAPS are a **long-term bullish strategy**
- Best used on **strong, high-quality stocks**
- Go long in time, closer to the money
- Manage actively — don't "set and forget"
- Great bridge between **stock investing and options trading**

Educational Purposes Only

- Not financial advice
- Options trading involves risk