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## How to Do Iron Condors (Beginner Friendly Guide)

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### What Is an Iron Condor?

- An **Iron Condor** is an **options income strategy**
- You make money when a stock **stays within a price range**
- Best used when you expect:
  - **Low volatility**
  - **Sideways price movement**
- You are **selling time decay (theta)**

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### Why Traders Use Iron Condors

- High **probability of profit**
- Defined risk (you know max loss upfront)
- Works well in:
  - Slow markets
  - Post-earnings
  - Range-bound stocks
- You don't need a big directional move

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### Market Conditions for Iron Condors

- Best when:
  - Stock is **not trending strongly**
  - Volatility is **high but expected to drop**
- Avoid:
  - Earnings announcements
  - Major news events

- Strong up or down trends
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### **Iron Condor Structure (Simple View)**

An Iron Condor uses **4 option contracts**:

- 1 Call spread (bearish side)
- 1 Put spread (bullish side)

You are:

- Selling **one call**
  - Buying **one higher call**
  - Selling **one put**
  - Buying **one lower put**
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### **Visualizing the Iron Condor**

- Think of it as a **price box**
  - You want the stock to:
    - Stay **above the put spread**
    - Stay **below the call spread**
  - Profit zone = **the middle**
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### **Step 1 – Pick the Right Stock**

- Look for:
  - Large-cap stocks or ETFs
  - High options volume
  - Tight bid-ask spreads
- Beginner-friendly examples:
  - SPY
  - QQQ

- AAPL
  - MSFT
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## Step 2 – Choose Expiration

- Ideal expiration:
    - **30–45 days out**
  - Why?
    - Faster time decay
    - Easier to manage
    - Less gamma risk
  - Avoid:
    - Weekly options (too aggressive for beginners)
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## Step 3 – Sell the Call Spread

- Sell a **call option above current price**
  - Buy a **higher strike call** for protection
  - This creates:
    - A **bearish spread**
    - Limited risk
  - Goal:
    - Stock stays **below the short call**
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## Step 4 – Sell the Put Spread

- Sell a **put option below current price**
- Buy a **lower strike put** for protection
- This creates:
  - A **bullish spread**

- Limited risk
  - Goal:
    - Stock stays **above the short put**
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### Step 5 – Collect the Credit

- You receive a **net credit** when entering the trade
  - This credit is:
    - Your **maximum profit**
  - Max profit happens when:
    - Stock expires **between the short strikes**
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### Maximum Profit & Maximum Loss

- **Max Profit**
    - The premium collected
  - **Max Loss**
    - Width of spread – credit received
  - Risk is:
    - Defined
    - Known before entering the trade
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### Example Iron Condor Trade

- Stock price: \$100
- Sell:
  - 105 Call
  - 95 Put
- Buy:
  - 110 Call

- 90 Put
  - Credit received: \$2.00
  - Max profit: \$200
  - Max loss: \$300
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### Probability of Profit

- Most traders target:
    - **60%–75% probability**
  - How to increase probability:
    - Sell strikes further from price
    - Accept smaller credit
  - High probability = lower reward, higher consistency
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### Managing an Iron Condor

- Common management rules:
    - Take profits at **50%–75%**
    - Close trade early
  - Don't wait until expiration
  - Adjust if:
    - One side is challenged
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### When to Exit Early

- Close early if:
  - You hit profit target
  - Stock breaks out of range
  - Volatility increases unexpectedly
- Capital preservation > max profit

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## Common Beginner Mistakes

- Trading during earnings
- Selling strikes too close
- Holding until expiration
- Using too large position size
- Ignoring volatility

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## Risk Management Rules

- Risk only **1–5%** of account per trade
- Trade liquid options only
- Use defined risk spreads
- Never “hope” the stock comes back

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## Best Time to Use Iron Condors

- After big price moves
- When IV is elevated
- In calm, sideways markets
- On index ETFs for consistency

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## Iron Condor vs Other Strategies

- Compared to Covered Calls:
  - No stock ownership needed
- Compared to Credit Spreads:
  - More neutral
  - Higher probability
- Compared to Straddles:

- Less risk
  - More defined outcome
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### **Final Takeaways**

- Iron Condors are:
    - Income-focused
    - High probability
    - Defined risk
  - Perfect for:
    - Beginners
    - Small accounts
    - Consistent traders
  - Master risk management first
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### **Educational Purposes Only**

- Not financial advice
- Options trading involves risk