
How to Do Iron Condors (Beginner Friendly Guide)

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)**

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

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

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**

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**

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

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)

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**

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**

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**

Maximum Profit & Maximum Loss

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

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

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

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

When to Exit Early

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

Common Beginner Mistakes

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

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

Best Time to Use Iron Condors

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

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

Final Takeaways

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

Educational Purposes Only

- Not financial advice
- Options trading involves risk