TRADING CLUB
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TRADING CLUB PLAYBOOK

Porter & Co.

Welcome To The Trading Club

The Trading Club Playbook

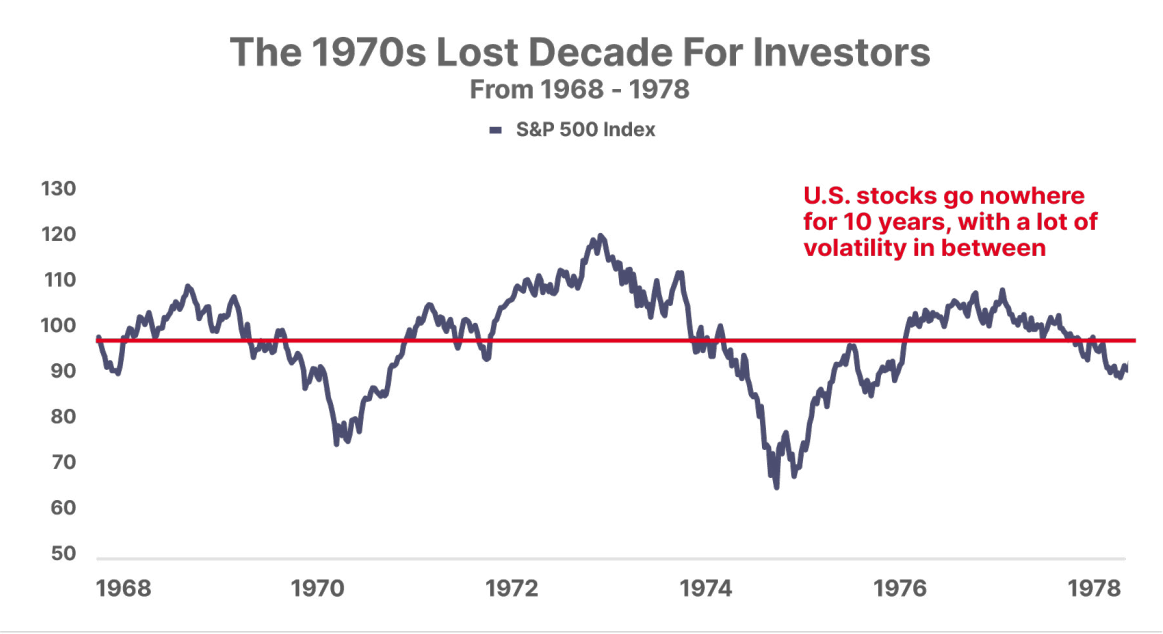
The game has changed.

For decades, investors have benefitted from an era of falling interest rates, rising asset valuations, and a strong U.S. dollar at the foundation of the global financial system. And U.S. stocks were the biggest winners of all, providing the best returns of any asset class around the globe. This, in turn, attracted foreign investment that created a virtuous cycle of higher asset prices, low inflation, and low bond yields.

The only investing playbook needed to secure easy, double-digit annual returns could fit into a single sentence: Buy and hold index funds.

But now, this paradigm of American financial exceptionalism is coming to a chaotic end.

For the first time since the 1970s, foreign investors are fleeing what were previously the global safe haven assets: the U.S. dollar and U.S. Treasury bonds. And it's setting the stage for the same financial outcomes of that era: a lost decade in stock and bond returns, with tremendous volatility along the way.



Source: Bloomberg

Investors caught a preview of this financial devastation following President Donald Trump's "Liberation Day" tariff announcement on April 2, 2025. During a 48-minute press conference held in the White House Rose Garden, President Trump announced the largest tariffs against virtually every major country in the world. It was unlike anything the world's seen since the Great Depression, and sparked a mad rush out of all U.S. financial assets.

By the time the dust settled, U.S. stocks had lost nearly 20% of their value. Long-dated Treasuries lost 10% in the span of a week, and the U.S. dollar dropped by more than 12% from its high earlier in the year.

It was the first financial panic since the 1970s when all three major U.S. asset classes – stocks, bonds, and the dollar – plunged in value at the same time. These synchronized price declines typically only happen in highly-indebted, financially distressed third world economies.

And it's only the start of what's to come.

To be clear… President Trump's global trade war isn't necessarily the cause of America's demise. It is merely the catalyst that propelled it forward. The real cause traces back to what Porter first began writing about in his *End Of America* documentary, back in 2011. That is, runaway government deficits leading to an unsustainable debt burden that would culminate in a crisis of confidence in U.S. financial assets.

Fast forward to mid May, when America's credit rating was downgraded by the final of the three major ratings agencies. Now the American financial system is rapidly approaching the status of an insolvent third-world economy. The national debt is $36 trillion, with annual budget deficits running at 7% of GDP – the highest ever in peacetime, outside of COVID-19. And it now spends over $1 trillion each year on interest expenses alone – more than the entire military budget. Meanwhile, the runaway increases in entitlement spending, including Social Security, Medicare, and Medicaid – are set to increase automatically each year, by law.

There's no end in sight to Uncle Sam's spending spree. And even when Trump tasked the world's smartest man – Elon Musk – to cut wasteful government spending, the effort failed in spectacular fashion. Despite all the DOGE (Department Of Government Efficiency) hype, the U.S. government is on track to *increase* spending above the crippling levels seen under the Biden administration.

This isn't a Democrat versus Republican problem. It's an unstoppable freight train that's heading 100 miles toward a brick wall, with no emergency brake.

And it's all leading to one thing: a default on the U.S. Treasury. Don't take my word for it. That's what the bond market is telling us, with the inflation-adjusted yield on long-duration Treasuries breaking out to the highest level in 23 years. This is the bond market telegraphing a coming default by inflation, and investors demanding an ever-higher inflation risk premium for owning Uncle Sam's promissory notes:

The only safe havens remaining are gold and its digital cousin Bitcoin. Here again, the ghosts of the 1970s beckon: during that decade, gold was one of the few assets that shielded investors from the ravages of crippling inflation and a lost decade in stocks and bonds.

But most investors are ignoring these dire risks. Equity valuations haven't come close to pricing in this new reality. JPMorgan CEO Jamie Dimon recently warned investors of an "extraordinary amount of complacency" as markets rebounded from their Liberation Day declines.

With the S&P 500 trading just shy of all-time high valuations, the U.S. stock market is more vulnerable than ever to a lost decade. And government bonds are locked into their worst three-year bear market on record, with no apparent change on the horizon.

That's why volatility is here to stay. In the first few months of 2025, we've seen tremendous back-and-forth price movements from complacency to fear, as measured by the CBOE Volatility Index (VIX). The VIX surged from a copacetic reading of 16 in late March to a full-blown panic level of 60 in early April. A reading above 20 suggests turbulence ahead.

Most investors attempting to trade around these chaotic moves are getting whipsawed, seeing their accounts whittled away by taxes and trading fees. Each week brings a new source of headline-driven volatility into the market. Depression-era tariff rates announced one day, followed by trade deals and temporary tariff relief the next. Bonds rallying on a tame inflation reading one week, followed by another plunge when America's credit rating is downgraded the next.

We've been catapulted into an unprecedented financial reordering and are now in the throes of the most volatile and uncertain economic environment since 2007.

Every day, the rules of engagement are changing.

Markets are rising and falling by *thousands* of points… investors are whipsawing between fear and greed… political tensions at home and abroad are soaring… trillions of dollars are being made and lost…

…and *nobody* knows what's going to happen next.

In this new era of volatility, buy-and-hold investing is dead. What will take its place? Active trading strategies designed to limit risk, and turn volatility into opportunity.

No, we're not talking about day trading. We're talking about taking calculated risks on the handful of reliable trading strategies we've seen work time and time again through chaotic market environments. And we draw upon the expert analysts on our team who have spent thousands of hours mastering their respective niches.

This includes things like distressed debt, biotech, short-selling, and options trading.

This *Trading Club Playbook* explains what these opportunities look like and how to find them. We walk you through step-by-step details of how to execute them, while showing you specific examples of how we're putting our own money to work in today's market.

We begin with the bread and butter of the trading techniques we'll use in this service: options trading.

When volatility spikes, few strategies are more lucrative than selling options for income. This gives everyday investors the chance to become their own miniature insurance company. In the case of a put option, the seller offers the buyer insurance that protects against a decline in a stock's price below a certain level. Thus, selling put options can be viewed as selling insurance against share-price declines to other investors. In exchange for providing that protection, option sellers collect upfront cash premiums that can then be reinvested – effectively engineering their own personal insurance float.

And here's the wonderful thing: the options market offers a virtually unlimited source of these same kinds of opportunities every trading day. Even when overall volatility in the market is low, there's a constant source of option-trading opportunities in high-quality businesses, where the share price is experiencing higher-than-normal volatility. This can come from a one-time earnings miss, a cyclical downturn in the company's industry, or any other number of temporary setbacks that don't impair the long-term viability of the business.

We will also detail how to use the regular income from options selling to occasionally purchase options. This can be used to manage downside risk by hedging a portfolio of long positions, and also target asymmetric trades that can turn a small upfront investment into a potential windfall.

Stay tuned for updates to this *Playbook*, which is a living document that will incorporate the specific trading strategies we will introduce in future *Trading Club* issues.

Let's get started...

Options 101

What Are Options?

Options are like insurance for the stock market.

Insurance companies charge drivers a premium to protect their car. If a driver gets into an accident, their insurance protects them from going broke by limiting the amount they can lose.

Likewise, investors buy options to limit the downside in stock prices. If the stock falls below a certain price, their losses are capped. In exchange for this protection, investors pay what's known as a **"premium"** to purchase an option, just like the premiums drivers pay for car insurance.

Before we get into more details about how options work, it's important to understand their history and how they are used by investors to limit their risk.

Options Trading: From Ancient Greece To Wall Street

Long before the flashing screens of Wall Street and the complex strategies of modern finance, the core idea behind options had already taken root in ancient Greece.

It all started with a philosopher named Thales of Miletus. Thales wasn't a farmer, but he was smart – smart enough to predict that the upcoming olive harvest would be unusually strong.

Acting on his insight, he struck deals with local olive press owners: he paid a small upfront fee (a premium) to reserve the right to use their presses later, during peak harvest season. When the harvest came in heavy, demand for the presses surged, and Thales leased them out at a premium.

Without ever touching an olive, he made a small fortune.

In modern terms, Thales had bought a **call option** — the right, but not the obligation, to take control of an asset later at a fixed price. His ancient maneuver planted the seed for a financial tool that would grow into a $137 billion global asset class today.

The key feature of Thales' trade is that he limited his downside risk, while still retaining significant upside if his thesis played out as expected. The contract he purchased only required a small upfront cash payment relative to the total cost of the olive presses he would later control. If he instead paid for all of the leases upfront, he would have risked losing a lot of money if the harvest went the wrong way. Thus, the option allowed him to reap a windfall from a good harvest, but with only a fraction of the risk.

Today, investors use option contracts to put the same basic idea into practice in the stock market.

An option is a contract that gives investors the right (but not the obligation) to buy or sell a stock at a specific price (s**trike price**) before a certain date (**expiration date**). There are two basic types of options:

1. **Call option:** provides the right to purchase a stock at the option strike price up until the expiration date.
2. **Put option:** provides the right to sell a stock at the option strike price up until the expiration date.

At the end of each contract's expiration date, the option can be **"exercised"** into either a purchase of stock (calls) or the sale of stock (puts). Importantly, not all options get exercised. In fact, the majority expire worthless over time. It all depends on where the stock trades on the expiration date, a topic we'll revisit later.

For now, the key thing to appreciate is that every options trade has a buyer and a seller. And the risk/reward of each option contract depends on which side of the trade you take, as described below:

Buyer (You pay a premium)

- You have the right (but no obligation) to exercise the option, until the expiration date
- Call options can be exercised into a stock purchase at the strike price
- Put options can be exercised into a stock sale at the strike price
- Your risk is limited to the premium you paid for the option

Seller (You receive a premium)

- You have the obligation to fulfill the trade if the buyer exercises the option
- Selling a call obligates you to sell stock to the call buyer at the strike price
- Selling a put obligates you to buy stock from the put buyer at the strike price

Next, we'll show a few examples of what this looks like in practice.

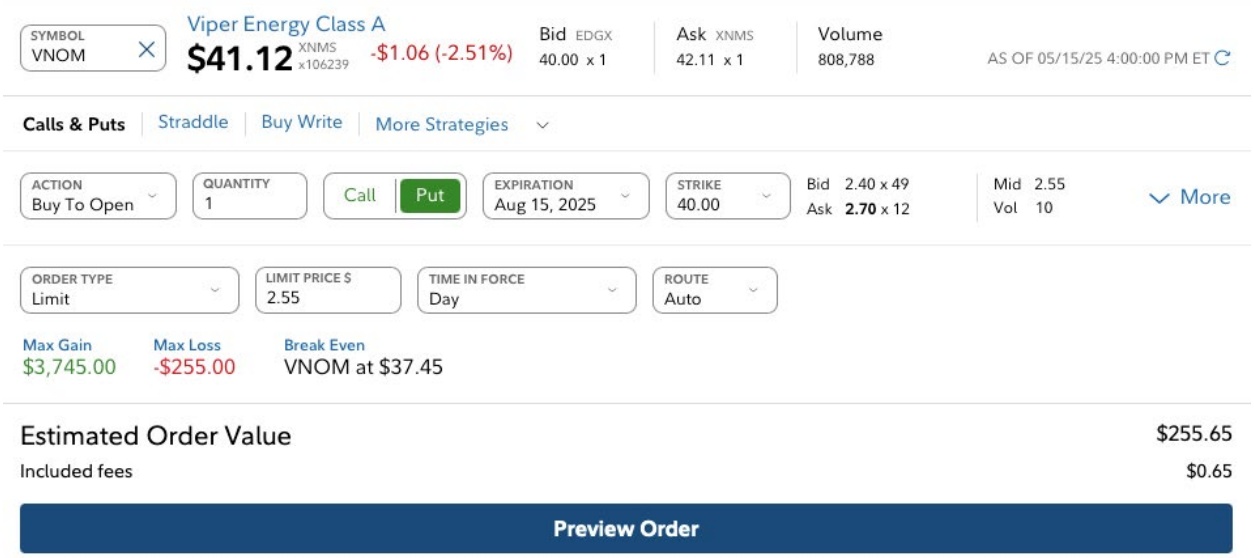
Option Trading Examples

Each options trade consists of the following five key components:

1. Underlying stock: the stock which the option references
2. Expiration date: date at which the option expires
3. Strike price: the price at which the option can be exercised (buying stock for calls, selling stock for puts)
4. Type of contract: call or put
5. Option price: the premium paid to buy the option, or received from selling the option

Shown below is an example of a put-option contract on shares of oil royalty company Viper Energy (VNOM) that expires on August 15, 2025, with a $40 strike price, trading at $2.55:

When placing an options trade, you must specify all five of these components into your brokerage trading interface. Here's what the VNOM example contract above looks like in Fidelity:



Important Note: each option contract references 100 shares of underlying stock, meaning the option price comes with a 100x multiplier. Notice above that the $2.55 quoted option price translates into a total value of $255 (plus fees).

Next, we'll use this example to showcase the first of the three basic types of options trades. These will serve as the foundation of our strategy, and understanding how these work will set the stage for the more advanced options trades we introduce later.

1. Hedging Downside With Protective Puts

Goal: Reduce risk in a stock or portfolio, using puts as insurance. This type of trade involves owning shares of the underlying stock, plus a put option that's designed to protect the downside of the shares you own.

How it works: If an investor owns a stock and fears a short-term drop, they'll buy a put option. If the stock drops below the strike price – the predetermined price agreed to up front – the put caps their losses by allowing them to sell at the higher strike price versus the lower market price at expiration.

Protective Put Example

- An investor owns 100 shares of oil royalty company Viper Energy (VNOM) at $41, and is worried the stock could fall by as much as 50% due to an OPEC price war over the next few months.
- They buy the three-month put option shown above, with a $40 strike for $2.55.
- If shares of VNOM drop to $20 over the next three months by the option expiration date, the investor can exercise the option (sell their stock to the put buyer) at $40 instead of the $20 market price.
- In this case, the investor spent $2.55 per share to limit his losses to just $1 per share, versus the $21 per share in losses he would have suffered without the put option.

It's also possible to place this same kind of trade on stock prices falling (or rising), but without owning the actual shares. These are known as "naked" options trades, and they're used for making speculative trades that provide significant upside with limited downside risk.

2. Speculating With Naked Options

Goal: Make directional bets on rising or falling stock prices, but with less capital versus buying or selling short the stock. There are two basic types of speculative options trades:

Naked puts: each put gives you the equivalent exposure of shorting 100 shares

Naked calls: each call gives you the equivalent exposure of buying 100 shares

Naked Put Example

- A trader thinks Microsoft (MSFT) is overvalued at $450, and will drop after a poor earnings report.
- Instead of shorting 100 shares ($45,000), they buy a put option for $400.

- If the stock plunges, that put could become worth thousands.
- And if the investor is wrong and the stock soars after earnings, instead of taking the full risk of shorting $45,000 of stock, the most they can lose is the $400 option price.

Naked Call Example

- A trader thinks Microsoft is undervalued at $450, and will surge after a good earnings report.
- Instead of buying 100 shares ($45,000), they buy a call option for $400.
- If the stock soars, that call could become worth thousands.
- And if the trader is wrong and the stock plunges after earnings, instead of taking the full risk of buying $45,000 of stock, the most they can lose is the $400 option price.

Key point: since most options contracts expire worthless over time, speculating with naked calls and puts is often a losing proposition. However, on those rare occasions when we have a high conviction idea on the future direction of a stock price, they can be incredibly valuable tools for generating 5x to 10x returns. And over time, a few of these outsized winners can more than make up for the losing trades along the way.

Most of the time, however, the odds favor the seller on the other side of these speculative bets. That brings us to our next and final category of basic trades, and the "bread and butter" of our options trading approach: selling options for consistent income.

3. Selling Options For Income

Goal: Generate yield from existing positions or when waiting to buy stocks you want to own at discounted prices. There are two basic types of option selling trades for generating income:

Selling covered calls: If you own at least 100 shares of stock, you can sell a call option to a speculator who wants to bet on the price going higher. You surrender future upside by agreeing to sell your shares at the option strike price at a future date, and in exchange, you get paid an upfront cash premium for making the trade.

Selling puts: If you want to buy a stock at a discounted price in the future, you can sell a put to another investor who wants protection against downside risk in the stock, or to a speculator betting on the stock price falling. In exchange for committing to buying shares at the strike price, you get paid an upfront cash premium.

Covered Call Example

- An investor owns Nvidia (NVDA) at $130 per share.
- They sell a three-month call option at a $140 strike price for $8, generating a 6% yield.
- If the stock doesn't close above $140 at expiration, they keep the shares and can repeat the trade.

- Over the course of a year, repeating a similar series of trades will generate a 26% annualized yield (much better than the 0.03% dividend yield!)
- If the stock soars, the investor who sold the covered call surrenders the upside above the $140 call strike price. They still make a $10 per share profit, plus the $8 option premium, or a 13% return in three months.

Key point: this strategy doesn't involve taking any additional risk versus a buy-and-hold approach, making covered calls one of the lowest-risk options strategies for safely generating income.

Put Selling Example

- Nvidia trades at $130 and an investor wants to buy shares at a discount to the current price
- They sell a three-month put option at a $120 strike price for $6
- If the stock closes below $120 at expiration, they get "put" the shares, meaning they have to buy Nvidia at $120 per share. Net of the $6 in premium, the effective cost basis is $114, or a 12% discount from the original trading price.
- Alternatively, if the stock closes above $120 at expiration, they earn the $6 premium versus the $120 at risk. That's a 5% return in three months, and they can then repeat a similar trade again. Repeating this 5% return every three months over the course of a year translates into a 22% annualized return.

Key point: this strategy offers a win-win outcome. You either 1) generate a solid yield if the stock price stays above the option strike price, or 2) buy a stock you already want to own, but at a discounted future price.

As you can see, there are many ways to make money trading options. They offer investors a tool for making money in virtually every kind of market environment, including:

1. Protection against downside movements in stock prices.

2. Speculative opportunities to risk a small amount of capital for a potential windfall, from stock prices moving up or down.

3. A chance to earn consistent income on stocks you already own, or want to own, regardless of whether the price goes up, down or sideways.

But it's not all upside. History is littered with examples of investors losing fortunes from options trades gone wrong. The key risks to be aware of before even considering trading options include:

Risks Of Options

- Most options can expire worthless, meaning you can lose 100% of your investment when buying options. Limiting your exposure to these types of trades minimizes this risk.

- Selling options on leverage can put you at risk of losing more than 100% of the value of your investment account. If you choose to use leverage, having a system in place to limit your downside is critical. Stop losses and position sizing are key.
- Before entering any options trade, make sure you fully understand and accept the risks involved.

Key Idea

Options are a powerful financial tool that can add significant value to a thoughtful, risk-managed investment strategy. But as with any tool, they can also become an instrument of destruction if used recklessly.

In our experience, the most resilient approach in options trading involves a combination of all three of these basic strategies described above. The foundation of our approach is based on consistent option selling to generate slow, steady yields. We then selectively reinvest the premiums we earn into buying options, both for hedging the downside in the portfolio, and for capturing speculative upside on high conviction ideas.

Now that you know the basics of what options can do, the next step lies in understanding how to spot opportunities when options are mispriced. And in order to do that, you must first understand what drives their prices.

For this, let's again go back in time to the early 1970s, when the industry standard model for pricing options was first developed.

What Determines Options Pricing

In 1973, the Chicago Board Options Exchange ("CBOE") opened its doors, bringing standardized, regulated options trading to the public for the first time.

As options trading became more popular among both professional and individual investors, a problem arose: no one really knew how to fairly price an option. Most investors can intuitively understand what a stock price is worth, or should be worth. A far harder question: how to value a contract to buy or sell that stock in the future?

Enter two brilliant mathematicians: Fischer Black and Myron Scholes, later joined by Robert Merton. These men weren't typical Wall Street traders – they were academics who believed that the market, like nature, followed patterns. And if you could understand those patterns, you could create a formula to make sense of it all.

They started with a simple question:

> *"If we know a stock's current price, how much it tends to move, and how long the option lasts, can we calculate what an option should be worth today?"*

They worked through a lot of complex math, made a few assumptions about how markets behave, and in 1973, they published a formula that would change finance forever. This formula – now known as the Black-Scholes model – became the first widely accepted way to calculate the fair value of an option. It used inputs like:

- The stock's current price in relation to the option strike price
- Time until the option expires
- How volatile the stock is

The Black-Scholes model quickly became the de facto standard for pricing options, and eventually earned Robert Merton and Myron Scholes the Nobel Prize in Economics (Fischer Black had passed away and couldn't be awarded). Today, almost every professional in finance still uses versions of their model, from brokers and market makers that set option prices each day, to accountants who determine the value of options in stock-based compensation.

What made Black-Scholes so appealing was that it turned arcane, hard-to-price options contracts into something with a clearly defined value that everyone could agree upon. Investors no longer had to guess what an option was worth – they could use this model to arrive at a specific price, down to the decimal.

But just because something can be measured with 100% precision, doesn't make it 100% accurate. Especially when it comes to the messy world of stock price behavior in the financial markets, as the late great Charlie Munger once explained...

> *"So people want to find some formula. It's what I call 'physics envy.' These people want the world to be like physics. But the world isn't like physics, outside of physics. And that false precision just does nothing but get you in trouble."*

Many of the world's greatest investors, including Charlie Munger and Warren Buffett, have leveled sharp criticism at the Black-Scholes model. This is because of several critical flaws embedded into the assumptions of Black-Scholes equation that can occasionally make options prices wildly mispriced. Buffett and Munger capitalized on these flaws to make multi-billion-dollar windfalls on mispriced options trades throughout their careers managing Berkshire Hathaway.

So, while it's important to understand the key drivers that influence the option prices flashing across your trading screen, we won't spend a single minute on the complicated math underlying the Black-Scholes model. We also won't spend time on the "options greeks" – fancy terms that describe how options prices vary according to the Black-Scholes model inputs.

When it comes to options trading, you can leave the greeks to the geeks.

Instead, you only need to focus on the following three key drivers that are the major driver of option prices, including:

Key factors that drive options prices

Factor	What It Means	Effect
Stock Price	Main driver of the optionvalue: how close the stock is to the strike price (moneyness)	Option value increases as stock trades further in the money
Time Value	The value of the length of time in the option contract	More time = more value; Less time = faster decay
Implied Volatility (IV)	Measures expected movement of a stock	Higher IV = more expensive options

Next, we'll dive into each of these topics one by one.

1. Moneyness: refers to how close the stock price is to the option strike price. Options gain more value as they trade further "in the money."

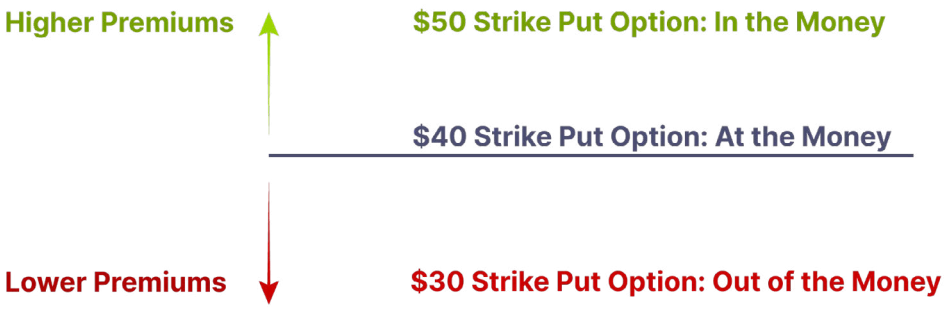
Every option contract is either 1) in the money, 2) out of the money, or 3) at the money… and this definition depends on the type of contract.

Let's start with defining moneyness for put options.

Remember that a put option provides an investor with the right to sell stock at the strike price. This means the put has more value when the stock price trades below the strike price, because it's more valuable to sell at the put price versus the current market price.

Thus, put options with a strike price *above* the stock price are "in the money" and trade at higher premiums versus put options with a strike price *below* the stock price, which are "out of the money." And the option is "at the money" when the strike price is equal to the stock price, as shown in the example below:

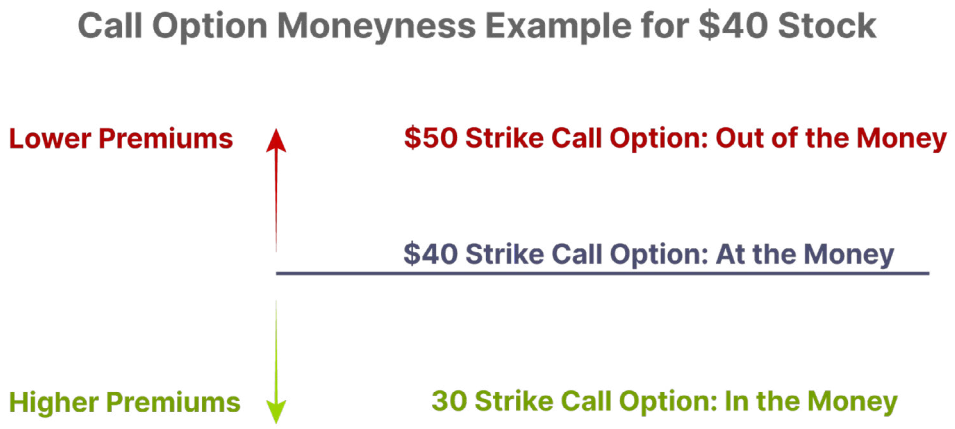
Moneyness Example for $40 Stock



Call options work the same way, but with the direction of moneyness flipped in the opposite direction.

Since call options provide the right to buy stock at the strike price, the option has more value when the stock price trades *above* the strike price, because it's more valuable to buy at the call price versus the current market price.

Thus, call options with a strike price *above* the stock price are "out of the money" and trade at a lower price versus call options with a strike price *below* the stock price, which are "in the money" as shown in the example below:



In both cases, the option contract increases in value as the stock moves in your favor, or as the option contract moves further in the money. This means call options become more valuable when the stock price rises, and put options become more valuable as the stock price falls.

Key point: the relationship between the stock price and the option price, or the "moneyness" of the option, is the largest factor determining the price of the option.

Next, let's move on to the second key component of an option's value: the length of time in the contract.

2. Time value: refers to the fact that options with more time until expiration are worth more money.

Since options fundamentally act like a form of insurance, the longer the duration of the insurance contract, the more value it has. Thus, all else equal, an option that expires in one year is more valuable than an option that expires in one month.

However, there's another important feature of the time value of options contracts you should know. That is, this time value of the option decays at a more rapid rate as the expiration date approaches. Said differently, shorter duration option prices fall in value faster compared with longer duration options.

This reflects the fact that security prices are generally perceived as more stable and knowable in the long run, but short term price swings are more unpredictable.

Key point: short-dated options that protect against short-term price swings are typically more expensive – when the option premium rate is measured on an annualized basis – versus longer-dated options that provide protection against long-term price swings.

As a result, we use the following rule of thumb when it comes to selecting the types of option contracts to buy or sell:

1. When selling options, we prefer shorter-dated contracts in order to collect a higher annualized premium rate.

2. When buying options, we prefer longer-dated contracts in order to pay a lower annualized premium rate.

3. Implied volatility ("IV"): a measure of how much a stock is expected to move in the future.

Remember that the fundamental role of options contracts is to provide insurance against adverse stock price movements. Thus, the Black-Scholes model needed some kind of quantitative factor to precisely measure the risk of a stock price moving in the wrong direction.

The variable it uses is IV. In short, the model says that stocks with higher IVs are riskier, because they have a higher chance of moving in the wrong direction. As a result, stocks with higher implied volatility have more expensive option premiums.

Now, what determines the implied volatility? History. Specifically, the last month or year of a stock's volatility is the key factor that option traders use to price the implied volatility over the next month or year.

So all else equal, a stock that moves up or down by 50% to 100% in any given year will have a higher implied volatility, and thus a richer options premium, versus a stock that only moves by 20% to 30%.

Key point: when selling options, we look for stocks that have high implied volatility and thus rich options premiums, relative to the risk of their underlying businesses. And the opposite is true when buying options: we look for stocks that have low implied volatility and thus cheap options premiums, relative to their potential for an outsized move in their share price.

Now that you know the three key variables that determine option pricing, we can get into the fun stuff: tearing apart the Black-Scholes assumptions to understand what causes options prices to be mispriced, and how to take advantage of it.

The first step involves setting up your brokerage account to take advantage of all of the different kinds of options trading ideas we'll bring you. Below, we've prepared a step by step guide showing you what you need to do, including examples from several popular brokerage platforms.

How To Set Up A Brokerage Account For Options Trading

There are two key things you'll need to set up in your brokerage account before proceeding, which include:

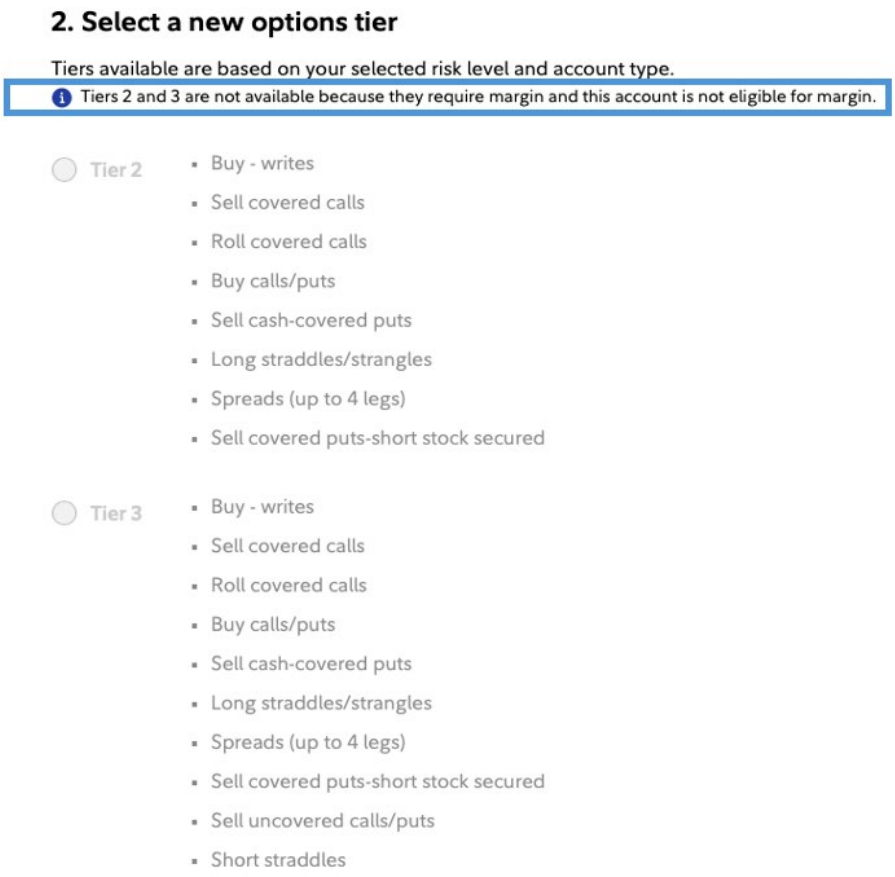
1. **Margin Trading Permission.** We plan to selectively use leverage (i.e. borrowed money to place trades) in this strategy, including things like selling puts on margin, and occasionally shorting stocks when the opportunity presents itself. If you don't already have margin trading permission, you'll need to request it from your brokerage account (we'll show examples of how to do this below).

2. **Level 3 (or Tier 3) Options Trading Permission.** There are four levels of options trading permissions available. The trades we'll be making in this service will require Level 3 (or Tier 3) options trading permission (examples shown below).

Note: if your account does not have margin trading capabilities, your broker will not allow you to apply for Level 3 (or Tier 3) options trading permissions, as shown below:

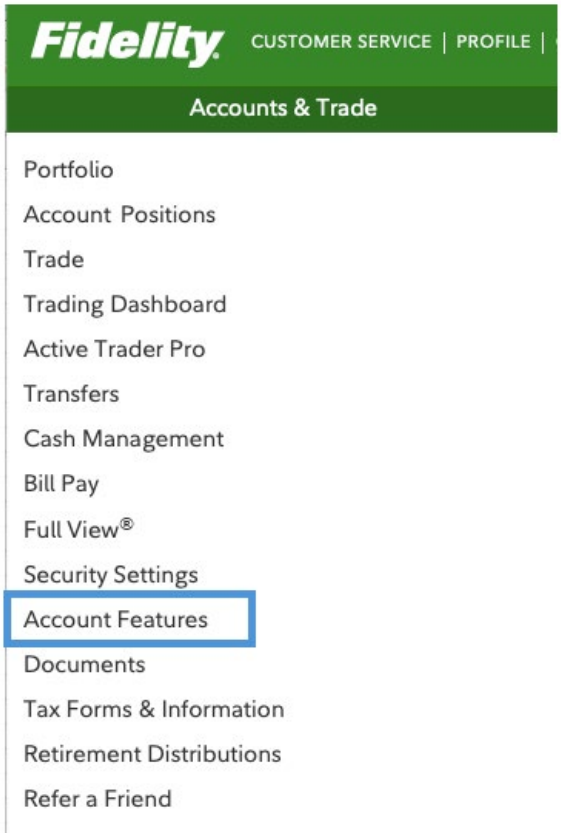
Most brokerages will have an easy online application process, where you can apply for both margin and options trading permissions. Below, we'll show how to request this online at Fidelity, Interactive Brokers, and Charles Schwab.

Note: if you don't have margin trading enabled, you will need to apply for that before submitting your options application. Most brokerages will process your applications for margin and options trading permission within 24 - 72 hours.

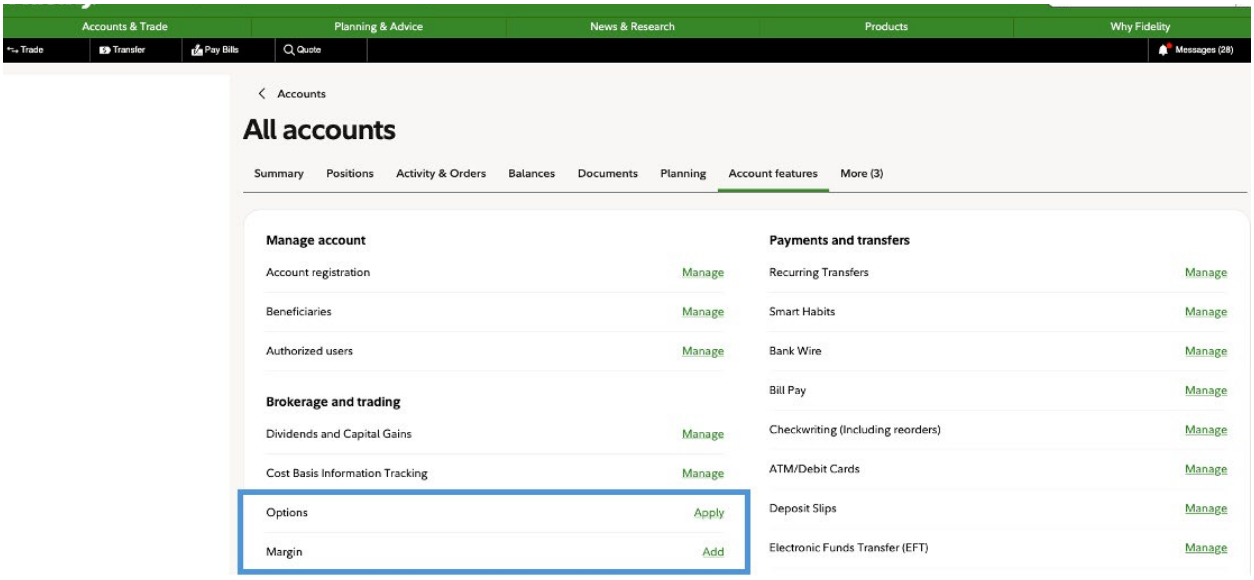


Fidelity Instructions

From the home page of Fidelity, navigate your mouse to the “Account & Trade” tab, located at the top left hand corner of the home page. This will produce the drop down menu shown below. Select the “Account Features” button, boxed in blue:



This brings you to the next page shown below, where you can scroll down to find the “Options” and “Margin” rows, boxed in blue:



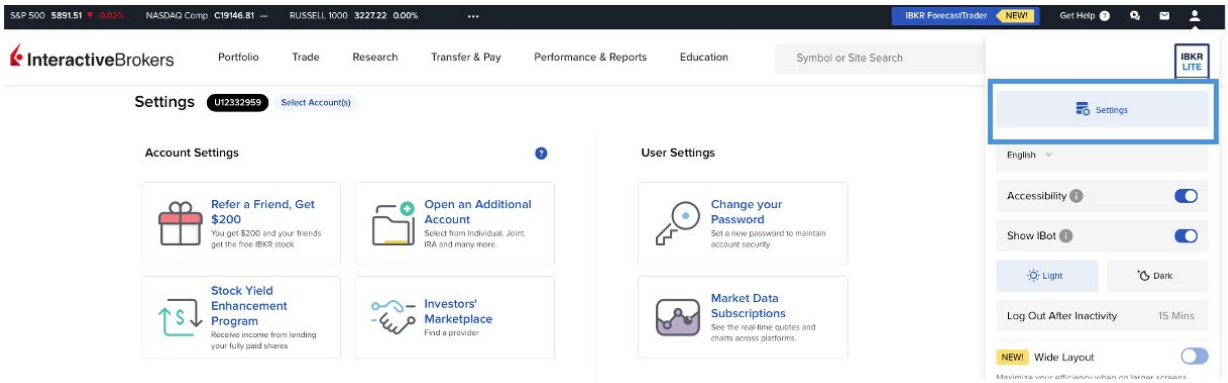
Click the “add” button next to “margin”, boxed in blue above, and follow the instructions to fill out the online application.

Once approved for margin trading, you can then request options trading permission by following the same process.

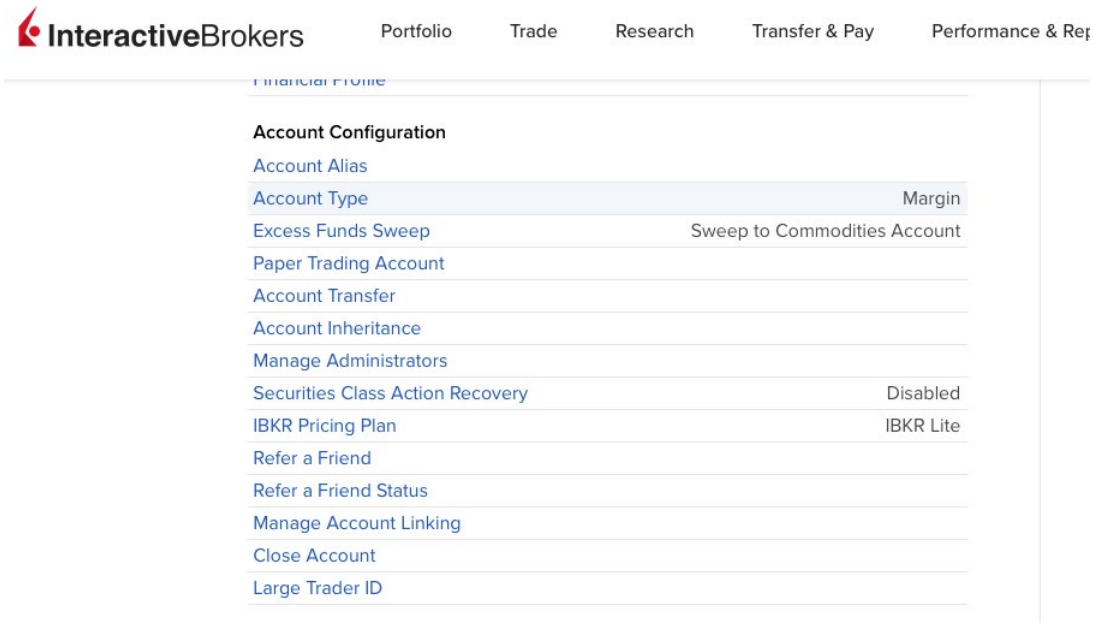
Navigate back to the Account Features page, and click the “apply” button next to “options” shown in the blue box above. Select the “Tier 3” options trading permission, and follow the instructions to fill out the online application.

Interactive Brokers Instructions

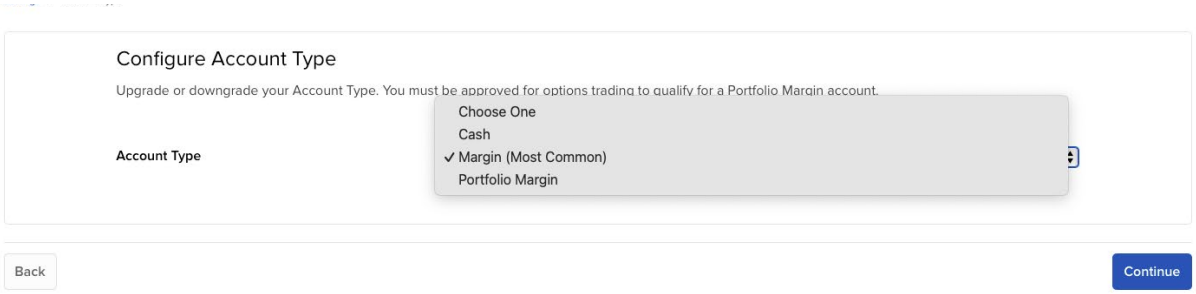
From the “Account Management” home page of Interactive Brokers, navigate your mouse to the profile icon at the top right hand corner of the page profile. Clicking the icon will reveal the drop down menu shown below. Select the “Settings” button, boxed in blue:



Scroll down to the “Account Configuration” header. If you do not already have margin trading enabled, it will show “cash” as the account type. Click on the “Account Type” button to proceed to the next page where you can apply for a change in the Account Type to a “margin” account.

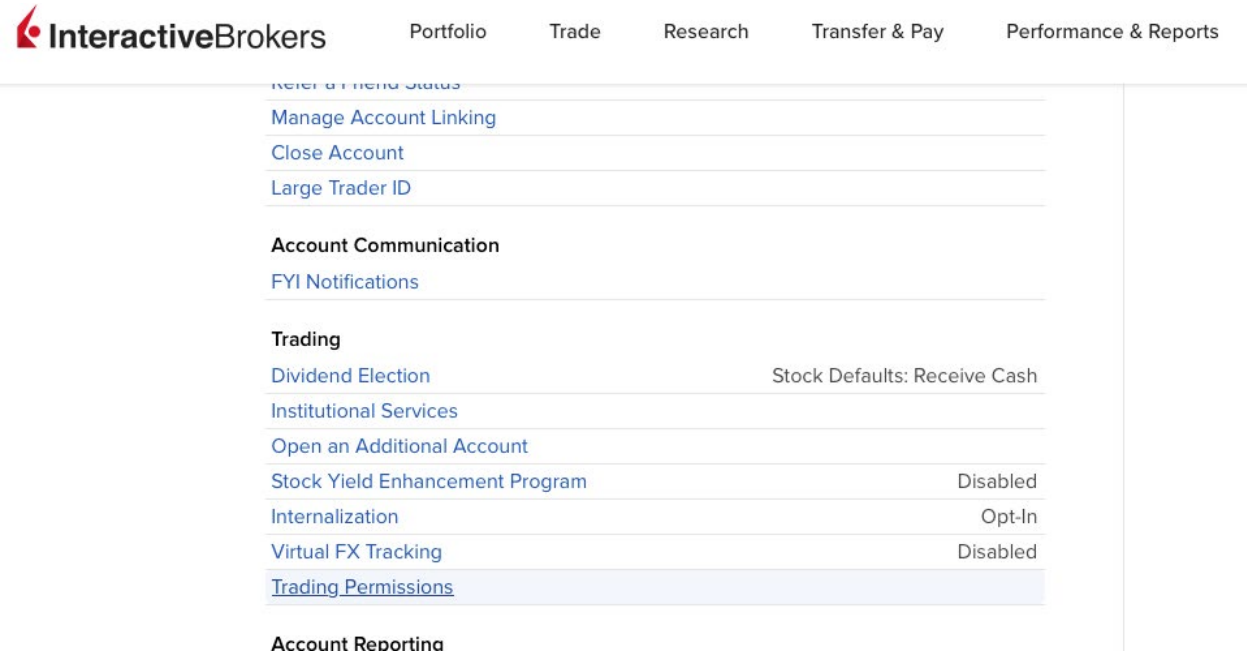


Clicking the “Account Type” button brings you to the following page, where you can select an upgrade to a “margin” account. Once the “margin” option is selected, click continue to proceed with the application.

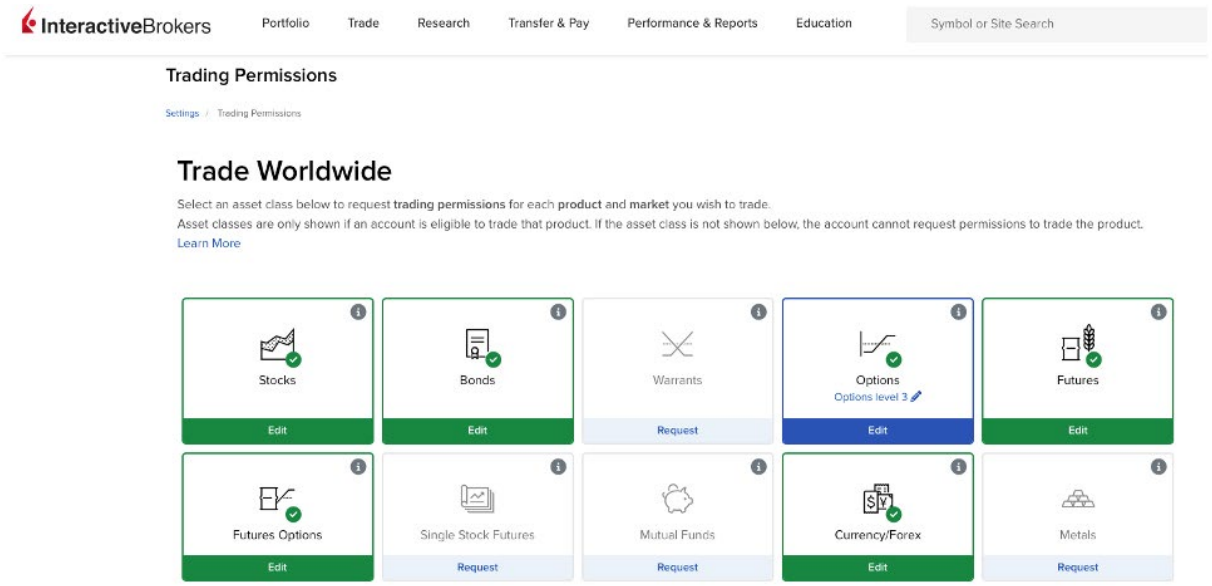


Once you have gained approval for margin trading, next you can proceed with requesting options trading permission.

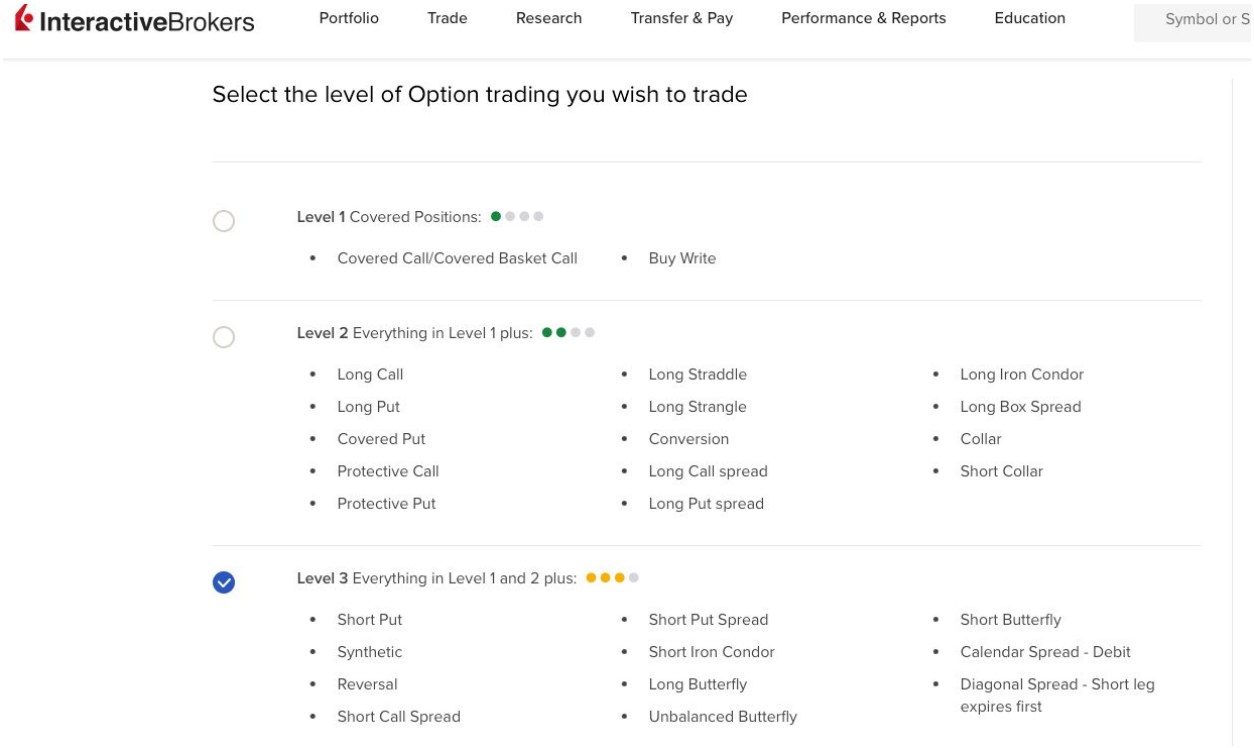
Follow the same process above to get to the “Account Settings” page. From there, navigate down to the “Trading” header and click the “Trading Permissions” button, highlighted in blue below:



On the Trading Permissions page, navigate to the “Options” box highlighted in blue below, and select “edit.”

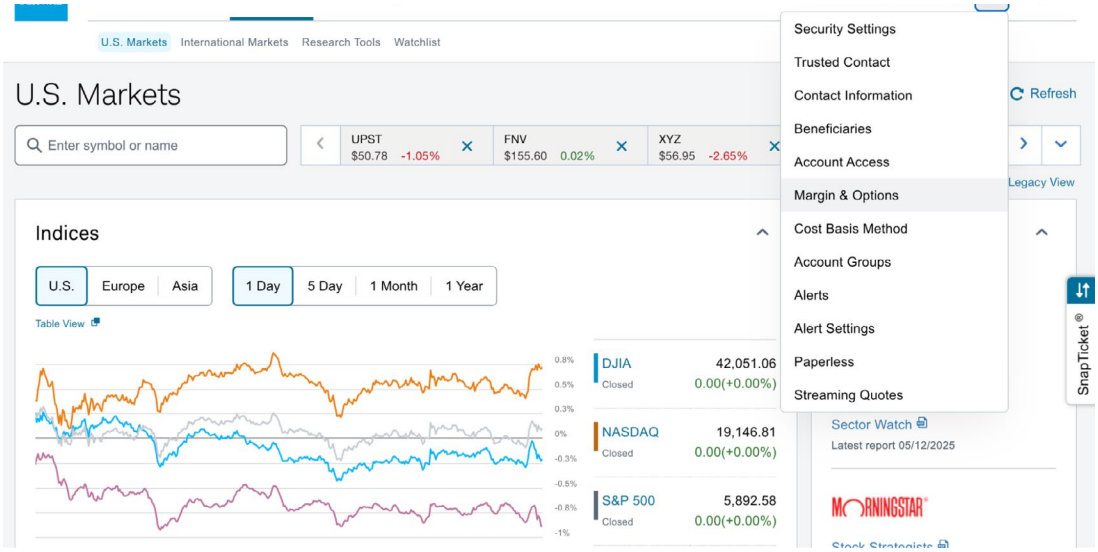


This will bring you to a page where you can select the “Level 3” options trading permission. After making the selection, click the continue button at the bottom right hand corner to proceed with the online application.

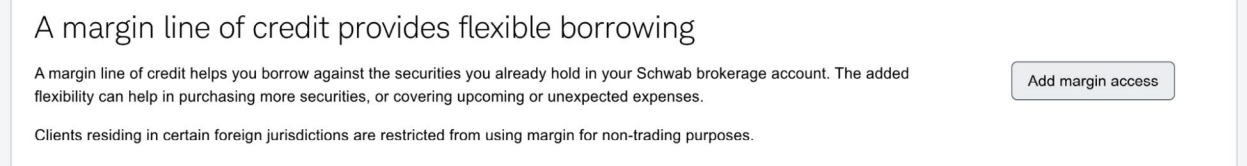


Charles Schwab Instructions

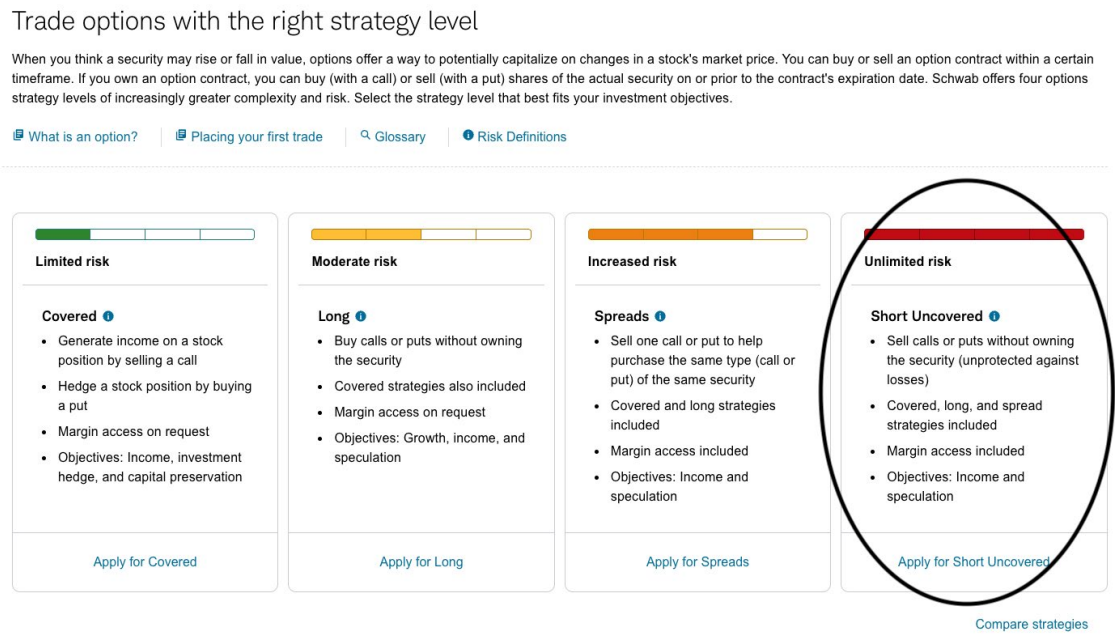
From the home page in your Schwab account, navigate your mouse to the top right under the user symbol and select “Margin & Options”, as shown below:



First, you’ll need to add margin access. Select “Add margin access,” and after reading the required material, check the boxes and move forward.



Next, you’ll select the “Unlimited risk” box for the options trading level, circled below, which will take you to the application.



If you have any specific questions on setting up your account, we suggest contacting your brokerage firm.

For other questions, feel free to reach out to us directly at **support@porterandcompanyresearch.com**

Porter & Co.
Stevenson, MD

P.S. If you'd like to learn more about the Porter & Co. team, you can get acquainted with us **here**. You can follow me (Porter) on **X** here: **@porterstansb**