

Before You Subscribe

If you choose to try our service, we want you to be ready to trade option spreads as soon as our weekly trade alerts are posted (every Thursday or Friday morning).

You may have little or no experience trading options and you may know nothing about spreads or iron condors. Then this section is for you; it will show you the steps to setup and be prepared to practice trading options at no cost to you.

The first step is to open an on-line trading account that allows you to "paper" trade options. Paper trading is a capability many on-line trading services provide to practice or test your trading strategies without risking real money.

Even if you already have such an account, we recommend you open a TD Ameritrade account for its "paper" trading service.

Why use TD Ameritrade? Three reasons:

1. Simply the best options trading platform (called ThinkorSwim),
2. Excellent "Paper" Trading system as close to the real thing as it gets,
3. It's free.

We and others believe they have the best options trading platform. So if you have never traded options, you might as well start with the best platform. There are many other brokerage firms that are good and may have better commission rates, but since you are encouraged to paper trade our system during the trial period, commissions will only be an issue once you trade real money.

Step 1 Open a TD Ameritrade Account

You can find how to do this either by going online to their website or calling them directly.

Step 2 Download the ThinkorSwim software

Once you have your account and login, go to the "Trading Tools" Tab and download the ThinkorSwim platform for your computer (Windows or Mac versions).

Now you have your ThinkorSwim platform that allows you to log into your "Paper" account. Final Step 3 will show you how to take a sample trade alert and use it to enter an iron condor trade.

Step 3 Example of How to enter an Iron Condor Trade

Below is a sample trade alert for entering weekly trades for options with the symbol, "AUG". AUG options are associated with the month of August, but when there is one week to go before expiration we will use the monthly options for our next weekly plays.

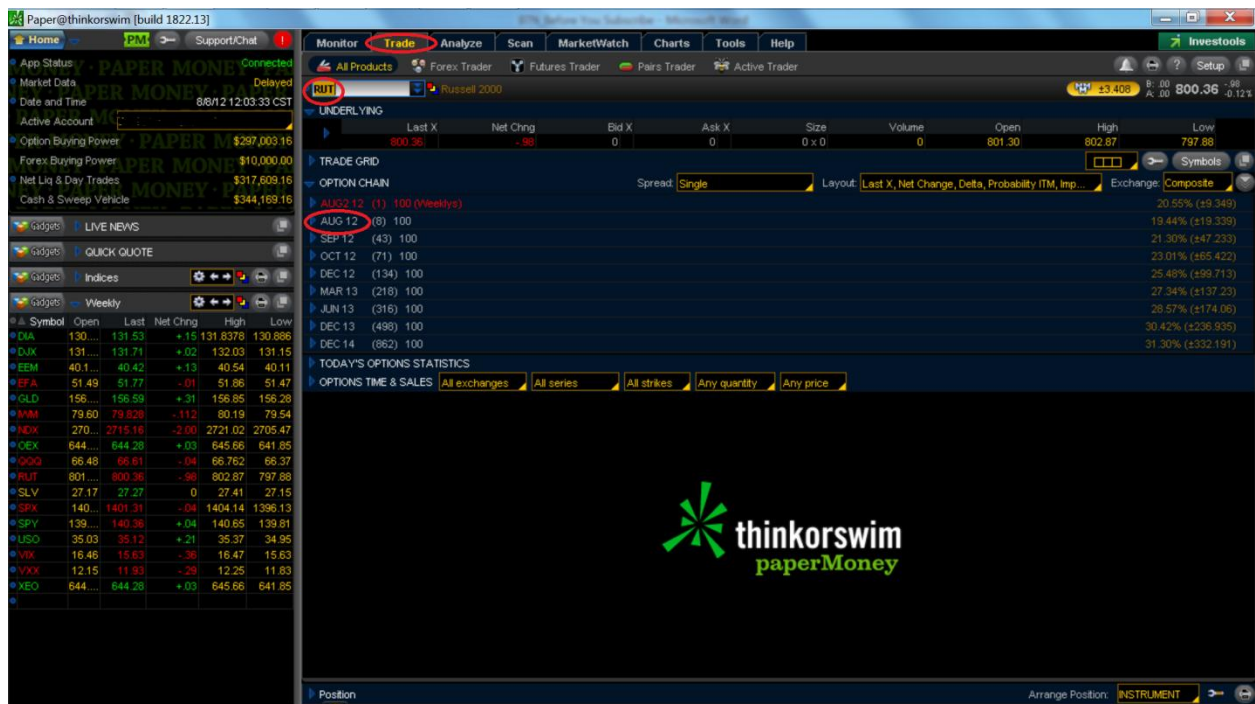
In the weekly plan you don't have to use every index for iron condor plays. However whether you use one or all five, the mechanics of entering the trade are all the same. So for this example we will use the RUT.

According to the trade alert for the RUT we want to enter an Iron Condor trade using the 830/840 call spread and the 770/760 put spread.

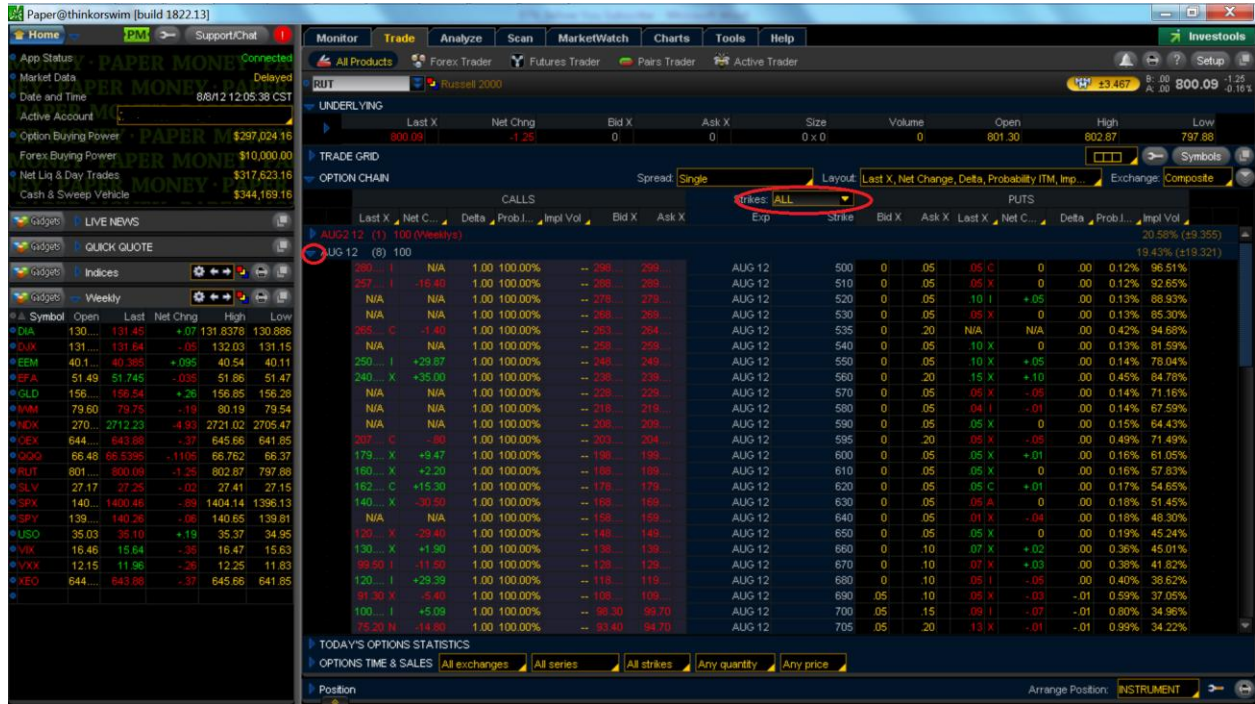
Weekly Trades are for AUG

Trade Symbol	CALL SPREADS		PUT SPREADS	
	Sell to Open	Buy to Open	Sell to Open	Buy to Open
SPX	1460	1470	1350	1340
RUT	830	840	770	760
XEO	670	680	620	610
DJX	137	139	126	124
NDX	2825	2850	2600	2575

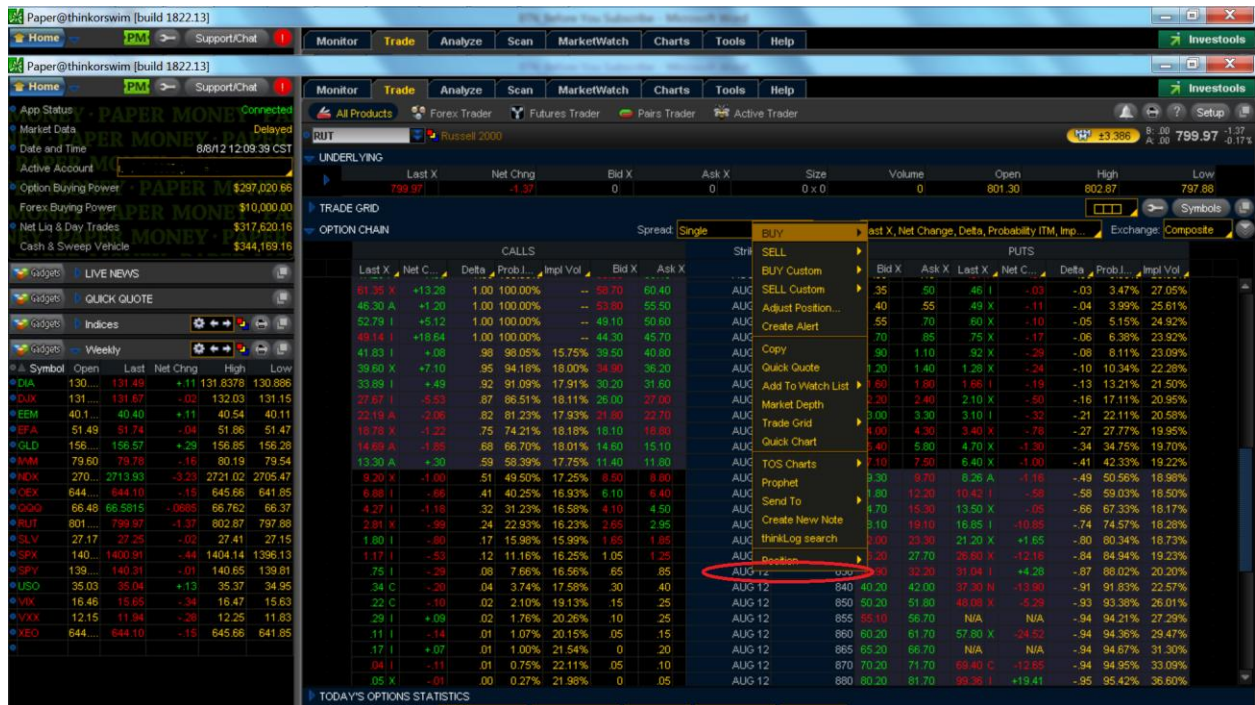
Below we have opened our paper trading account. Referring to the red circles, note that we have selected the Trade Tab and entered "RUT" in the white box. Note also that we see the Option Chain below and we want the AUG 12 options.



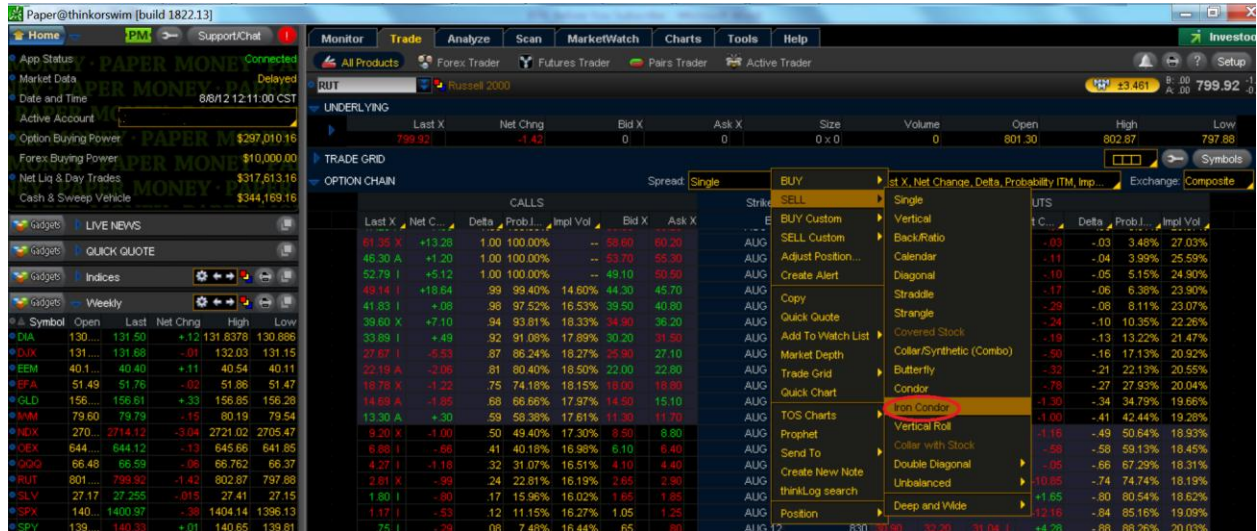
In the next screen we have expanded the option chain to expose all the options offered on the RUT AUG 12 option chain. Also note the Strikes box circled in red. Make sure it says "ALL". When you first go to this level, by default it will be set at "4", so you must change it to "ALL".



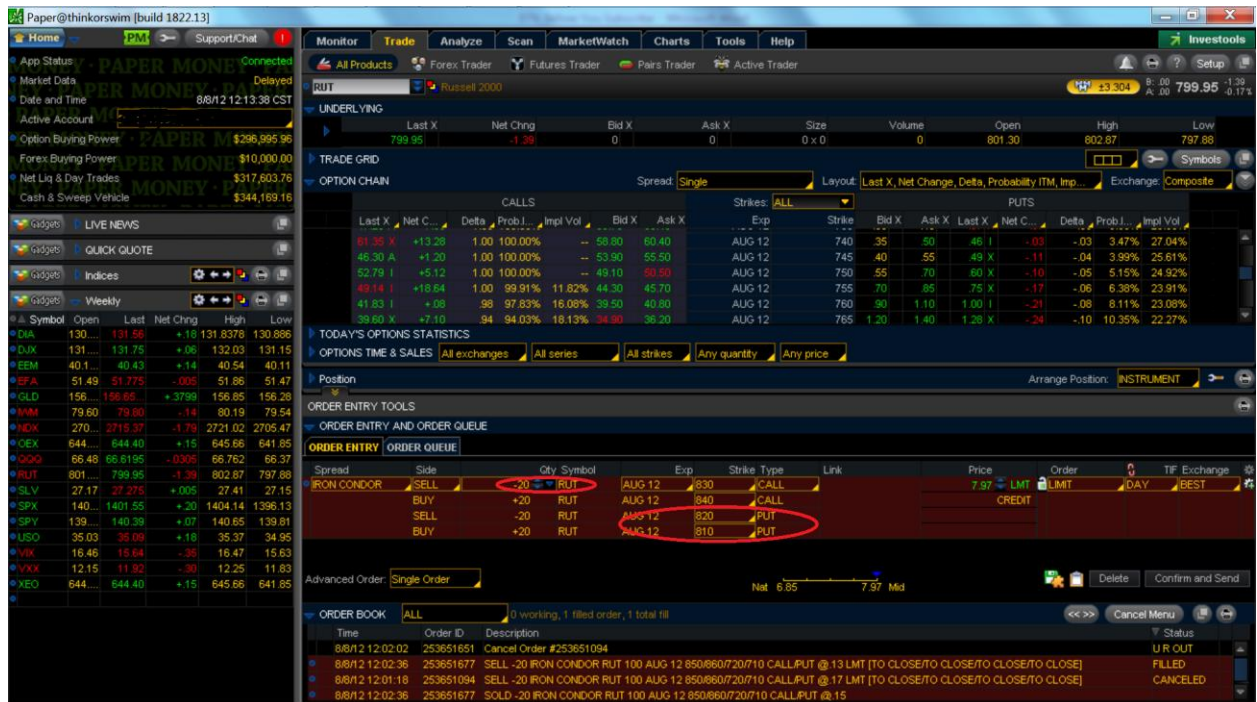
Next since we want 830 as the short call position, place the cursor on the 830 Strike line and right click. You should see the "BUY, SELL, etc" trade action dialog pop up.



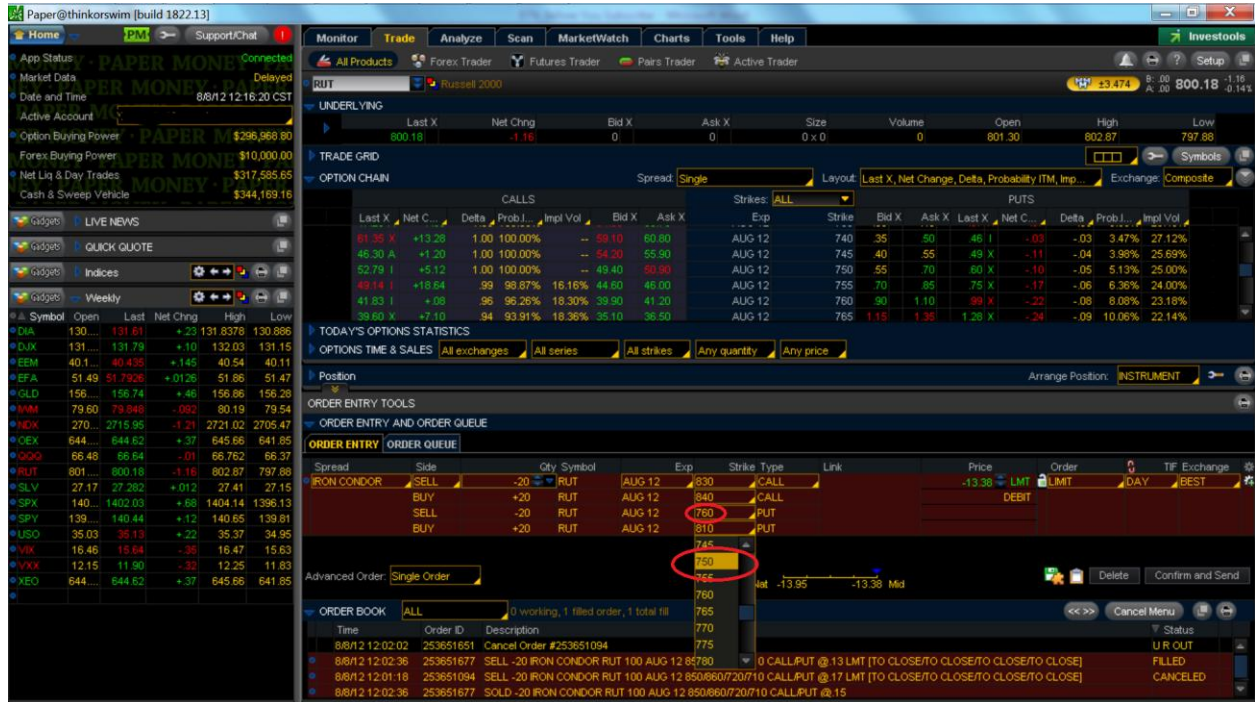
Since we want to "SELL" Iron Condors, you must select (left click) "SELL" which will bring up the type of option trade dialog next to the action dialog and then move your cursor over and select the "Iron Condor" type trade.



Once you select the "Iron Condor" Trade you will see the following dialog pop up. Note because we started on the 830 strike line we have the 830 call and 840 call automatically filled for us. The number of contracts here is set at 20 but this is my default and you can change the default and of course change the quantity at any time. We still need to set the "sell" put and "buy" put positions before we are ready to place the trade.



In the next screen we have change the "sell" Put to 760 as needed and we used the pull down to select the 750 strike for our "buy" put position.



Below we now have the Iron Condor strikes as needed based on the Trade Alert (830C/840C and 760P/750P). We don't like 20 contracts so we change the -20 to -10 (red circle) and all quantities will change to 10. Now we see the mid-point price for the Iron Condor is \$.77 which means \$.77 credit on a \$10 point spread that represents a 7.7% premium (technically .77/9.23 or 8.3%) on our investment.



We decide that a .77 credit on 10 contracts is a good trade so we must now select the "Confirm and Send" button. This will bring up the following dialog to check out the trade one more time before submitting it for execution.

Note that 10 contracts on a \$10 point spread means we are risking \$10,000 minus the 7.7% premium or \$770. So our maximum profit is the premium of \$770 minus the commissions and our maximum loss is the \$9,230 (\$10,000 minus \$770).

The screenshot shows a trading platform interface with an "Order Confirmation Dialog" window open. The dialog details the following trade:

- Account:** D-11648552 (margin) paper money
- Order Description:** SELL -10 IRON CONDOR RUT 100 AUG 12 850/860/720/710 CALL/PUT @...
- Break Even Stock Prices:** 759.23 / 830.77
- Max Profit:** \$770.00
- Max Loss:** \$9,230.00 (not including possible dividend risk)
- Cost of Trade including commissions:** -credit \$770.00 - \$60.00 = credit \$710.00
- Buying Power Effect:** (\$9,230.00)
- Resulting Buying Power for Stock:** \$575,495.12
- Resulting Buying Power for Options:** \$287,747.56

The "ORDER BOOK" at the bottom shows the order status as "Working":

Time	Order ID	Description	Status
8/8/12 12:02:02	253651651	Cancel Order #253651094	U R OUT
8/8/12 12:02:36	253651677	SELL -20 IRON CONDOR RUT 100 AUG 12 850/860/720/710 CALL/PUT @.13 LMT [TO CLOSE/TO CLOSE/TO CLOSE/TO CLOSE]	FILLED
8/8/12 12:01:18	253651094	SELL -20 IRON CONDOR RUT 100 AUG 12 850/860/720/710 CALL/PUT @.17 LMT [TO CLOSE/TO CLOSE/TO CLOSE/TO CLOSE]	CANCELED
8/8/12 12:02:36	253651677	SOLD -20 IRON CONDOR RUT 100 AUG 12 850/860/720/710 CALL/PUT @.15	

Once we select the "SEND" button our order enters the system and the brokers will try to fill the order at or better than our limit of \$.77. As you see below the order is "Working" and is for 10 Iron Condors at a limit of \$.77 for the positions expressed in the trade alert.

Paper@thinkorswim [build 1822.13]

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App Status: Connected | Market Data: Delayed | Date and Time: 8/8/12 12:23:07 CST

Active Account: \$287,763.93
 Option Buying Power: \$10,000.00
 Forex Buying Power: \$317,602.41
 Cash & Sweep Vehicle: \$344,169.16

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Weekly

Symbol	Open	Last	Net Chng	High	Low
DIA	130	131.64	+1.64	131.878	130.886
DJX	131	131.83	+0.83	132.03	131.15
EEM	40.1	40.44	+0.34	40.54	40.11
EFA	51.49	51.7905	+0.2905	51.86	51.47
GLD	156	156.57	+0.57	156.86	156.28
MMM	79.60	79.67	+0.07	80.19	79.54
NDX	270	2715.24	+15.24	2721.02	2705.47
QDAX	644	644.79	+0.79	645.66	641.85
QQQ	66.48	66.62	+0.14	66.762	66.37
RUT	801	800.54	-0.46	802.87	797.88
S&P	27.17	27.25	+0.08	27.41	27.15
SPX	140	1402.40	+1.40	1404.14	1396.13
SPY	139	140.48	+1.48	140.65	139.81
USO	35.03	35.12	+0.09	35.37	34.95
VIX	16.46	15.60	-0.86	16.47	15.60
VXX	12.15	11.92	-0.23	12.25	11.83
VWO	644	644.79	+0.79	645.66	641.85

UNDERLYING: RUT | Russell 2000 | 800.54 | 801.30 | 802.87 | 797.88

TRADE GRID

OPTION CHAIN

CALLS										PUTS									
Last X	Net C...	Delta	Prob. I...	Impl Vol	Bid X	Ask X	Strike	Exp	Bid X	Ask X	Last X	Net C...	Delta	Prob. I...	Impl Vol				
81.35	X	+13.28	1.00	100.00%	59.60	81.10	AUG 12	740	35	50	46	I	-0.03	-0.03	3.45%	27.25%			
46.30	A	+1.20	1.00	100.00%	54.60	95.20	AUG 12	745	40	55	49	X	-1.11	-0.04	3.96%	25.82%			
52.79	I	+5.12	.98	98.07%	19.95%	50.20	AUG 12	750	50	70	60	X	-1.10	-0.05	4.97%	24.94%			
49.14	I	+18.64	.97	97.04%	19.64%	45.30	AUG 12	755	55	85	75	X	-1.17	-0.06	6.19%	23.97%			
41.17	I	-.58	.95	94.85%	20.13%	40.50	AUG 12	760	65	1.10	99	X	-.22	-0.07	7.91%	23.19%			
39.60	X	+7.10	.93	92.69%	19.73%	35.80	AUG 12	765	1.10	1.30	1.28	X	-.24	-0.09	9.75%	22.06%			
33.89	I	+4.49	.89	89.66%	19.42%	31.00	AUG 12	770	1.50	1.70	1.70	I	-.46	-0.12	12.63%	21.38%			

TODAY'S OPTIONS STATISTICS

POSITION

ORDER ENTRY TOOLS

ORDER ENTRY AND ORDER QUEUE

ORDER ENTRY | ORDER QUEUE

Spread	Side	Qty	Symbol	Exp	Strike	Type	Link	Price	Order	TF	Exchange

Advanced Order: Single Order

ORDER BOOK

Time	Order ID	Description	T. Status
8/8/12 12:22:55	25365699	SELL -20 IRON CONDOR RUT 100 AUG 12 830/840/760/750 CALL/PUT @ 77 LMT	OPEN TO OPEN TO OPEN TO OPEN
8/8/12 12:02:02	253651651	Cancel Order #253651094	DIRTY
8/8/12 12:02:36	253651677	SELL -20 IRON CONDOR RUT 100 AUG 12 850/860/720/710 CALL/PUT @ 13 LMT	TO CLOSE TO CLOSE TO CLOSE TO CLOSE
8/8/12 12:01:18	253651094	SELL -20 IRON CONDOR RUT 100 AUG 12 850/860/720/710 CALL/PUT @ 17 LMT	TO CLOSE TO CLOSE TO CLOSE TO CLOSE