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I May Never Buy Another Stock Again

By Jimmy Butts

Construct a game plan, and I promise you will become a better investor.

With proper planning and perseverance, Profitable Trading's Jared Levy became a successful trader at a young age.

After reading today's essay, I hope you, too, will understand the importance of strategizing in order to maximize gains.

How Smart Investors 'Recession-Proof' Their Portfolios
Don't panic over when the market will take its next dive. Instead, invest in these 8 under-the-radar stocks that have returned more than 300% over the past decade - - and earned investors a double-digit gain during the Great Recession. Get all 8 ticker symbols in my new report here.

By the time Jared was 18, he was making $600,000 a year. He was also one of the youngest-ever members of the Philadelphia Stock Exchange. But without goals and a roadmap with which to achieve them, Jared wouldn't be where he is today.

Before I get into the details of how Jared made so much money in the markets, please note that his investing strategy involves options, and options involve leverage.

Don't let those words scare you. Jared's approach is perfectly suited for beginners. In fact, I'd venture to say that they're ideal for someone looking to cut their teeth in the investing world.

I know that sounds like a bold claim. Most investors think of options as an advanced, risky strategy. But this couldn't be further from the truth.

Whether you want to dabble in options or not, I urge you to continue reading. What I'm about to explain will help you become a better investor.

Consider this: Jared would have made a lot of money regardless of whether he bought options, stocks or bonds, because he approaches his trades with one of the greatest investing secrets in the financial community: investing discipline.

Before he initiates a trade, Jared lays out a detailed plan that covers every scenario. He
knows what price he's willing to pay, what price he will exit at, his total upside potential, his downside risk, how long he'll be in the trade. He maps every route before ever hitting the purchase button.

This is so vital that I'm going to repeat it. **He enters each trade with a detailed schematic of every potential outcome.**

**The Greatest Way To Learn About The Markets**

Remember I said that the options strategy Jared uses is for beginners? Well, it's also one of the best ways to truly learn and understand how to invest.

Most investors want to control their own portfolio. But they fall victim to what I like to call "hobby investing." This is when someone gets overly excited about something for a short period of time, only to lose ambition and shelve the hobby to collect dust.

The average investor buys a stock, checks it almost daily for a couple weeks, then forgets about it. Pretty soon it's been more than a year and any aspiration of becoming a successful investor ended the day the first stock was purchased.

On the other hand, using options requires regular, active attention. Options expire on the third Friday of every month, forcing investors to check their portfolio at least monthly, if not more. It's the same concept as learning a new language. If you want to speak German, then move to Germany. Total immersion is a sure-fire bet to learn and grow rapidly.

**The Basics Of Buying A Call Option**

Now that Jared has made his money, he's spent the past five months sharing the details of his trades to readers of his new premium advisory, *Profit Amplifier*. So far, he and his readers have been able to notch gains of 141.1%, 160.9% and 508.6% -- and they expect plenty more in the months ahead.

One strategy Jared uses involves buying call options (he also buys puts, but we're only going to focus on calls in this issue).

Buying a call option is very similar to buying shares of a stock. In both cases, you are going "long" (bullish) on the company. In other words, you expect the share price to rise.

Call options are a great starting point for nearly any investor, and it's not as complicated as it's been made out to be.

Today, I will cover a few basics, including an example of a call option.

When you buy a call option you are bullish on the underlying stock. But instead of buying the stock outright, you are buying a contract that gives you the right (but not the obligation) to buy the stock at a certain price at a future date. This allows you to enjoy all the upside of the stock, with limited downside risk.

Options also allow you to leverage your position. One contract controls 100 shares of a stock, but it costs much less to enter into one contract than buying 100 shares of a stock outright.
Let's look at a trade Jared recommended to his readers.

In March, he recommended buying call options on Valero Energy Corp. (NYSE: VLO). Here’s the detailed plan he sent to readers:

**Jared's Roadmap For Valero (NYSE: VLO)**

<table>
<thead>
<tr>
<th>Cost of Trade (Per Contract):</th>
<th>$5.50 ($560)</th>
<th>Most he's willing to pay for this trade.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Stock Price:</td>
<td>$65</td>
<td></td>
</tr>
<tr>
<td>Target Option Price (Per Contract):</td>
<td>$10 ($1,000)</td>
<td>His exit price.</td>
</tr>
<tr>
<td>Target Profit:</td>
<td>78.6%</td>
<td></td>
</tr>
<tr>
<td>Option Stop-Loss Price (Per Contract):</td>
<td>$2 ($200)</td>
<td>Max risk per contract (most he'll lose in worst case scenario).</td>
</tr>
<tr>
<td>Stock Break-even:</td>
<td>$60.60</td>
<td></td>
</tr>
<tr>
<td>Delta:</td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>Anticipated Days in Trade:</td>
<td>Less than 101 days</td>
<td>Max number of days he'll be in trade.</td>
</tr>
</tbody>
</table>

As you can see, Jared knew the trade's desired outcome before he bought it. Having a detailed plan gives him, and his readers, confidence in the trade. They know exactly what to expect.

Not only does Jared construct a game plan, but he sticks to it. Jared advises readers to enter all the provided information (limit price, exit price and stop loss) when they buy the call option.

As soon as the call option is purchased, he enters a “Good-Til-Canceled” (GTC) limit order to sell that option for $10 per contract (his target price). As soon as the option hits the target price, his broker will sell the option, locking in the 78.6% gain.

He also recommends setting an "alert" when the option hits a certain price. This is his stop-loss price. If the trade turns against him, then he will be notified that the option is nearing his exit price. When it does, he sells in order to preserve capital. No questions asked, no second guessing. He sells and moves on.

This is investing discipline at work. And it's what's helped him and his readers make consistent double-digit returns while minimizing losses.

So let's see how the Valero trade played out for Jared and his readers.

Fifteen days later, Valero hit the target price of $10 per contract. Since one contract controls 100 shares ($10 x 100 = $1,000), the Good-Til-Canceled limit order was executed, and the investor made $440 for every contract bought, good for a 78.6% gain.

Now here's where it gets fun. You can see how the power of buying a call option on
Valero compared to just buying shares of VLO outright in the table below.

<table>
<thead>
<tr>
<th>Traditional Stock Purchase</th>
<th>Buying Call Options</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Buy Date</strong></td>
<td><strong>Buy Price</strong></td>
</tr>
<tr>
<td>----------------</td>
<td>-------------</td>
</tr>
<tr>
<td>3/11/2015</td>
<td>$57.35</td>
</tr>
<tr>
<td>Sell Date</td>
<td>Sell Price</td>
</tr>
<tr>
<td>3/25/2015</td>
<td>$63.35</td>
</tr>
<tr>
<td>Cash Gain</td>
<td>Percentage Gain</td>
</tr>
</tbody>
</table>

You can see how the power of leverage works in this example. Rather than using $500 to purchase nine shares of a stock and earn a 10.5% gain (for $54), the call option allows you to control 100 shares for roughly the same amount and earn a 78.6% return (for $440).

*It's for this very reason that I rarely buy a stock outright.* If I'm bullish on a stock, I will buy a call option because the risk/reward ratio is so much better.

Not only that, but like I mentioned earlier, the very nature of the way options work means you're forced to make a plan, stick to it and consistently monitor your trade. So not only will you amplify your profits, you'll become a better, more disciplined investor in the process. If you want to learn more about Jared's options strategy, then I highly encourage you to give Jared's newsletter, *Profit Amplifier*, a try.

To learn how to sign up, [go here](#).

Good investing,

Jimmy Butts

*Daily Dividends*

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