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# OPTIONS TRADING MYTHS

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Internationally-Known Options Expert

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# THREE OPTIONS TRADING MYTHS

*Myths Designed to Keep You Out of the  
Market and Out of the Money*

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Options involve substantial risk and are not suitable for all investors. Options investors may lose the entire amount of their investment in a relatively short period of time. It is possible to owe more than you have invested in your brokerage account. Please be aware of your broker's requirements for trading options. Before you decide to invest in the options market you should carefully consider your investment objectives, level of experience, and risk appetite. The possibility exists that you could sustain a substantial loss which could total more than your initial investment in a short period of time. Therefore you should not invest money that you cannot afford to lose. If you have any questions or concerns regarding the risks associated with option trading, you should confer with a trusted and reliable independent financial advisor. None of the information provided by Market Traders Institute, Inc. constitutes a solicitation to trade any investment or security of any kind



## CHRIS IRVIN

Over the past 14 years, Chris Irvin has become an expert in trading stocks, options, futures and currencies. Since 2004, he has put his trading knowledge to use in developing training materials and teaching traders across the globe what he had to learn from the school of hard knocks. In 2011, he was nationally recognized for his trading ability by broker, Trader King. Now, after joining MTI and his mentor, Jared Martinez, Chris continues to actively trade and teach others how to succeed with their investments and achieve financial freedom.

*It seems like nearly everyone wants to tell you how to trade equity options, doesn't it?*

*The sad reality is that some people simply don't have a clue when it comes to trading although they will tell you that they know all of the ins and outs. Sometimes, it can be hard to tell what advice is based upon fact and what is just plain and simple fiction.*

*This ebook is going to cover some of the most costly myths that new equity options traders fall victim to and reveal the truth about how you could turn your equity options trading dreams into a real cash-flow generator.*

## 1

# OPTIONS ARE RISKY AND YOU WILL LOSE EVERYTHING...

While no one can argue the fact that trading options can be risky (after all, most if not all trading avenues including stock trading, currency trading and real estate investing can be risky within their own right), that does not necessarily mean that you will lose everything in your trades. The key is trading strategically.

**The reality is** that options were created to reduce the risk involved with trading stock. How it does this is by allowing traders like you and I to use less of our capital to control a stock. For example, to do this we purchase an equity call option, or the right to purchase a stock at a specified price during a specific time frame, rather than buying the stock outright. This is the basic concept of leverage. Traders seek out the options market as a tool to increase their profit potential while reducing the amount of money needed to enter into the trade.

This leverage allows traders the opportunity to diversify their trading portfolios into multiple trades thus spreading the risk across multiple positions. Also, you have to consider the fact that put options can be used to protect the value of your stock portfolios (much like having insurance on your home or automobile). The term premium, which is used to describe the cost of the put option position, is even borrowed from the insurance industry. As we well know, insurance is designed



to limit risk and protect us. Using put options is a way to mitigate risk and, because you will more than likely trade with equity management (risk control) techniques, you could even limit your risk further therefore contradicting this first myth.

## 2

# OPTIONS TRADING IS COMPLICATED AND SHOULD BE LEFT UP TO THE PROFESSIONALS...

What a load of bologna (pardon my french)!

On average, **there are 18 million option contracts traded daily**. In an article published by the financial website, Benzinga, Martin Rabkin of the TABB Group states that 24% of those contracts were traded by retail traders<sup>1</sup>. If you do the math on that statistic, you would see that that's more than four million contracts traded by retail traders on a daily basis.

Andy Nybo, TABB's head of derivatives research says:

"Retail investors have always maintained an integral role in the US options market but in recent years they've ramped up their trading activity. Brokers tell us they're seeing strong revenue gains and growing demand from retail investors who are seeking to become more intimately involved with options trading strategies."

<sup>1</sup> <http://www.benzinga.com/pressreleases/14/01/b4238169/retail-investors-accounted-for-24-of-us-options-trading-in-2013>

Right there, we see that the research proves that this belief is completely a myth because retail investors, ie. non-professionals, trade this market widely. Logic would tell us that at least some if not most of these retail traders have to be successful at options trading to keep these numbers up for such an extensive period of time in my opinion. It just doesn't make sense that all of these retail investors continue to trade at their own demise. That would defeat the purpose of trading and investing at its core.

**The truth is** that everything in life is complicated if you don't make efforts to understand it. At one point in time, math was complicated, grammar was difficult to grasp, riding a bike was a feat to be overcome, etc. Things are only complicated based upon our perspective and our efforts toward understanding any topic that crosses our paths.

Education and proper money management are keys to helping average Joe traders become successful options traders.

Education helps us break down the market, the profit potential in front of us, and how we could tackle these opportunities in order to make trading equity options less complicated and more doable. This myth simply doesn't withhold the test of logic and statistics in my opinion and we'd be doing ourselves a huge disservice to give in to this false statement.

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## 3

# YOU CANNOT TRADE OPTIONS IN AN IRA ACCOUNT...

Contrary to what many people believe, you **CAN** trade options in your IRA account. There are option trading strategies that have limited risk and unlimited reward which should sound good to you as an investor. On the other hand, there are other strategies that involve unlimited risk and limited reward. That's right. That concept is a lot more scary when you are talking about your money and your family's livelihood. (Of course, there are reasons why someone would want to trade a strategy with limited reward and unlimited risk, but that's for a later discussion.)

***The key here is controlling your risk.*** In order to trade in an IRA account or another retirement account, you must not risk more than you presently hold in that account at any given time. Of course, these are the types of strategies that we teach traders of all skill levels to master through Market Traders Institute's Ultimate Options Course.

Now, it's important to note that specific brokers might have strategy requirements for how you can trade using your IRA account, but of course, you should always check with your broker for their specifics.

# *The Truth* About Turning Options Trading Opportunities into a Potential Cash-Flow Generator

These are just a few myths about options trading and there is no doubt in my mind that there are many more myths out there squandering the potential of many aspiring traders.

The truth is, you could turn options trading into a cash-flow generator for you and your family. With the proper risk and profit management technicals, you could be well on your way to trading success. Better yet, you could get the professional tools that I personally use in my daily options trades without any trading keys to success held back.

## GET MORE OPTIONS TIPS

To learn more, attend an upcoming webinar. [RSVP here >>](#)

### ***At a webinar, you could learn:***

- Potential options trading opportunities happening right now
- The most up-to-date trading techniques you'll want to start using ASAP
- Tricks to potentially ramping up your options trading wins in less time
- Ways to avoid making beginner mistakes such as believing in these potentially profit-killing myths

