

# Selling covered calls explained

## What you give up

- Upside price potential

## What you get

- Option premium income
- Downside price protection

## Risks you accept

- Early assignment

## When it works best

- Periods of sideways and mild downward price moves
- Periods of high volatility that become less volatile
- Periods of rapidly decaying options premiums

## Things to watch for

- Ex-dividend dates

Return of XYZ stock with OTM covered call vs XYZ stock only



Return of XYZ stock with Deep-ITM covered call vs XYZ stock only wider range

