# The Any Stock Income Hack

Investing can often seem like a complex game, especially when you start diving into the world of options trading.

But there's one strategy - covered calls - that is an underappreciated income stream for savvy investors.

Let’s break down what covered calls are, how to trade them, their potential profitability, their associated risks, how to find them, and understand this strategy through real-world examples.

## Understanding Covered Calls

A covered call is an options strategy where an investor sells or "writes" call options against shares of a stock they already own.

A call option gives the buyer the right (but not the obligation) to buy 100 shares of the underlying stock at a set price, known as the strike price, within a certain period.

The seller collects a fee, called the premium, for offering this potential transaction.

## How to Trade Covered Calls

First, you need to own at least 100 shares of a stock or ETF. Next, you'll sell call options (typically one option for every 100 shares you own).

The strike price for the option should be at or above the current market price of the shares.
In essence, you're saying, "I agree to sell my shares to the option buyer if the price reaches the strike price before the option expires."

You're not selling your shares right away, but rather agreeing to potentially sell in the future.

## Profiting from Covered Calls

The primary way you make money with covered calls is through the premium.

If the stock's price never reaches the strike price before expiration, you've collected the premium and still hold your shares.

If the stock's price does reach the strike price and the buyer decides to "call" the shares, you still keep the premium and also profit from selling the shares at the agreed-upon strike price.

**Risks of Trading Covered Calls**

However, there are risks. The most apparent risk is if the stock's price skyrockets past the strike price, you'll have missed out on potential profits because you're obligated to sell your shares at the lower strike price.

Secondly, if the stock's price falls significantly, you'd experience a loss on the stock that the premium might not fully offset. Lastly, a covered call ties up your shares until the option expires, limiting your flexibility with those shares.

## Finding Covered Calls to Trade

Your brokerage platform will have an options chain that lists all the options available for every strike price and expiration date.

You'll want to look for options with high premiums (representing higher potential income) but also consider the stock's volatility and your willingness to sell the shares at the strike price.

## Real-World Examples

Let's consider two scenarios using XYZ Corp, a hypothetical stock.

Win Scenario: You own 100 shares of XYZ Corp, which is currently trading at $50 per share. You sell a one-month call option with a strike price of $52 for a premium of $2 per share ($200 total as each option represents 100 shares).

If after a month, the stock price is below $52, the toption expires worthless, and you keep the $200 premium. You still own the 100 shares, which you can use to sell more call options.

Loss Scenario:

Let's use the same initial setup, but now XYZ Corp's stock jumps to $60 due to favorable news.

The buyer will likely exercise the option, and you're obligated to sell your shares for $52 each, missing out on the extra gain.

However, you still made a profit from the premium and the $2 per share rise in the stock price from $50 to $52, for a total gain of $4 per share ($400 total).

The "loss" here is really an opportunity cost: you could have made more money if you hadn't sold the call option.

In both scenarios, you collected a premium for selling the covered call, adding an income stream that wouldn't exist if you were just holding onto the shares.

In conclusion, covered calls provide an appealing income stream that can supplement the potential gains from simply owning a stock.

However, they aren't without risk, particularly when the stock's price increases significantly or decreases substantially. As with any investment, careful consideration of these factors, along with due diligence, is necessary to ensure this strategy aligns with your financial goals.

It might not make you a millionaire overnight, but it could become a consistent revenue source, offering you a little-known path towards wealth accumulation in your golden years.