YIELDTERMINAL

FREE CHEAT SHEET // V1

The Covered Call & Wheel Cheat Sheet

How beginners structure covered calls and cash-secured puts without the usual mistakes.

WHERE THIS COMES FROM

Built by the team behind YieldTerminal, a free planner for covered calls and cash-secured puts. It's a checklist we use to think a trade through, not a signal service.

01 THE MINDSET

- **Calls:** only sell them on shares you're fine holding, or fine selling at the strike. Both outcomes should be OK.
- **Puts:** only sell them on a stock you'd actually want to own at that price, with the full cash set aside.
- **Premium isn't free money.** It's what you get paid for taking on an obligation.

02 PICKING THE STRIKE

- **Delta is a rough gauge.** A 0.30 delta option is loosely read as ~30% odds of finishing in the money. It's a model estimate and it moves every day.
- **Closer strike = more premium, more assignment risk.** Further strike = less of both.
- **Don't sell a call below your cost basis** unless you're OK locking in a loss if the shares get called away.

03 PICKING THE EXPIRY

- **Shorter-dated:** time decay speeds up near expiry, but you'll be managing positions more often.
- **Longer-dated:** more premium in dollars, less per day, and more time for the stock to wander.
- **Check the calendar.** Earnings inside the window can move the stock hard. In-the-money short calls are more likely to be assigned early right before an ex-dividend date.

04 VOLATILITY

- **Higher implied volatility = higher premium,** because the market is pricing in bigger moves.
- **High IV isn't a gift.** Find out why it's high (earnings, news, a deal, trouble) before you sell into it.

05 MANAGING THE TRADE

- **Write your rules before you enter:** e.g. close at a set % of max profit, when you'd roll, and what you do if the stock drops hard.
- **Rolling is a new trade, not a fix.** Judge it on its own: would you open it fresh today?

06 THE WHEEL IN ONE LINE

1. Sell a cash-secured put ↓
2. Assigned? Now you own shares ↓
3. Sell covered calls ↓
4. Called away? Back to step 1

- **What can go wrong:** the stock falls far below your put strike (premium barely dents the loss), or it rallies and your upside is capped at the call strike.

07 QUICK MATH BOX

Premium yield	premium ÷ capital at risk
Annualized ≈	yield × 365 ÷ days to expiry
CSP breakeven	strike − premium
CC downside B/E	cost basis − premium

WORKED EXAMPLE (ILLUSTRATIVE, MADE-UP NUMBERS)

Stock at $50. Sell one 30-day $48 put for $0.60.

Cash set aside: $48 × 100 = **$4,800.** Premium: **$60.**

Yield: 60 ÷ 4,800 = **1.25%**

Annualized: 1.25% × 365 ÷ 30 ≈ **15.2%**

Breakeven: $48 − $0.60 = **$47.40**

Annualizing assumes you can repeat it all year. Usually you can't.

!! COMMON MISTAKES

- × Picking a stock for its premium instead of wanting to own it.
- × Selling puts with money that isn't actually set aside.
- × Ignoring earnings and ex-dividend dates inside the window.
- × Rolling again and again to avoid admitting a trade went wrong.
- × Treating an annualized % as what you'll actually earn in a year.

Run your own numbers free at yieldterminalpro.com