



From Setup To Profit:

The Options Trader's Checklist

— Mike Rykse —

Head of Options Trading

From Setup to Profit:

The Options Trader's

Checklist

YOUR Checklist for Options Trades

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Hello Traders!

My name is Mike Rykse and I am the lead options instructor at NetPicks. I have been an active trader in the markets since 2002 and have traded just about every market available (stocks, options, futures, forex, bonds).

Without a doubt, my favorite area of the markets is trading options and that is where I have seen the most success in my personal trading.

I have developed numerous options trading systems and educational courses which are designed to provide retail traders the tools that they need to be successful in the markets.

These programs have been used by thousands of traders in over 100 countries over the last 20 years.



In working with so many traders over the years, I have learned some tricks of the trade that I want to share with you that can make a big difference in your trading results.

Trading can be difficult but having a specific tool set in place can help you become a successful trader right away.

Like any successful business, the traders that see the most success are the ones that stay disciplined to a plan. Whether you are trading full time or part time, you need to treat this as a business. This means having a plan in

place that will guide every trading decision that you make.

In this ebook, I am going to outline the exact criteria that we use when selecting the best options to take our trades with. We will provide you with a checklist that you use to pinpoint the best expiration cycle and strike prices to use on every trade.

If you have any questions that we can help with as you work through this training, please feel free to reach out to us. We look forward to hearing from you.

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Options Trading Overview

Should you trade an at the money option or a cheap out of the money option?

Are the weekly options the best choice or should you go out to the monthly options?

These are questions that I see tripping retail traders up.

It is both a blessing and a curse to have so many options available to us on a daily basis. It can give us a lot of flexibility to react to different types of market conditions, but can also lead to confusion as to how to pick the best options that will maximize our profit potential while limiting the risk.

Over the next few pages, I am going to outline the exact criteria that you can use to set up your options trades. We will take a look at both long calls and long puts as well as simple credit spreads.

Not having a disciplined trading approach is the number one reason why most retail traders fail. This document will provide you an exact formula that can be used to simplify your trading and give you a rule set that will help stack the numbers in your favor long term.

Let's start out by taking a look at how we trade long calls and long puts.

Long Call and Long Put Trade Criteria

Buying options is typically how we all get into trading options. The potential for unlimited profit potential along with limited risk is very attractive.

However, I see the mistake being made too often of strictly choosing the best option for your trades based solely on price.

Many traders want the cheapest option possible as a way of keeping the risk extremely low. The problem with that approach is that in many cases those options are cheap for a reason. They have a very low probability of making you money.

Instead, we want to balance keeping the risk low while also getting into a high quality position that has good odds of making us money.

With the following criteria we are going to focus on a swing trading approach with a typical holding time of 2-20 days. We will use the simple approach of buying call options when looking for a bullish trade and buying put options when looking for a bearish trade.

Step 1 - Plan Your Trade and Trade Your Plan

Having a detailed system in place that guides your trade decisions is a crucial step that is often overlooked by retail traders. They take trades based off of what they are hearing in financial media or social media without knowing the reasoning for the trade.

We prefer to take our trades based on the technicals on the charts. We have a very specific set of criteria that we look for in every trade that we take. When this criteria is met, we have an exact entry, target, and stop level on the charts for us in real time.

This allows us to base our decisions on what price is telling us and not what someone else thinks the market should do. While this doesn't guarantee success on every trade, it does allow us to take trades that have a proven track record of success.

Once in a trade, you need to have an exit plan as well. Without a plan you will be left to act on emotion and that will lead to overmanaging trades. With defined target and stop levels in place, I can stay disciplined to my plan instead of overreacting to every little move back and forth.

If you don't have a system in place, you will want to do that first before putting your hard earned money on the line with live trades.

If you would like more direction on the best system for your trading style, feel free to email us at info@netpicks.com and one of our trade coaches can connect to assist.

Step 2 - Selecting The Best Expiration Cycle

Over the last number of years we have seen many new options products become available to retail traders.

We have seen weekly options and now daily options (0DTE) explode in popularity.

While the excitement of the short term options grabbing all the attention, we believe it is crucial to still have the 2-20 day positions as a part of your trade plan.

The 2-20 day window allows us to stay active without getting caught up in the daytrading noise and also without having to hold a position for months at a time.

We will use a mix of weekly and monthly options on these trades but prefer to look for 20-40 days left to expiration.

This allows us to book really nice gains without the extreme time decay of the shorter term options.

Underlying	Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low
AAPL	259.01 V	+1.88	259.00 Q	259.02 Q	2 x 2	10,883,725	254.665	259.05	253.95

Option Chain	Filter: Off	Spread: Single	Last X, Net Cha...
> 3 OCT 25	(0)	100 (Weeklys)	44.70% (+2.489)
> 10 OCT 25	(7)	100 (Weeklys)	24.51% (+7.149)
> 17 OCT 25	(14)	100	24.96% (+10.206)
> 24 OCT 25	(21)	100 (Weeklys)	25.05% (+12.511)
> 31 OCT 25	(28)	100 (Weeklys)	29.22% (+16.841)
> 7 NOV 25	(35)	100 (Weeklys)	28.81% (+18.567)
> 14 NOV 25	(42)	100 (Weeklys)	28.31% (+19.98)
> 21 NOV 25	(49)	100	28.15% (+21.458)
> 19 DEC 25	(77)	100	27.32% (+26.121)
> 16 JAN 26	(105)	100	26.68% (+29.819)
> 20 FEB 26	(140)	100	27.77% (+35.935)
> 20 MAR 26	(168)	100	28.14% (+39.969)
> 17 APR 26	(196)	100	27.70% (+42.559)
> 15 MAY 26	(224)	100	28.83% (+47.505)
> 18 JUN 26	(258)	100	28.71% (+50.89)
> 21 AUG 26	(322)	100	28.20% (+56.06)
> 18 SEP 26	(350)	100	28.91% (+60.117)
> 18 DEC 26	(441)	100	29.45% (+69.311)
> 15 JAN 27	(469)	100	29.50% (+71.766)
> 17 JUN 27	(622)	100	29.53% (+83.751)
> 17 DEC 27	(805)	100	29.27% (+95.73)
> 21 JAN 28	(840)	100	29.29% (+98.136)

The monthly expiration cycles will have more volume and open interest in most cases which will make it easier to get in and out of trades quickly and at good prices. We will use the monthly options in many cases because of this.

We are not opposed to using weekly options but when doing so, we need to be picky on order prices. We want to get filled at a good price not at just any price.

Step 3 - Selecting The Best Strike Price

Many retail traders will go to the far out of the money options on their trades as a way of keeping the costs low. As we mentioned earlier, in many cases these options are cheap for a reason.

They are not high quality positions and they need a lot to go right in your favor to make money.

Instead, we like to focus on options with strike prices that are closer to the stock price. In many cases, we are looking for options that are 1-2 strikes out of the money from our entry price on the charts.

This allows us to keep the cost low, while also providing a position that has a good chance of producing a nice return on our capital.

Underlying
AAPL | APPLE INC | 258.4601 | +1.3301 (+0.52%) | B: 258.45 | A: 258.49 | ETB | NASDAQ | 42.138 | EXTO Eligible

Trade Grid
Filter: Off | Spread: Single | Last X, Net Chg...
CALLS | Strikes: 12 | PUTS

Exp	Strike	Bid X	Ask X	Last X	Net Chg	Delta	Open Int	Volume	Prob.O...
3 OCT 25	(0)	100 (Weekly)							45.12% (+2,501)
10 OCT 25	(7)	100 (Weekly)							24.52% (+7,136)
17 OCT 25	(14)	100							24.94% (+10,175)
24 OCT 25	(21)	100 (Weekly)							25.03% (+12,474)
31 OCT 25	(28)	100 (Weekly)							29.22% (+16,805)
7 NOV 25	(35)	100 (Weekly)							28.79% (+18,514)
14 NOV 25	(42)	100 (Weekly)							28.32% (+19,944)
21 NOV 25	(49)	100							28.15% (+21,412)
19 DEC 25	(77)	100							27.32% (+26,065)
16 JAN 26	(105)	100							26.70% (+29,778)
20 FEB 26	(140)	100							27.78% (+35,872)
20 MAR 26	(168)	100							28.14% (+39,884)
17 APR 26	(196)	100							27.71% (+42,484)
15 MAY 26	(224)	100							28.85% (+47,438)
18 JUN 26	(258)	100							28.72% (+50,801)
21 AUG 26	(322)	100							28.21% (+55,962)
18 SEP 26	(350)	100							28.92% (+60,011)
18 DEC 26	(418)	100							29.48% (+65,423)

Option Chain Data (Calls):

Exp	Strike	Bid X	Ask X	Last X	Net Chg	Delta	Open Int	Volume	Prob.O...
24 OCT 25	230	.35 N	.36 W	.35 N	-.04	-.05	2,786	676	84.74%
24 OCT 25	235	.51 W	.54 M	.54 W	-.07	-.07	2,622	85	92.33%
24 OCT 25	240	.82 C	.85 M	.82 I	-.15	-.11	1,740	36	88.30%
24 OCT 25	245	1.36 W	1.40 C	1.36 X	-.24	-.17	2,872	438	81.94%
24 OCT 25	250	2.28 M	2.33 T	2.25 N	-.31	-.26	1,815	82	72.61%
24 OCT 25	255	3.75 B	3.85 M	3.70 Z	-.60	-.38	2,552	279	60.29%
24 OCT 25	260	6.95 A	6.05 C	6.80 I	-.81	-.52	430	41	46.17%
24 OCT 25	265	8.90 A	9.00 A	9.30 Q	-.52	-.67	42	4	32.15%
24 OCT 25	270	12.85 A	12.85 B	13.58 X	+.11	-.79	226	11	20.74%
24 OCT 25	275	16.65 A	17.25 A	17.74 X	0	-.89	104	N/A	11.67%
24 OCT 25	280	21.15 W	22.05 A	23.02 X	+.72	-.96	6	2	6.07%
24 OCT 25	285	25.85 A	27.15 A	30.83 C	+3.23	-1.00	1	1	0.00%

Option Chain Data (Puts):

Exp	Strike	Bid X	Ask X	Last X	Net Chg	Delta	Open Int	Volume	Prob.O...
24 OCT 25	230	.35 N	.36 W	.35 N	-.04	-.05	2,786	676	84.74%
24 OCT 25	235	.51 W	.54 M	.54 W	-.07	-.07	2,622	85	92.33%
24 OCT 25	240	.82 C	.85 M	.82 I	-.15	-.11	1,740	36	88.30%
24 OCT 25	245	1.36 W	1.40 C	1.36 X	-.24	-.17	2,872	438	81.94%
24 OCT 25	250	2.28 M	2.33 T	2.25 N	-.31	-.26	1,815	82	72.61%
24 OCT 25	255	3.75 B	3.85 M	3.70 Z	-.60	-.38	2,552	279	60.29%
24 OCT 25	260	6.95 A	6.05 C	6.80 I	-.81	-.52	430	41	46.17%
24 OCT 25	265	8.90 A	9.00 A	9.30 Q	-.52	-.67	42	4	32.15%
24 OCT 25	270	12.85 A	12.85 B	13.58 X	+.11	-.79	226	11	20.74%
24 OCT 25	275	16.65 A	17.25 A	17.74 X	0	-.89	104	N/A	11.67%
24 OCT 25	280	21.15 W	22.05 A	23.02 X	+.72	-.96	6	2	6.07%
24 OCT 25	285	25.85 A	27.15 A	30.83 C	+3.23	-1.00	1	1	0.00%

Text Box:
If looking to buy a long call on AAPL with the stock price at 258.46 we would be looking at either the 260 call or the 265 call. These options put us 1-2 strikes out of the money and provide a bullish trade.

In determining whether we go 1 or 2 strikes out of the money, we look at the liquidity in the options. We prefer to use the one that has the higher open interest as it will allow us to get better pricing on our order fills in many cases.

Credit Spread Trade Criteria

Trading long calls and long puts is exciting due to the big return potential that those trades offer.

It's not uncommon to see 100% returns quickly with long options on trades where the stock makes a big directional move in your favor.

The problem with these trades is they only have 1 way of making money. You need the stock to move in your favor in a big way and it has to happen quickly. There are many cases where that happens which is why the long options are always part of our trading toolbox.

However, there are also times when you are less certain of market direction. Stocks can get choppy making it harder to get the big directional moves.

Instead of going to the sidelines during these stretches, we can use the credit spreads to help provide a higher probability trade. The credit spreads will give us 5 ways of making money instead of only having 1 way with a long option.

All we are doing with a credit spread is trading two options at the same time. We are selling the option with a strike price closer to the stock price and then buying an option that is further out of the money to make sure we are in a risk defined trade.

We sell a call credit spread when we want a neutral to bearish position and sell a put spread when looking for a neutral to bullish position.

Here is how we structure the trades.

Step 1 - Plan Your Trade and Trade Your Plan

Look familiar? This is the same step outlined for the long calls and long puts.

This step is so important and so often overlooked that we want to cover it twice.

Having a detailed system in place that guides your trade decisions is a crucial step that is often overlooked by retail traders. They take trades based off of what they are hearing in financial media or social media without knowing the reasoning for the trade.

We prefer to take our trades based on the technicals on the charts. We have a very specific set of criteria that we look for in every trade that we take. When this criteria is met, we have an exact entry, target, and stop level on the charts for us in real time.

This allows us to base our decisions on what price is telling us and not what someone else thinks the market should do. While this doesn't guarantee success on every trade, it does allow us to take trades that have a proven track record of success.

Once in a trade, you need to have an exit plan as well. Without a plan you will be left to act on emotion and that will lead to overmanaging trades. With defined target and stop levels in place, I can stay disciplined to my plan instead of overreacting to every little move back and forth.

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Step 2 - Selecting The Best Expiration Cycle

With the long options we talked about using the options that have 20-40 days left to expiration. This gives us more time to hold the position without the time decay taking all our profit potential away.

With the credit spreads we have more flexibility due to not fighting the time decay. Since we are selling the spread to open the position, the time decay is helping us every day that we hold the trade.

You have the ability to stay in the same 20-40 day window that we talked about earlier but we can also use the options that have less than 20 days left to expiration as well.

We recommend using a mix of weekly and monthly options that have as close to 20 days left to expiration as possible.



Underlying	Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low
AMZN	223.36	+95	223.35	223.37	2 x 2	6,590,886	223.44	224.20	222.3801

Expiration	Delta	Gamma	Price	Implied Vol	Open Int
3 OCT 25	(0)	100	(Weekly)	47.07%	(+2,238)
10 OCT 25	(7)	100	(Weekly)	30.17%	(+7,587)
17 OCT 25	(14)	100	(Weekly)	30.84%	(+10,877)
24 OCT 25	(21)	100	(Weekly)	31.40%	(+13,531)
31 OCT 25	(28)	100	(Weekly)	39.25%	(+19,541)
7 NOV 25	(35)	100	(Weekly)	38.68%	(+21,542)
14 NOV 25	(42)	100	(Weekly)	37.72%	(+23,011)
21 NOV 25	(49)	100	(Weekly)	37.12%	(+24,464)
19 DEC 25	(77)	100	(Weekly)	35.44%	(+29,325)
16 JAN 26	(105)	100	(Weekly)	34.51%	(+33,415)
20 FEB 26	(140)	100	(Weekly)	35.26%	(+39,586)
20 MAR 26	(168)	100	(Weekly)	35.28%	(+43,515)
17 APR 26	(196)	100	(Weekly)	34.31%	(+45,795)
15 MAY 26	(224)	100	(Weekly)	35.10%	(+50,288)
18 JUN 26	(258)	100	(Weekly)	35.07%	(+54,125)
21 AUG 26	(322)	100	(Weekly)	33.88%	(+58,69)
18 SEP 26	(350)	100	(Weekly)	33.76%	(+61,135)
18 DEC 26	(441)	100	(Weekly)	34.04%	(+69,909)
15 JAN 27	(469)	100	(Weekly)	33.84%	(+71,841)
17 JUN 27	(622)	100	(Weekly)	33.38%	(+82,783)
17 DEC 27	(805)	100	(Weekly)	32.68%	(+93,635)
21 JAN 28	(840)	100	(Weekly)	31.36%	(+91,499)

Step 3 - Selecting The Best Strike Prices For the Spread

When structuring our spreads, we like to sell the options that are as far out of the money as possible while still collecting enough premium to leave us with a good risk to reward ratio.

When selling spreads, we will always be risking more to make less. Why are we ok with this? The credit spreads will give us 5 ways of making money on every trade which means we will have a much higher winning percentage long term.

We want to make sure we collect enough premium on these trades to make them worth our while. We like to collect enough premium to make sure we are risking between 2 and 3 to make 1 on the trades.

Underlying	Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low
AMZN	222.985	+575	222.96	222.99	2 x 3	6,928,750	223.44	224.20	222.3801

Option Chain	Filter	Spread	Last X	Net Chng	Delta	Open Int	Volume	Prob O	Bid X	Ask X
CALLS	Off	Single	222.96	+575	0.00	0	0	0.00	222.96	222.99
PUTS	Off	Single	222.96	+575	0.00	0	0	0.00	222.96	222.99

Strike	Exp	Delta	Open Int	Volume	Prob O	Bid X	Ask X
100 (Weekly)	24 OCT 25	0.00	0	0	0.00	0	0
100 (Weekly)	10 OCT 25	0.00	0	0	0.00	0	0
100 (Weekly)	17 OCT 25	0.00	0	0	0.00	0	0
100 (Weekly)	24 OCT 25	0.00	0	0	0.00	0	0

Order Entry	Side	Qty	Symbol	Expi	Strike	Type	Link	Price	LMT	Order	TIF	Instruction	Exchange
VIRTUAL	SELL	1	AMZN	24 OCT 25 (Weekly)	230	CALL		1.38	LMT	LIMIT	DAY	NONE	BEST
	BUY	1	AMZN	24 OCT 25 (Weekly)	235	CALL		CREDIT					

Order Confirmation Dialog

Auto send with shift click

Quotes	Last X	Last Size	Bid X	BS	Ask X	AS	Volume
AMZN AMAZON.COM INC	222.88 D	100	222.87 P	1	222.89 Q	4	6,976,053
Order Description: SELL -1 VERTICAL AMZN 100 (Weekly) 24 OCT 25 230/235 CALL @1.36 LMT [TO OPEN/TO OPEN]							
Break Even Stock Price: 231.26							
Max Profit	\$136.00						
Max Loss	\$364.00 (not including possible dividend risk)						
Cost of Trade including commissions + fees: Credit \$136.00 - \$1.30 - \$0.02 = Credit \$134.68							
Buying Power Effect							
Resulting Buying Power for Stock: (\$249.56)							
Resulting Buying Power for Options: (\$248.26)							

Single Account Account: *****606SCHW (Individual) Save last used mode

Note for this order Share order

Risking \$364 to make \$136 leaves us risking between 2 and 3 to make 1 on this trade.

For example, if we are selling a \$2 wide spread we want to make sure we are collecting \$.50 or higher when opening the trade. If collecting \$.50 when opening the trade, we will be risking \$1.50 to make \$.50 (risking 3 to make 1).

In the following table, we outline the minimum credit that we are looking for on the most common credit spreads that we use:

Credit Spread Minimum Entry Credit	
Spread Width	Minumum Credit
\$1	\$0.30
\$2	\$0.50
\$2.50	\$0.63
\$5	\$1.25
\$10	\$2.50

Step 4 - Managing Credit Spreads

When using the long options mentioned earlier, we will close out of our trades when the target and stop levels are hit on our charts. With the credit spreads we take a different approach.

We like to close out of these trades when we are able to keep 50% of the credit that we received when opening the trade.

For example, if we sell a \$2 wide call credit spread for \$.60 we would be looking to buy it back to close the trade for \$.30. That would allow us to keep \$.30 per spread or 50% of the max profit on the trade. In most cases, we are able to see returns on our capital in the 17-25% range using this approach.

For those that want a set stop rule in place, we recommend using 70% of the max risk as the stop level.

For example, if we sold the same \$2 wide spread from earlier for \$.60, our max risk on the trade would be \$1.40 or \$140 per spread. We would take 70% of the \$140 which gives us \$98. We would want to get out with a \$98 loss on the trade. To get the stop price, we take the \$98 and add in our \$60 credit that we collected when opening the trade. That would put our stop price at \$1.58 which would give us a \$98 loss per spread.

Conclusion

Trading options can be incredibly rewarding and can provide a really reliable source of income. With the criteria outlined in this ebook you will have a rule set that you can stay disciplined to on every trade that you take.

You will have multiple strategies in your toolbox that will have you prepared for many different market conditions.

If you can stay disciplined to a rule set, you will be well on your way to becoming a successful trader.

If you have any questions that we can help with feel free to reach out. Info@netpicks.com.

Happy Trading!

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