

10 Tips to Getting Basic Series 7 Options Questions Right

- 1** If you are buying an option, the most you can lose is the premium
- 2** If you are writing an option, the most you can make is the premium
- 3** For both long and short calls, the position is in the money if the strike price is less than the market price
- 4** For both long and short calls, the breakeven is the strike price plus the premium
- 5** For both long and share puts, the breakeven is the strike price minus the premium
- 6** Options positions are closed by taking the opposite position on a trade (if you buy a call, you close the position by selling the same call)
- 7** On an options trade, the gain or loss is simply the difference in the premiums of the opening and closing positions
- 8** The premium of an option = intrinsic value + time value
- 9** Out of the money options have an intrinsic value of 0, and an option's intrinsic value can never be negative
- 10** For American options, the last day of trading is the third Friday of the expiration month

