Liquid Strategies™

Basic Option Strategies

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PUBLISHED

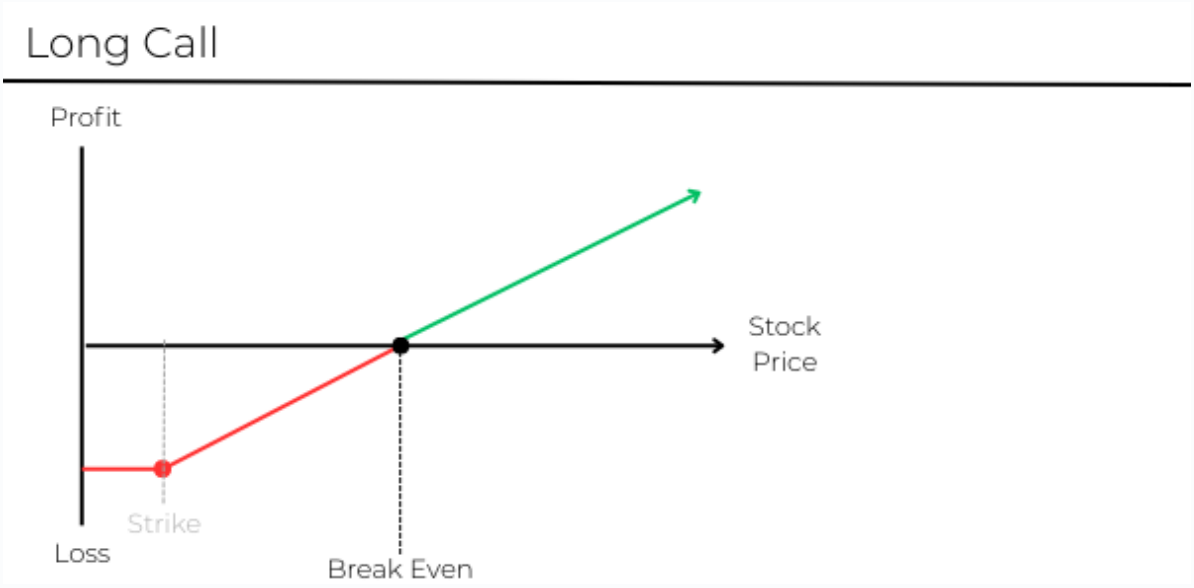
January 13, 2026

Options come down to four core positions, buying or selling a call, and buying or selling a put. Everything else in options trading is built from these foundations.

Long Call

A long call gives you the right to buy a stock at a specific price (the strike) up to expiration. You would buy a call if you expect the stock price to rise or want leveraged upside with limited risk.

- Profit when the stock rises above the strike price plus the premium paid
- Maximum loss is limited to the premium paid
- Benefits from rising stock prices and higher volatility
- *Good when:* You anticipate a strong upward move and want leveraged upside with defined risk
- *Bad when:* The stock moves sideways or declines, since the option's value decays over time and may expire worthless

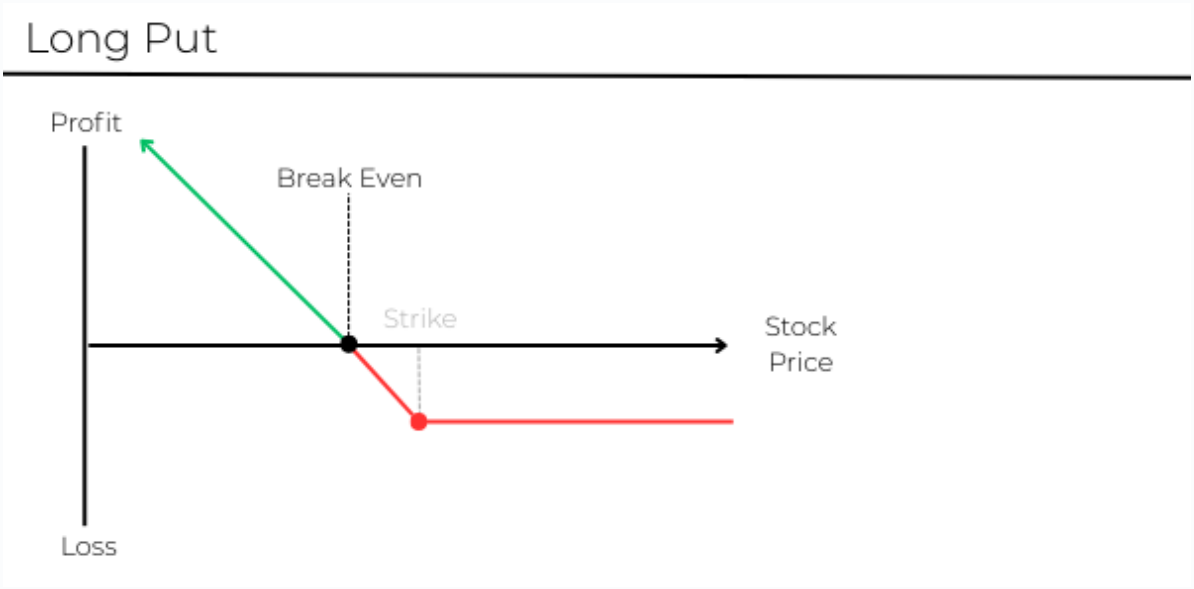


> **Payoff charts are simplified, hypothetical illustrations showing how an option or options-based strategy may perform at expiration under certain price scenarios. They do not reflect transaction costs, taxes, early assignment, changes in implied volatility, or the effects of time decay prior to expiration. Certain strategies, including short options and spreads, involve significant risk and may result in substantial or unlimited losses. These illustrations are for educational purposes only and do not represent actual trading results or guarantee any outcome*

Long Put

A long put gives the holder the right, but not the obligation, to sell a stock at a specific strike price before or at expiration. Long puts are often used to define downside risk on an existing position or to express a bearish view with limited risk.

- The position benefits when the stock falls below the strike price by more than the premium paid, as the put option increases in intrinsic value.
- Maximum loss is limited to the premium paid, which occurs if the stock remains above the strike price through expiration.
- Long puts generally gain value from declining stock prices and rising implied volatility, both of which increase the option's sensitivity to downside movement.
- *Good when:* You anticipate the possibility of a meaningful decline or want to establish a defined downside limit while maintaining exposure to the underlying stock.
- *Bad when:* The stock price rises or remains stable, or when implied volatility decreases; in these cases, time decay and lower volatility can reduce the option's value, and the put may expire worthless.

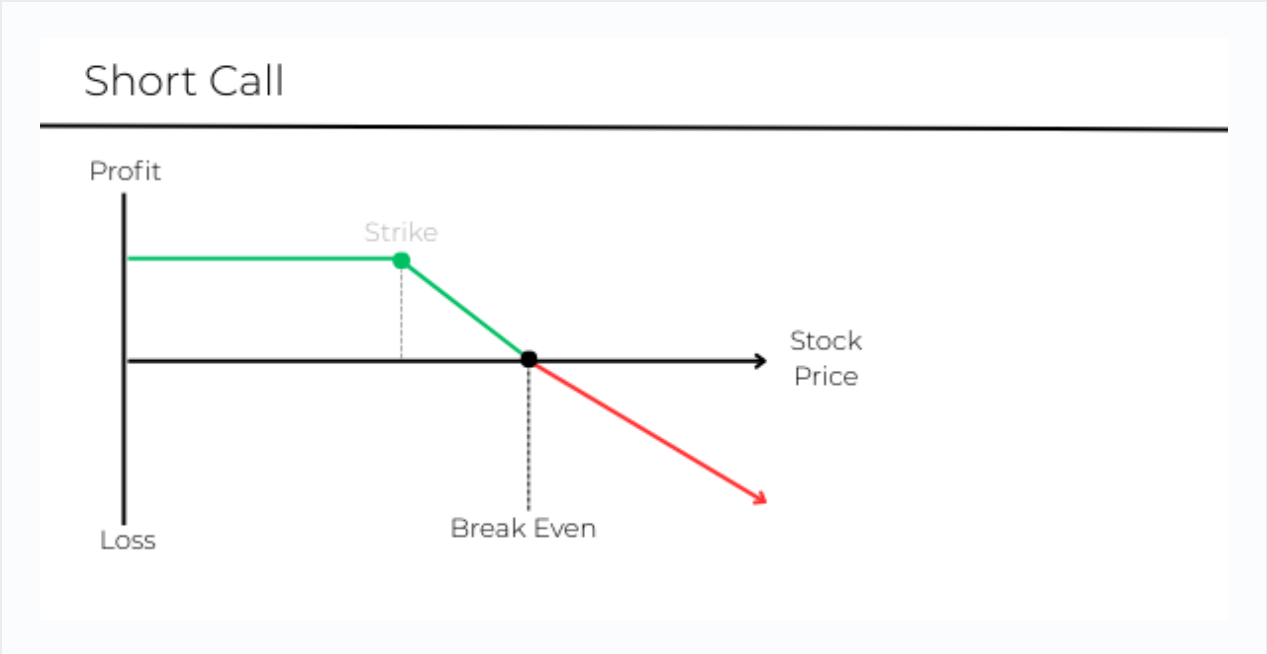


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Short Call

A short call obligates you to sell a stock at a specific price if assigned. You would sell a call if you expect the stock price to stay below the strike or want to generate income from the premium received.

- Profit when the stock stays below the strike price, allowing the option to expire worthless and the premium to be kept
- Maximum profit is limited to the premium received
- Exposed to rising stock prices and higher volatility
- *Good when:* You expect the stock to remain stable or decline and want to collect premium income
- *Bad when:* The stock rises significantly or volatility increases — and if the call is sold uncovered, losses can be substantial and theoretically unlimited, since the stock price can rise indefinitely

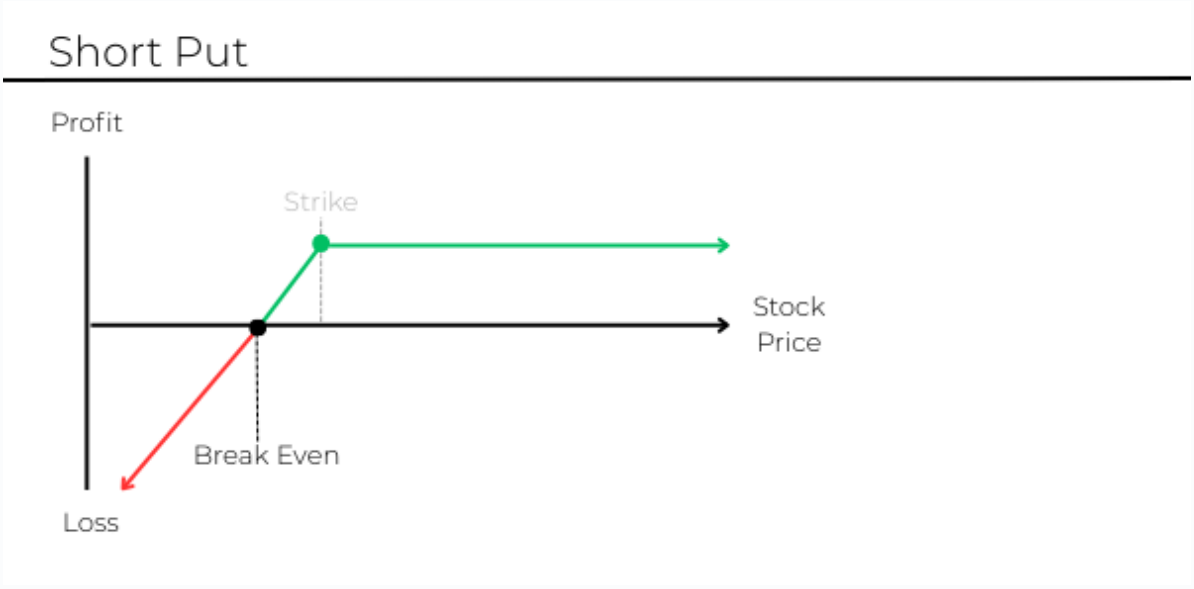


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Short Put

A short put obligates you to buy a stock at a specific price if assigned. You would sell a put if you expect the stock to remain above the strike or want to generate income with the possibility of purchasing the stock at a lower effective price.

- Profit when the stock stays above the strike price, allowing the option to expire worthless and the premium to be kept
- Maximum profit is limited to the premium received
- Exposed to falling stock prices and higher volatility
- *Good when:* You expect the stock to remain stable or rise and want to collect premium income or potentially buy the stock at a discount
- *Bad when:* The stock falls sharply or volatility increases, since losses can grow — you may be required to purchase the stock at the strike price even if its market value declines substantially



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