

Cash-Secured Put

Collect premium and take the shares at your target price.

also: cash-covered put

PAYOFF PROFILE

Profit / loss per contract unit

Profit

Loss

strike

Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- -1 Put at the strike
- + cash equal to K

KEY FIGURES

Maxprofit	premium received
Maxloss	strike - premium
Break-even	strike - premium
Profitzone	price above the break-even
Capitalrequired	strike x multiplier tied up in cash
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Rising prices help
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

Time decay

Price direction against you

You get paid on time decay - or you get the stock. You have to want both.

TYPICAL USE

Market phase	sideways range, quiet upward drift
Volatility	medium (IV rank 30-50) / high (IV rank > 50)
Goal	Income, Acquiring shares
Expiration	30-45 days
Strike choice	0.15-0.30
Assignment risk	medium to high

EXIT & MANAGEMENT

Take profit	50% of the credit
Loss limit	accept assignment or roll
Time rule	make the call at 21 days to expiration

THE ONE QUESTION BEFORE ENTRY

After a 30% drop, would the strike still be a price you actually want to pay?

COMMON MISTAKES

- 'I get the stock at a discount' - only true if price stops at the strike
- Never worked out the return on capital: a lot of cash tied up for a small credit



Related: The Wheel · Covered Call · Bull Put Spread — Opposite: Protective Put
Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.