

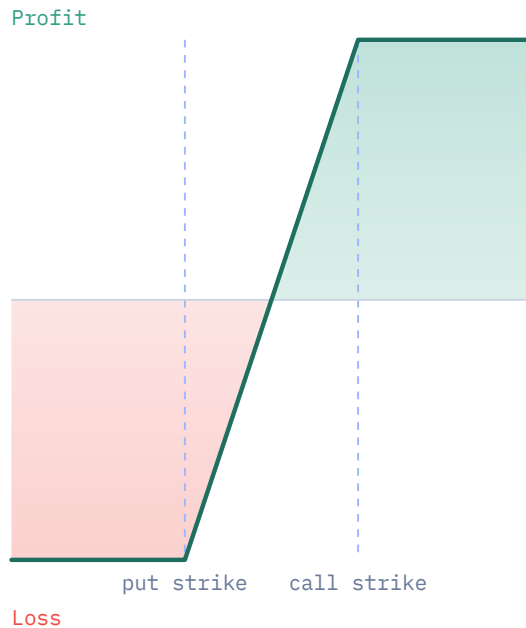
Collar

A fixed floor traded for a fixed ceiling — financed by the call.

also: hedge wrapper · zero-cost collar · protective collar

PAYOFF PROFILE

Profit / loss per contract unit



Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- +100 shares
- +1 Put at the put strike
- -1 Call at the call strike

KEY FIGURES

Maxprofit	call strike - cost basis + net premium
Maxloss	cost basis - put strike - net premium
Break-even	cost basis - net premium
Profitzone	price above the break-even
Capitalrequired	a full stock position
Opening	mixed, depending on the strikes

WHAT HELPS THE POSITION

Direction	Rising prices help
Movement	depends on where the price sits
Time	depends on the construction
Volatility	depends on the construction

WHAT PAYS YOU

Price direction

Size of the move against you

You get paid on the stock inside a corridor. The call you sell pays for the protection.

TYPICAL USE

Market phase	sideways range, large move, direction open, clear downtrend
Volatility	medium (IV rank 30-50) / high (IV rank > 50)
Goal	Hedging, Income
Expiration	60-180 days
Strike choice	Put 0.20-0.30, Call 0.20-0.30
Assignment risk	medium on the short call

EXIT & MANAGEMENT

Take profit	n/a
Loss limit	defined by the put strike
Time rule	roll both legs together

THE ONE QUESTION BEFORE ENTRY

Will you accept a hard ceiling in exchange for a hard floor?

COMMON MISTAKES

- Read 'zero cost' as free - you pay with upside, not with cash
- Picked a call strike too close, so the position can never recover



Related: Protective Put · Covered Call — Opposite: Long Straddle

Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.