



When To Exit Trading Guide

About the Author



Kirk Du Plessis is a full-time options trader, real estate investor and entrepreneur.

Before launching Option Alpha more than 8 years ago, he was an Investment Banker for Deutsche Bank in NY with the Mergers & Acquisitions group, a Capital Markets Analyst for BB&T in DC covering REITs and a Senior Loan Officer in the mortgage industry.

His training courses and coaching programs have helped thousands of traders from around the world learn how to make smarter options trades. He was recently featured in Barron's Magazine as a contributor to the Annual Broker's Review and is the head trader here at Option Alpha.

Though a long-time resident of Virginia, he currently lives in Pennsylvania with his beautiful wife and daughter.

Exiting Trades:

You've likely heard the saying, "Have an exit plan" right? We all have, and it couldn't be more true with one minor change; for traders it should be "Have an *early* exit plan."

The concept of taking winning trades off early is fairly new for most investors because you often hear "Let your winners run!" Yet the basis for exiting trades early is rooted in that doing so dramatically increases our win-rate.

Plus, when looking at Probability of Touch on any trade we can expect that we will be at least *given* an opportunity to see a profit sometime during the trade's lifespan.

This quick guide will give you a framework for setting automatic closing orders and/or alerts for exiting trades early. As always, you want to keep your trade size small so that you can afford to let each trade play out over time.

On risk defined trades you should let them go all the way to the week of expiration if needed. Undefined risk trades or naked trades, should be monitored more closely for profits as described below in the table.

Want to learn even more? Check out all the video tutorials we have on each strategy (and adjustments) inside the Option Alpha content library.

Bullish Strategies

Strategy	* % of Max Profit	** % of Net Cost	*** Hard Stop-Loss
Put Credit Spread	50%	—	—
Call Debit Spread	50%	—	—
Call Calendar Spread	—	25%	—
Put BWB Spread	75%	—	—
Put Diagonal Spread	—	25%	—
Custom Naked Put Spread	50%	—	3X
Call (Ratio) Backspread	—	25%	—
Short Single Naked Put	50%	—	3X

*The % of max profit is calculated based on the net credit received for the trade overall. If you receive a \$0.50 credit then exiting at 50% of max profit would mean closing the trade at \$0.25.

**The % increase in net cost (debit) is based on how much you paid to get into the trade. If you paid a debit of \$0.75 to enter a trade then a 25% of net cost would be \$0.9375.

***Hard stop-loss of 3X means that you will close when the spread value reaches 3 times the initial credit.

Neutral Strategies

Strategy	* % of Max Profit	** % of Net Cost	*** Hard Stop-Loss
Balanced Iron Condor	50%	—	—
Short Strangle	50%	—	3X
Short Straddle	25%	—	3X
Skewed Iron Condor	50%	—	—
Iron Butterfly	25%	—	—

*The % of max profit is calculated based on the net credit received for the trade overall. If you receive a \$0.50 credit then exiting at 50% of max profit would mean closing the trade at \$0.25.

**The % increase in net cost (debit) is based on how much you paid to get into the trade. If you paid a debit of \$0.75 to enter a trade then a 25% of net cost would be \$0.9375.

***Hard stop-loss of 3X means that you will close when the spread value reaches 3 times the initial credit.

Bearish Strategies

Strategy	* % of Max Profit	** % of Net Cost	*** Hard Stop-Loss
Call Credit Spread	50%	—	—
Put Debit Spread	50%	—	—
Put Calendar Spread	—	25%	—
Call BWB Spread	75%	—	—
Call Diagonal Spread	—	25%	—
Custom Naked Call Spread	50%	—	3X
Put (Ratio) Backspread	—	25%	—
Short Single Naked Call	50%	—	3X

*The % of max profit is calculated based on the net credit received for the trade overall. If you receive a \$0.50 credit then exiting at 50% of max profit would mean closing the trade at \$0.25.

**The % increase in net cost (debit) is based on how much you paid to get into the trade. If you paid a debit of \$0.75 to enter a trade then a 25% of net cost would be \$0.9375.

***Hard stop-loss of 3X means that you will close when the spread value reaches 3 times the initial credit.

We help you make “smarter” more profitable trades...

We help educate and coach options traders on all levels: from people just starting out to advanced traders with multi-million dollar portfolios (and everyone in between).

Since 2007 more than 2.3 million people have trusted OptionAlpha.com to bring them the most amazing training on options trading, making us a clear leader in this market.

We believe that there is a huge lack of financial literacy and a gap that we aim to close by delivering the best possible content in multiple formats for you to consume: blog posts, video tutorials, webinars, podcasts, case studies, live events, etc.

Our goal is to pull back the curtain and give you the best online courses and training possible in all the right areas so that you can learn to make decisions for yourself. Because at the end of the day, making smarter trades isn't just our tagline - it's our mission for you.
