Intro
rolling a covered call first of all what
is it well it's a strategy where you buy
back the call that you sold and then
sell another call option
usually with a different expiration date
and in this video
right now over the next few minutes we
will discuss the why when
and how we will talk about why would you
roll a covered call
when should you roll a covered call we
will also talk about
how exactly do you roll a covered call
we will talk about just a
straight rolling up and then also
rolling up and out
rolling down and out then we also talk
about
can you roll a covered call forever
What Is Rolling A Covered Call?
let's just very briefly uh recap the
covered call strategy and what this is
i'm going to jump on the start
chart here so you see a covered call is
a strategy where you sell a
call option against your existing stock
position
and the idea is to collect extra options
premium
in addition to making money on the stock
so here is
an example i sold put options
on camping world with a strike price of
37.50
so here's the strike price of 37.50
and this is where on friday
june 18th right here i got a site
so i got assigned 2 700 shares
of camping world at a price of 30 50
per share now this is where then on
monday june 31st i
sold covered calls against my existing
position and this was
right here that was last week and for
every 100 shares that i own

i sold one call and i sold each call for
50 cents and since calls are trading in
100 packs
that is 50 so since i sold a total of
27 call options and i received
50 per call option i made one thousand
three hundred fifty dollars in premium
and that's not bad
for four days now one of two things
will happen so on expiration date which
was
on june 25th right here
cwh number one will either trade
below let's start with below actually we
trade
below 39. well what happens is in this
case in the call options expire
worthless i
keep the premium and i can sell more
call options or
door number two cwh camping world will
trade above 39 in this case my stocks
that i own are getting called away at 39
i would make 1 350 in premium
and in addition i'm making another 1.50
per share
since i bought them for 37.50 times 2
700. that is 4050.
so my total profits on this trade would
be
5 400 not bad at all
it's pretty sweet profit so why why why
in the world would i mess
with this trade so why would i roll
a covered trade there's one main reason
for rolling a covered call and that's
actually
very simple you should roll out your
Why Roll A Covered Call?
covered call when you have the
opportunity
to make more money by rolling than
holding onto position
so let's just continue our example i
just want to
go back to last friday and i want to

show you a five minute chart
of camping world and as you can see
camping world was trading above the
strike price
of 39 so if i hadn't done anything
last friday my stocks would have been
called away and i would have made
5 400 again not bad at all
so why the heck did i decide to roll out
my covered call position well
let's talk about this i'm actually going
here to
a daily chart again because this way
it's a bit easier to illustrate what i'm
doing
on friday the call option with a strike
price of 39
let's talk about this week's the july
2nd so
last week the expiration was june 25th
this is the one that we want to roll
because this one the june 25th
the july option was trading at 1.60
so and at the same time i could buy back
the june 25 call for a dollar
now i sold this for 50 cents
so this means that i'm experiencing a
loss i'll lose
50 cents per option by
closing out this trade but i'm
collecting
1.60 for next week's call if we
look at all this the net actually is
let's uh go back here
so by rolling out i'm actually making
60 cents per option and since they're
traded
in hundred packs so for my 27 options
times sixty dollars
this is one thousand six hundred twenty
dollars why would i do this again if i
would have done nothing
i would have made on this trade five
thousand four hundred dollars
not bad but by rolling the option
i can collect another one thousand six

hundred twenty dollars in options
premium
and again now there are two possible
outcomes for
this friday july 2nd and the possible
outcomes are again number one
cw8 is trading below 39
on friday's close and so i just make the
additional 1620 premium
i already collected 1 350 previously
so i would make 2 900 700
no matter what however if
cwh is above 39 door number two my stock
gets called away and since i bought them
for
37.50 i will make an additional we have
just talked about it dollar fifty by
share
so this would be an additional four
thousand
and fifty dollars so this means
the total premium here instead of just
making five thousand and four hundred
dollars
i can make seven thousand
and twenty dollars okay so this is what
i can do by rolling out
in a nutshell rolling this covered call
will bring me an additional
1 620 in profits and if you switch to my
account right now that you see
for cwh which is the second row here
right now you see i'm already up seven
thousand
two hundred and seventy six dollars so
instead of just
taking the fifty four hundred dollars
and running
i'm are now already up seven thousand
two hundred dollars so
uh we gotta talk about this rolling is
very subjective because what's the
downside well
the risk here is when rolling it i'm now
keeping the position longer so the risk
is that camping world

would actually drop below the price that
i was assigned so
if camping world over this week by the
end of the week drops below
37.50 okay then i would
lose money on the stock but you see as
long as i am
somewhat bullish on the stock and based
on my
three indicators here i am bullish on
the stock so
i can just keep rolling the call and
collect more premium
every single week and this will then
increase my overall profits on this
trade
week after week so let's talk about it
How To Roll A Covered Call
how to roll
a covered call rolling can be done at
any time
before or on expiration date and for me
personally i
usually only consider it on expiration
date and there are
two ways on how to roll number one you
can do it manually in this case you
first
buy back the option that expires this
week and then you
sell the option that expires next week
or
number two and let me show this you can
let your broker do it because
you see many brokers if you're looking
at cwh
here right now they offer a role option
so here i can for example roll
expirations and you can set a minimum
price
that you want to receive net after
rolling now in the example that i told
you just a couple of minutes ago
it was 60 cents and here you see if
right now i would roll it into next week
i would receive an additional 40 cents

so i can do this
so when you select the same strike price
and just roll the expiration date it is
a
so-called simple roll out now
in addition you can also roll up
and out sometimes it might make sense to
roll up your call option
and let me just show you how to do this
so
in our example i could choose to roll up
from the 39
strike price into the 40 strike price
let's just plot it here
so what i would do is i would buy back
the calls that expire this week july
2nd right because these are the ones
that i currently have
so would buy them back and right now it
would be probably for
a dollar 70 right and then at the same
time
for next week i am not doing the same
strike price because we already talked
about this this is where i would get 40
cents
no this is where right now for this
particular one i'm going
2 strikes out to the 40 strike price
so in this case i would have to pay
20 cents per option so why would i do
this why would this make sense that
right now i'm
paying 20 cents for this well let's uh
jump back
on the charts here is what would happen
if i'm
rolling it out to next week and again
this is where
we are rolling out and we're rolling up
to a strike price of
40 so i pay 20
per option and i have 27 of those so
i pay 540
or just to be honest i'm giving back
some of my

premium that i've received earlier
because i told you that i received
1 350 in premium so
part of this i'm giving back but but but
if camping world rallies above 40 i
would make an additional dollar per
share
so this would be an additional 2
700 so basically i'm
buying the possibility of making
an additional 2 700 for
540 so in a nutshell i make
less money in options premium but i
collect more money if the stock price
rises above 40. however i want to be
honest rolling
up and out i i don't think that i've
ever done it but what you could do
is rolling down and out
let's talk about this if for example i'm
no longer
bullish on the stock i could roll my
call option
down and out so let me give you an
example so
as previously we are looking at the july
2nd that i have right now so we're
buying it back for approximately
right now you see the bid ask is a
dollar sixty five over a dollar eighty
so it's probably we would pay a dollar
seventy
since i sold this particular one
so i sold it as you can see here for a
dollar
sixty one so i would lose around ten
cents on this call or
two hundred and seventy dollars but but
but but
i could sell the call option for next
week july ninth
and now i can actually roll it down from
the
39 to the nearest strike price to 38.50
this is where you can see the bid ask is
240 over 255 so

i would probably collect 2.50 so let's
do the
math here and see if this makes sense so
i'm giving up
so buy back july 2nd and i'm losing
270 and then sell
the 38.50 rolling down
july 9th and for this
i would get 2.50 so that's 27
times 250 dollars and that is
6 700 750 dollars
that's not bad at all now keep in mind
with this
you're still making money on the stock
so the only downside if cwh
stays above 38.50 i only make
one dollar per share times 2700 so this
is an additional 2
700 because i bought the stock for 37.50
and i will be
called away at 38.50 because that's
right now
my new strike price and that's one
dollar per share or 2
700 for the whole trade so total from
the trade if we bring this
all up if i would roll down so let's do
the math really quick here
and the math is that i received 1
350 and this is from the initial call
that i sold then i lose 270
from buying back the july second call
and
i receive plus 6750
for the july 9th call i also
get 2 700 if cwh
stays above 38.50 by friday
so this is the gains on the stock for a
total of
ten thousand five hundred and thirty
dollars for this trade and this trade is
only
what three weeks two weeks three weeks
a three-way trade for ten thousand five
hundred thirty dollars
now that's not bad at all right and i

know that we did the math
super super quick but before we move on
so you can always
rebind this this is why it's a video
that lives on youtube forever so if you
need to run through the math you can go
back and
pause the pause the video anyhow so if
this is so amazing
this this rolling stuff can you roll a
covered call forever
the short answer yes but
you must have your bookkeeping under
control to keep track
i mean as you can see whenever you roll
a call
you might make or like right here
lose money on the call that you're
closing early so
make sure that you account for these
losses because
otherwise you make much less than you
think now as you can see
rolling calls can be very very
beneficial if
you know what you're doing if you would
like to know how i actually got
paid in addition to all of this i got
actually paid
1 350 this is in addition
to all of this for a total of almost 12
000
so if you would like to know how i get
paid 1
350 to buy these shares
at a discount then click on the video
that pops up right now and i'll explain
it
in detail in that video because this
is the wheel strategy and i want you to
know about the wheel strategy so take a
look at the video right now i also link
to it in the description and i will see
you
in the next video