Title: Options Questions -- Explain It Like I have a steady diet of paint chips
Author: GeoHog713
Created 2022-01-31 15:09:51 UTC
Permalink: /r/GME/comments/sh3ean/options_questions_explain_it_like_i_have_a_steady/
Url:
https://www.reddit.com/r/GME/comments/sh3ean/options_questions_explain_it_like_i_have_a_steady/

Options Questions -

I'm not sure if options are something I want to do, but I'm trying to understand so I can make an informed choice. Please help me form a wrinkle.

Options, are obviously bets that can **go to ZERO** or let you increase your earning via leverage.

If I want to bet that GME will go above $200 in the next year I would buy a **yearly call**. That would look like this.

https://preview.redd.it/18bei89lc1f81.jpg?width=966&format;=pjpg&auto;=webp&s;=d560ba13a6bdc082e095e1acd375d8966afeae82

Each contract is for 100 shares, so I have to pay 100x the price upfront. In this case, that would mean $2,100 today. **Right?**

*sidenote - "This Security has a 100% special margin requirement". Does that mean I need the full amount of the contract to buy the contract? Or the full amount of the strike price to buy the contract?

Then, at any time between now and with the contract expires I can either sell the contract for *some* amount of money, OR I can exercise the option.

Exercising would require 100 x the Strike Price. So for this example, $20,000.

Am I on track so far?

If I had \~$20K that I didn't mind gambling (AND I DON'T), I could either buy 1 of these yearly contracts, and execute it sometime in the future; giving me 100 shares that cost me $22,100 (the Strike price plus the contract price). **Is this right?**

If I had $2500 right now, I could buy 25 shares, that I know can't go to zero, OR I could buy 1 contract that I can't afford to execute?

My smooth brains seems to think that Buying and Exercising options puts the most stress on SHFs. But does buying contracts that you can't execute put more stress on SHFs than just buying shares via CS?

Looking at this options profit calculator -

https://preview.redd.it/rckgmbonf1f81.jpg?width=907&format;=pjpg&auto;=webp&s;=a1d1849ef3ef6b6a91582af5cacfb28bdffc4417

If I bought 2 of these contracts, and wanted to sell 1 to make enough money to execute the other, the price of GME would have to be around $420. Am I on track here?

In theory (and for easier math) I could get 100 shares for the price of two contracts ***IF THE SHARE PRICE GOES HIGH ENOUGH or you could lose it all.***

If my cypherin' is on track, then the cheapest I could bet that GME goes above $200 in the next year, and still be able to execute a contract is \~$4200.... and that would require shares to go above $420.

Or, for the same cash, I could just buy 40 shares.

What am I missing?

Is there a cheaper way to play options without incurring a bone head level of risk?