>: Why Options Are the Fastest Route to Huge Profits

Tuesday, June 2, 2009 | Chris Rowe

I get questions all the time from people who want to understand options better.

Some of the questions are complex ... others have to do with our specific *Trend Rider* recommendations ... but many of them point to one thing: People really need to take a step back and make sure they understand the *basics*of options.

I can?t emphasize enough the importance of understanding the basics about options.
While you can make millions trading options, if you start without a solid fundamental understanding of how they work, you?re playing a dangerous game.

One of the things I try to do at *The Trend Rider* is to educate my members the very best I can. With each trade recommendation, I make sure to explain the logic behind my strategy versus other strategies.

For example, last week we sold Tesoro Corp January Calls (SYM: LGC AU) for an easy 42% profit.
Now don?t get me wrong ? I?ll take profits of 42% any single day of the week, and twice on Sunday ...

<u>But if you don't know what you're doing, that 42% profit could have easily turned into a loss had you bought the wrong option or sold it on a different day.</u>

Learning how to trade intelligently ? whether it?s options, stocks or currencies ? can take years of study. That's why I take such pains at*The Trend Rider* not to just give recommendations on their own, but to explain the *thinking*behind them.

<u>But where do you start if you?re not a member, and you're interested in learning about options?</u>

For those of you in that boat, I?ve created a FREE online series called "*Why Options Are the Fastest Route to Huge Profits*."

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<u>It?s designed to help all investors - beginner, intermediate or advanced - use options for both aggressive profit plays and conservative risk management.</u>

Here's just a small sample of the what you'll learn in this brand new online series:

- How to Supersize your profits with one simple option strategy
- The 6 Key Trading Rules to Successfully Trading Options
- How to Earn Extra Incomefrom Your Existing Portfolio Using Options

Because options have been such a huge part of my own investing success ... and because I want you to have the same opportunity to have success trading options that I did ...

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I've also created a FREE e-book for the absolute beginner, titled "*Options Trading Simplified*."

You'll get this book as an additional bonus when you sign up for the options series.

From "Options Trading Simplified" ...

This book is designed specifically for those of you who want to learn about options but aren't sure where to even start. Below is a small excerpt from the repor

How Buying a Call Option is Like Buying a House

Some people are confused by options, but the reality is that people have been using options for ages in the form of contracts such as real estate and auto insurance. One way of looking at a call option is drawing a comparison to a contract to buy a house.

If I were considering purchasing a house, I would agree on the purchase price before actually purchasing the house.

Let?s say in this example that I would put down a deposit of $5,000.00, and I would draw up a contract, guaranteeing that I could purchase the house at the agreed upon price.

(When I put money down to buy a call option, I also receive a contract, guaranteeing that I can buy a stock at a fixed price.)

But let?s say that a catastrophic event sent real estate prices down. I could find a way to back out of the deal and choose not to buy the house at that price, but I would lose my $5,000.00 deposit.

If the house went down in value by $100,000.00 I wouldn?t worry too much about backing out and losing a $5,000.00 deposit. (Good thing I didn?t actually own the house, or I would be down $100,000.00!)

But if the value of the house suddenly went up by $100,000.00, then the contract, which guarantees me that purchase price that we agreed on, suddenly becomes much more valuable. (I?d sure hate to misplace that piece of paper!)

How Buying a Put Option is Like Buying Insurance

When you purchase an insurance policy, you have purchased a contract that you pay a ?premium? for. The insurance company isn?t giving you anything you can hold in your hand ... just a promise to fulfill a specific obligation in the future.

If you?ve paid for an auto insurance policy, and then you crash the family car, the insurance company is obligated to take whatever action necessary to return the car to its prior condition.

As a matter of fact, a put option is commonly used as an insurance policy on a stock position.

For instance, let?s say you own 100 shares of stock in H&R Block, which was trading at $23.00, and you absolutely loved the stock.

I mean, you believed with every fiber of your being that the stock was going to trade to $40 this year. But they were going to announce earnings in a week, and you heard a silly rumor that the earnings would be terrible, which would send the stock crashing down!

A smart choice would be to simply hold on to your stock, but at the same time buy a put option with a strike price of $22.50. That would give you the right to sell your stock at $22.50 if you chose to do so.

This way, even if the H&R Block stock traded down to $10.00 per share, it?s okay because you bought insurance on your stock (in the form of a put option) that says that you can sell the stock at $22.50.

That?s a very simple example of how you can use options to protect yourself against losses.

With that in mind, I'd like to invite you to sign up for both **"Why Options Are the Fastest Route to Huge Profits"** and **"Options Trading Simplified"** right h

Becoming a successful options trader requires two things and two things only: A solid understanding of options basics, and a solid understanding of options str

And both of these reports should be a good start in that direction...

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