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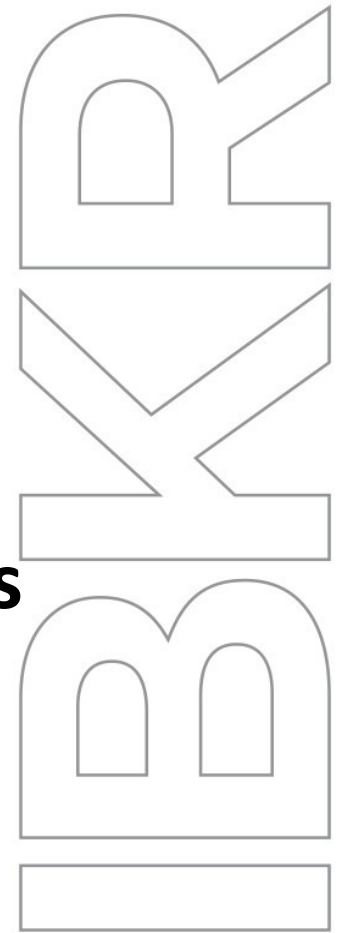
*present:*

## **Seeking Income with Options for Retirement Accounts in 2021**

**Gareth Ryan**

Founder & Managing Director

**IUR Capital**



**Webinar begins @ 12:00pm Eastern**

**January 11, 2021**

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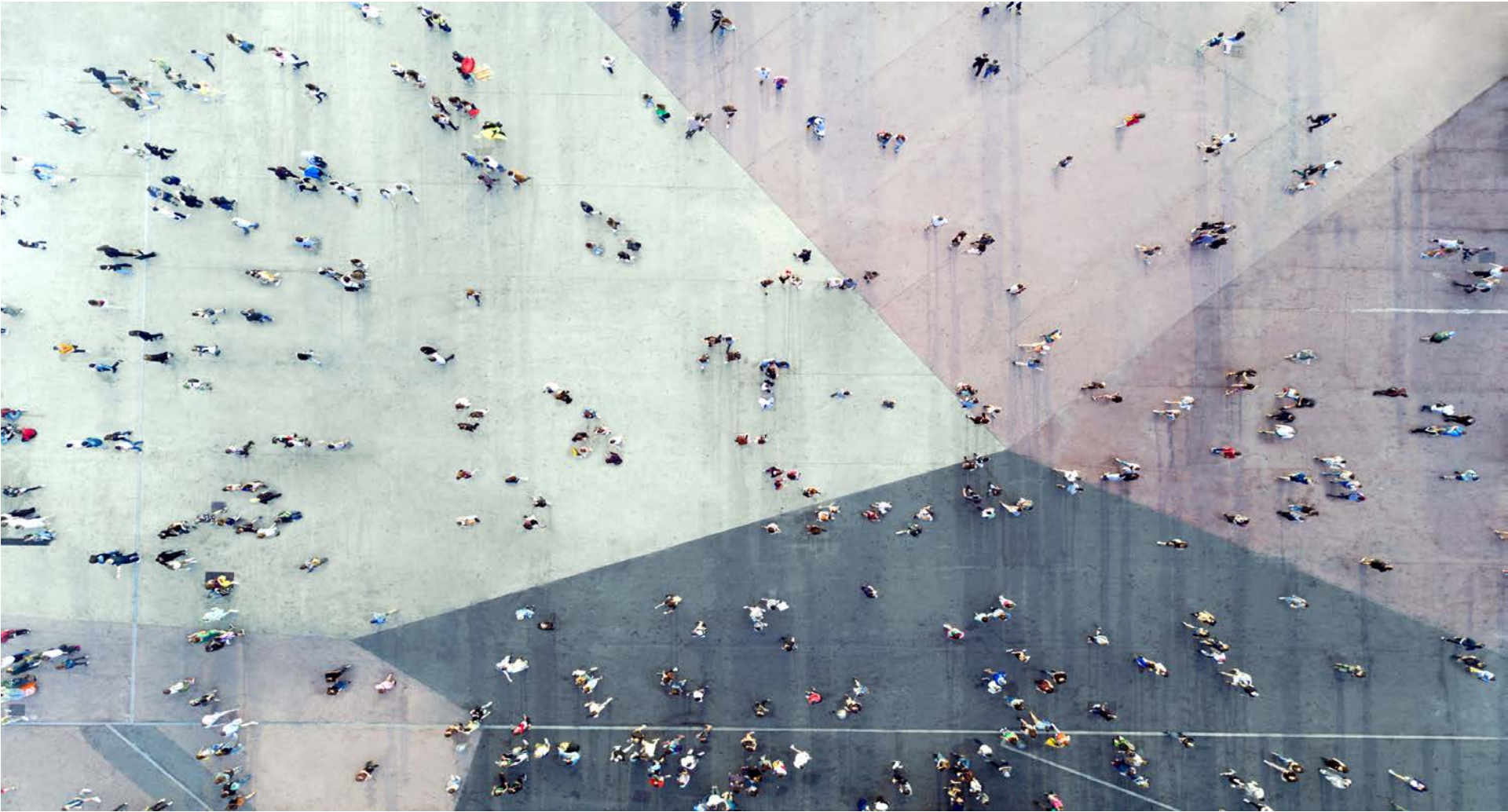
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# Seeking Income with Options for Retirement Accounts

**IUR**CAPITAL

January 2021

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Gareth Ryan  
Founder & Managing Director  
[gryan@iurcapital.com](mailto:gryan@iurcapital.com)

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# Host Profile (Gareth Ryan)

- Founded IUR Capital Ltd in 2007, IUR Capital LLC in 2010
- IUR Capital is an investment advisor for institutional and retail investors
- Specialising in exchange-traded option strategies

*“Volatility evolves.....and in 2021, so should we.”*

*(Me. December 2020)*

- SPX +1% YTD / Nasdaq flat YTD
- The beginning of 2021 saw new highs for equity indexes
- VIX retesting 20 handle during first few days of January
- Treasury yields now testing 1% handle
- Risk assets continue to look past Covid era into a “normalized” economy
- The U.S now looks ahead to the Biden era
- But for today’s webcast, a house rule....no politics.

*(As of January 5<sup>th</sup>, 2021)*

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# Volatility post-Covid

- The March market meltdown saw historic moves in cross-asset volatility
- High volatility = High option pricing
- Covid “volatility premium” continued to evaporate throughout Q4
- Implied volatility tells us what the options market is *implying* in terms of market moves
- Opportunities within both long volatility and short volatility option strategies in 2021...



# The VIX tells its own story about *implied* market moves...

## CBOE Volatility Index

Intraday 5D 1M 3M 6M YTD 1Y 5Y All



Source: CBOE

# Tech outperformance throughout 2020....will this persist in 2021?

PowerShares QQQ Trust, Series 1 (ETF)

Intraday 5D 1M 3M 6M YTD 1Y 5Y All

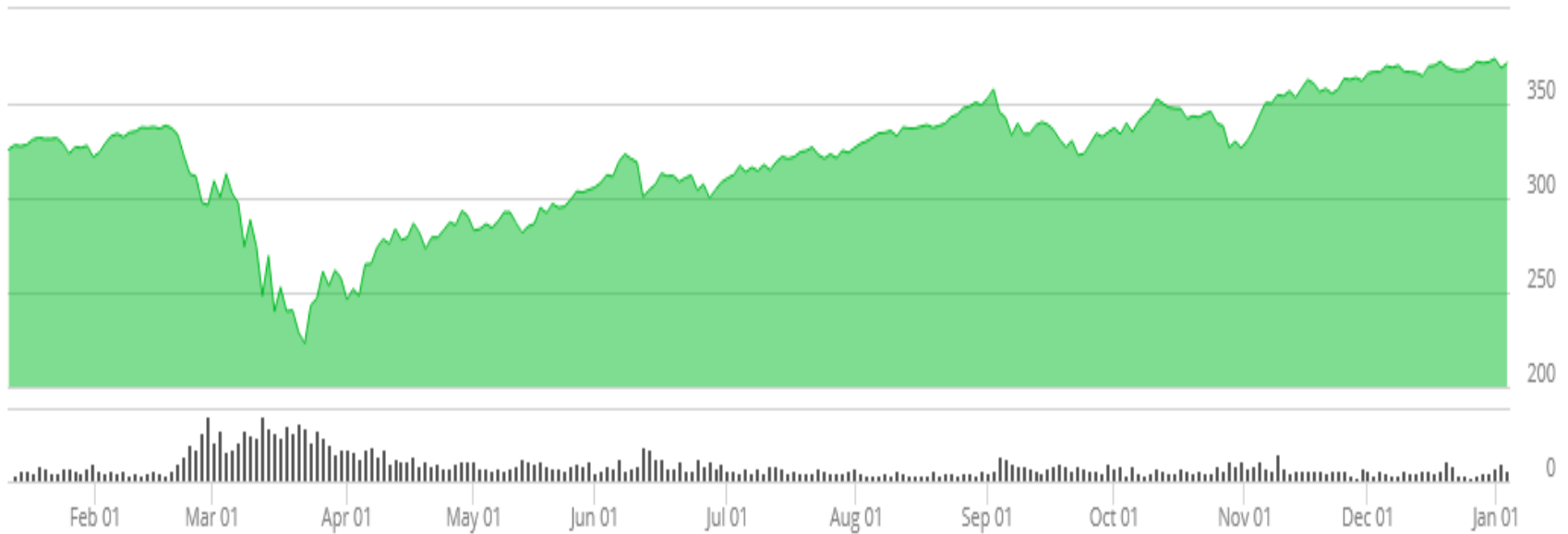


Source: CBOE

# SPDR makes new highs in first days of 2021....

## SPDR S&P 500 ETF Trust

Intraday 5D 1M 3M 6M YTD 1Y 5Y All



Source: CBOE

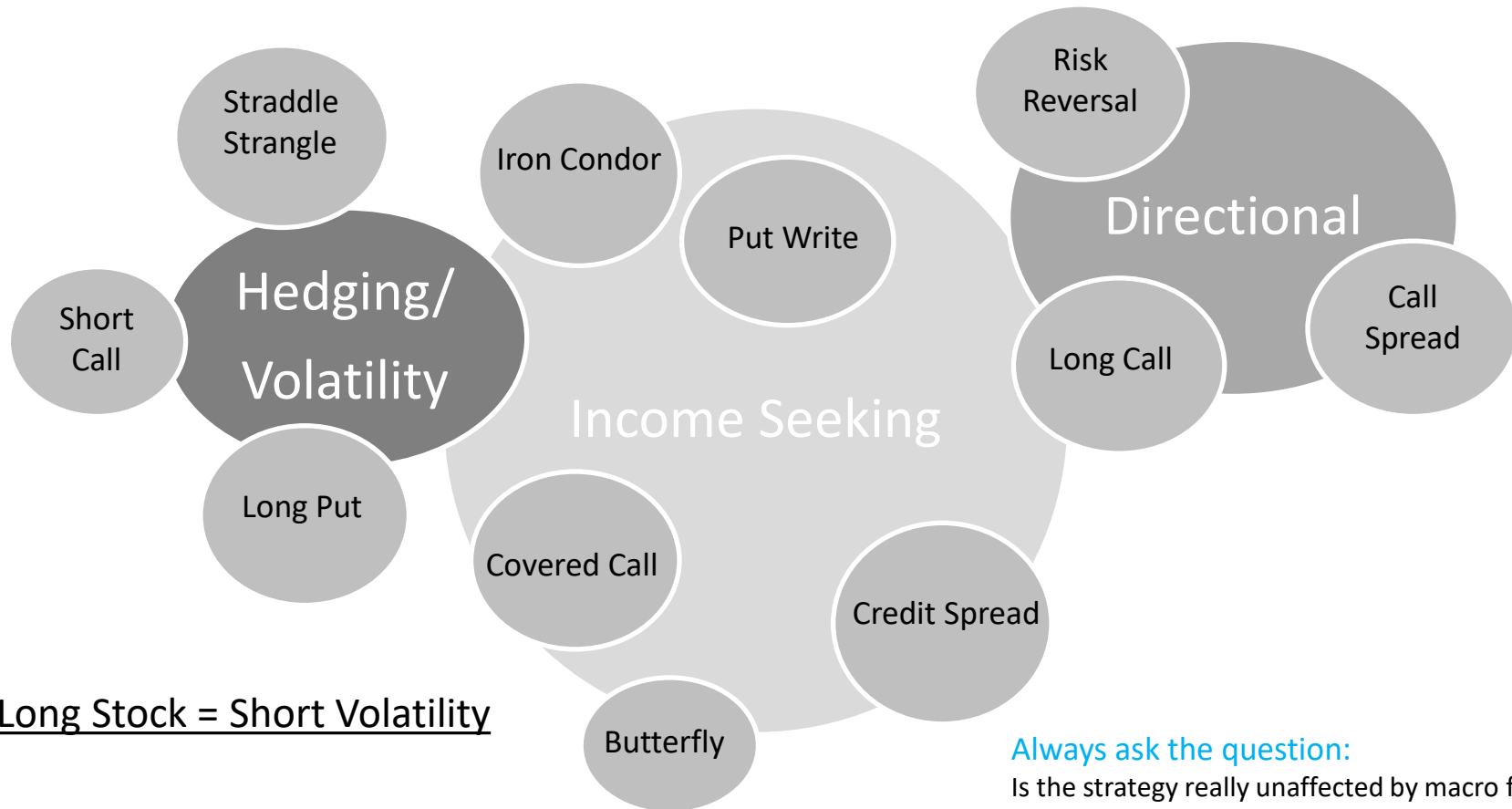
# Scenario 1: \$1m portfolio

- You are in the 40-60 age range, married with 0 / 1 dependent
- You are looking to supplement income from employment through your current portfolio
- Currently invested in bonds, mutual fund, dividend-paying stocks
- You need to generate consistent income in the portfolio BUT with a focus on capital preservation
- You are willing to allocate 15-20% of the overall portfolio to a conservative options strategy to generate regular premium
- You want to achieve regular premium even if the market remains flat

# Scenario 2:

## \$200k retirement account

- You are nearing retirement or already retired, with no dependents
- Your income has dropped, but you are wary that you will still have living costs for you and your spouse
- Mostly invested in bonds with a small element of stocks, but your dividend income is not sufficient for regular drawdowns
- Preserving your capital in your retirement accounts is a priority
- But you are willing to look at an income strategy using options that does not require a rising market
- You want to achieve regular premium even if the market remains flat



Long Stock = Short Volatility

**Always ask the question:**

- Is the strategy really unaffected by macro forces (growth, inflation, monetary policy)?
- How to react if the sensitivity changes over time?
- Adapt the strategy / Lower expected potential

*Options involve risk and are not suitable for all investors. Multiple leg strategies, including spreads, will incur multiple transaction costs*

# Income-seeking strategies... an overview

Objective	To generate regular premium to portfolio / generate income	
Setup	Selling of put / call options for premium on underlying security Carries inherent market exposure	
Covered Call	Credit Spread	Iron Condor / Iron Butterfly
When it works:	Moderately trending market Sideways market	
Risks:	Sharp market moves with no hedge Realized volatility is higher than implied volatility	

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# Use of index/index ETF products as underlying vehicles

Ticker	Instrument	Style	Settlement
SPY	SPDR S&P 500 ETF	American	Physical
SPX	Credit Spread	European	Cash
IWM	Russell 2000 Index ETF	American	Physical
RUT	Russell 2000 Index	European	Cash
QQQ	Invesco QQQ Trust	European	Physical

\*Note that SPY / IWM ETF products have quarterly dividends.

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# Using SPY ETF options as a vehicle for income

- Vertical Spreads
- Creates defined-risk, defined-reward scenario
- Buy one option, sell another
- Same underlying
- Same expiration
- Different strike prices
- Established as a credit spread  
(premium received on opening transaction)

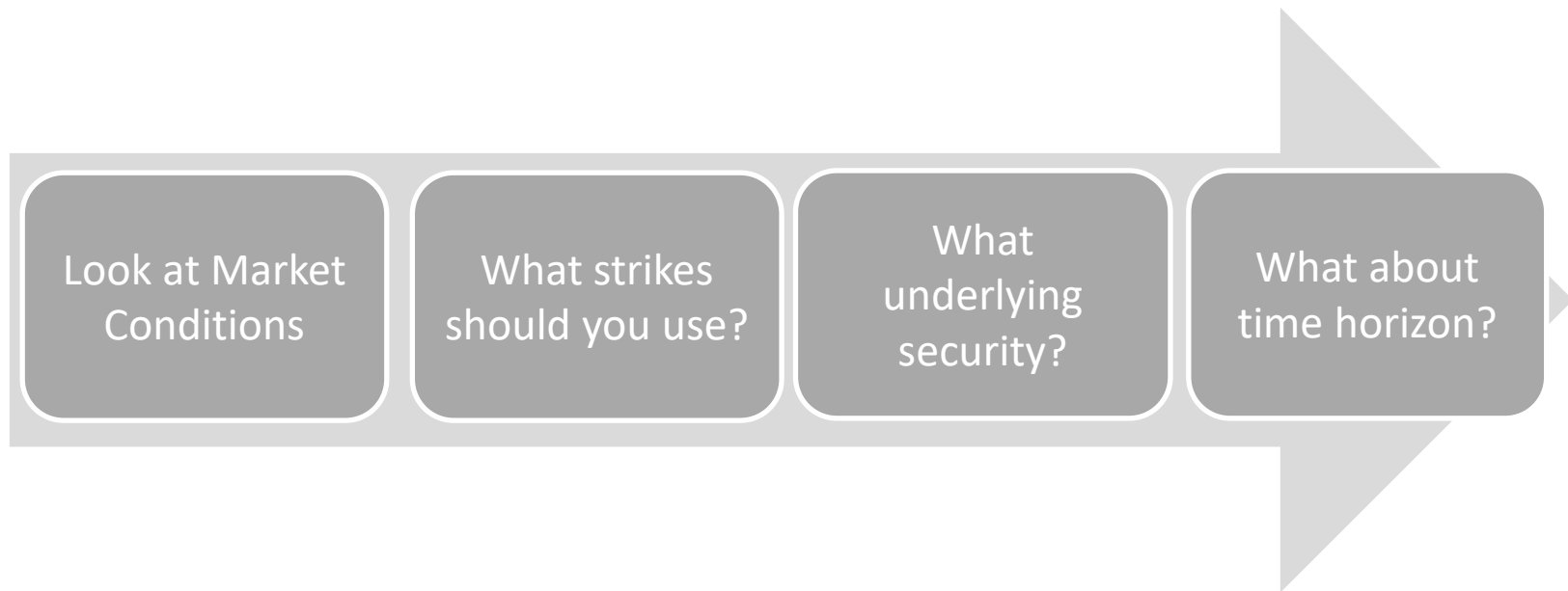
# SPDR<sup>®</sup> S&P 500 Credit Spread Strategy

- Seeks to harvest premium on a continuous basis to the portfolio using both put spread and call spread premium on SPY ETF.
- Makes use of short-dated and long-dated options
- Seeks to outperform the underlying benchmark index net of fees.
- Can be used on any equity index or index ETF.

# 2021 approach for retirement accounts

- Combine weeklies and traditional monthlies to harvest premium
- Weeklies setup could be as short as 14 days
- Use of at least 2 weeklies and the traditional monthly in any given month
- Consider an outright hedge

# Making option-based strategies work in a portfolio.....



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# Let's talk...

Email me [gryan@iurcapital.com](mailto:gryan@iurcapital.com) to request the slides or to have a chat....