

Live for Free

Rent Out Appropriate Equities

By Ken Hodor

Problem Statement

- Need motivation to stick to financial plan
- Generating income to pay your monthly bills
- Honey “we can’t afford this...”

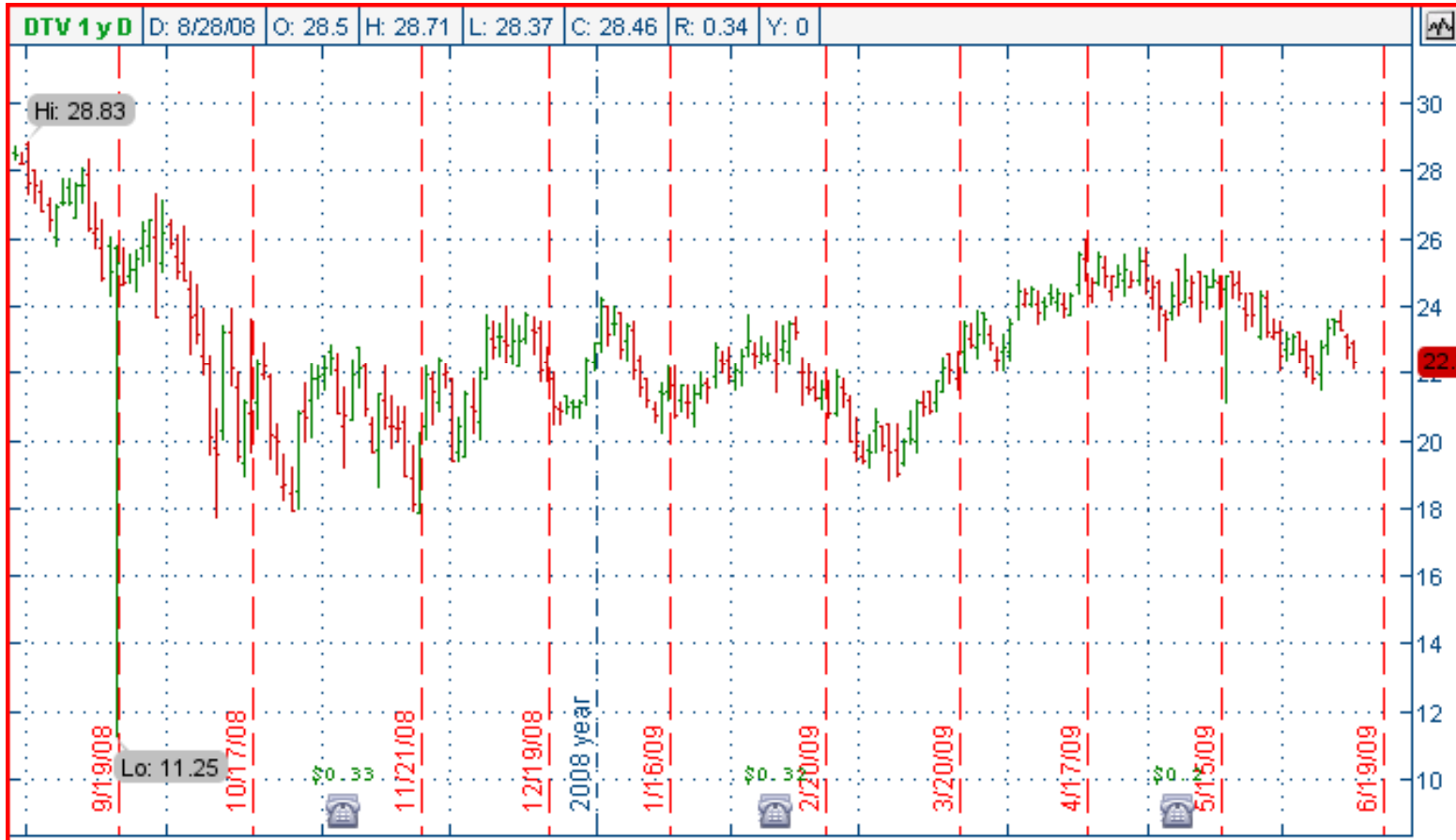
Blend Ideas

- “Rich Dad Poor Day” by Robert Kiyosaki
 - “Invest only in assets that generate cash to support your life style”
- “Beating the Street” by Peter Lynch
 - “Invest in companies you understand”
- ThinkorSwim strategies in the use of options

Budget

Item	Company	Monthly Bill
Phone Bill	Verizon	\$55
Internet	AT&T	\$45.77
TV	DirecTV	\$60
	NetFlix	\$9.78
Gas	Chevron	\$100
Food	CostCo	\$80
	Starbucks	\$50
TOTAL		\$400.55

DirecTV Bill \$60/Month



DirecTV Bill \$60/Month



DirecTV Bill \$60/Month

Monitor Trade Analyze Scan MarketWatch Charts Tools Help												
All Products Forex Trader Futures Trader Active Trader										Setup		
DTV The DIRECTV Group, Inc. - Cmn stk										Easy to Borrow B: 21.75 A: 23.50 22.35 0 0.00%		
UNDERLYING												
	Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low			
	22.35 D	0	21.75 P	23.50 P	1 x 8	0	0	0	0			
TRADE GRID												
OPTIONS Spread: Single Layout: Last X, Net Change Exchange: Composite												
CALLS						Strikes: 5	PUTS					
	Last X	Net Change	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Last X	Net Change		
▶ JUN 09 (3) 100											84.50%	
▼ JUL 09 (31) 100											46.44%	
	5.00 I	N/A	4.80 C	5.10 C	JUL 09	17.5	.05 I	.15 C	N/A	N/A		
	3.00 B	0	2.80 C	2.80 C	JUL 09	20	.25 I	.40 C	.35 C	0		
	1.00 X	-05	1.00 X	1.05 I	JUL 09	22.5	1.05 X	1.15 I	1.15 C	+15		
	.30 C	+05	.10 I	.20 I	JUL 09	25	2.65 C	2.90 C	2.90 C	+19		
	.50 I	0	0 B	.10 C	JUL 09	27.5	5.00 C	5.30 C	4.50 C	0		

DirecTV Bill \$60/Month

- Sell At The Money (ATM) 22.50 Put for \$1.05
 - Or if a little more greedy try for \$1.10
 - Collect over \$100 per month
- If stock is put to you then sell ATM call following month
 - Collect \$100 per month
- Pay DirecTV Bill
- Set aside balance (\$40) for taxes on profit

Buying Power Effect (DirecTV)

- Sell \$22.50 strike Put...Naked
 - Buying Power reduced by \$452
- You are Put the Stock
 - Buying Power reduced by \$1,232.50
- Sell Covered Call if own stock
 - Buying Power reduced by \$1232.50 - \$434.50
=\$798.00
- Worst case tie up \$1,232.50 buying power for \$720/year DirecTV bill → Not bad!



Budget

Item	Company	Monthly Bill	Symbol	Current Stock Price	ATM Put/Call
Phone Bill	Verizon	\$55	VZ	\$29.75	\$1.30
Internet	AT&T	\$45.77	T	\$24.63	\$1.25
TV	DirecTV	\$60	DTV	\$22.40	\$1.10
	NetFlix	\$9.78	NFLX	\$38.11	\$2.00
Gas	Chevron	\$100	CVX	\$71.05	\$2.00
Food	CostCo	\$80	COST	\$46.33	\$1.30
	Starbucks	\$50	SBUX	\$14.09	\$0.72
TOTAL		\$400.55			\$9.67 x 100 = \$967

Or Simplify...

Visa Bill = \$1,000

- Symbol V is at \$64.43
- Sell Puts alternatives
 - \$62.5 Strike = $\$2.10 \times 100 = \$210 \rightarrow 6$ contracts
 - $6 \times 210 = \$1260 \rightarrow \1000 for bill + \$260 for Income Taxes
 - \$65 Strike = $\$3.25 \times 100 = \$325 \rightarrow 4$ contracts
 - $4 \times 325 = \$1300 \rightarrow \1000 for bill + \$300 for Income Taxes
- Buying Power Reduction is under \$7,000 NICE!

Motivational Conclusion

Instead of saying:

“we can’t afford this”

ask:

“what asset / options will you use to pay for it?”

...Now are you interested in options?