



SPECIAL REPORT

---

# How to Open an Options Account

# How to Open an Options Account

By Jeff Clark, editor, *Jeff Clark Trader*

---

Before you begin trading options, you must first figure out what you want... and how to get it.

It's important to have a clear idea of what you hope to accomplish. Options can play many different roles in a portfolio and picking a goal narrows down the strategies you might choose.

My goal with the Delta Report is to show you how to use options to reduce your risk... and add a little bit of "pop" to an otherwise conservative portfolio. To help reach that goal, we'll be applying three options strategies...

**Purchasing call options: Buying a call option means we'll make money if the "underlying asset" (like a stock, index, or ETF) goes up.**

**Purchasing put options: Buying a put option means we'll make money if the underlying asset goes down.**

**Selling uncovered put options: Selling to open a put option means we'll get paid a premium up front and be given the obligation to purchase the stock at the specified strike price – IF it's trading at or near the stock price by the expiration date.**

As I wrote in the [Guide to Options Trading](#), trading options is a process. And if you want to be in the options market for any length of time... you have to do it the "right way."

Learning the "right way" to use options might involve a little extra effort on your part if you want to trade in the market successfully. But I'm here to help you master the basics...

That's what this report is all about... I'm going to walk you through all the steps – from setting up your brokerage account to executing your first options trade.

Let's get started...

## STEP 1: FIND A BROKER

Once you're mentally ready to invest in options, you need to choose a brokerage firm to execute your trades. Some traders choose discount firms that charge lower commissions, while others (both beginners and pros) prefer to talk to their brokers over the phone before opening or closing out a position.

If you already have a general investment account, skip to Step 2.

Here's a table of online discount brokers and their specifics for you to get your options account started (please note we don't explicitly recommend any of these brokerages).

	TD AMERITRADE	E*TRADE
Minimum Account Balance	\$0	\$0
Fees	Free stock/ ETF trades, \$0.65 per options contract	Free stock/ ETF trades, \$0.50 to \$0.65 per options contract, depending on trading volume <sup>1</sup>
Phone	800-454-9272	800-387-2331

<sup>1</sup> E\* Trade Options contract fee: \$0.65 per 0-29 trades/QTR or \$0.50 per 30+ trades/QTR

	INTERACTIVE BROKERS	FIDELITY INVEST- MENTS	CHARLES SCHWAB
Min. Account Balance	\$0	\$0	\$0
Fees	IBKR LITE: Free stock/ ETF trades  IBKR Pro: \$0.005 per share with \$1 minimum and maximum 1% of trade value, \$0.25 to \$0.70 per options contract depending on volume <sup>2</sup>	Free stock/ ETF trades, \$0.65 per options contract	Free stock/ ETF trades, \$0.65 per options contract
Phone	877-442-2757	800-343-3548	866-232-9890

<sup>2</sup> Some firms, like Interactive Brokers, use tiered commissions for options trading. We've attached an image of their fees to help you get a better grasp.

CONTRACT VOLUME (PER MONTH)	COMMISSIONS	MINIMUM PER ORDER
<b>&lt;= 10,000</b>		
Premium < USD 0.05	USD 0.25 per contract	USD 1.00
Premium => USD 0.05 and Premium < USD 0.10	USD 0.50 per contract	USD 1.00
Premium => USD 0.10	USD 0.65 per contract	USD 1.00
<b>10,001 - 50,000</b>		
Premium < USD 0.05	USD 0.25 per contract	USD 1.00
Premium => USD 0.05	USD 0.50 per contract	USD 1.00
<b>50,001 - 100,000</b>		
All Premiums	USD 0.25 per contract	USD 1.00
<b>=&gt; 100,000</b>		
All Premiums	USD 0.15 per contract	USD 1.00
<b>Examples:</b> <b>Contract Volume &lt;= 10,000 per month:</b> 1 Contract @ USD 2 Premium = USD 1.00 2 Contracts @ USD 5 Premium = USD 1.30 3 Contracts @ USD 0.075 Premium = USD 1.50 5 Contracts @ USD 0.03 Premium = USD 1.25 <b>Contract Volume 10,001 – 50,000 per month:</b> 1 Contract @ USD 2 Premium = USD 1.00 2 Contracts @ USD 5 Premium = USD 1.00 3 Contracts @ USD 0.075 Premium = USD 1.50 5 Contracts @ USD 0.03 Premium = USD 1.25 <b>Contract Volume 50,001 – 100,000 per month:</b> 1 Contract @ USD 2 Premium = USD 1.00 2 Contracts @ USD 5 Premium = USD 1.00 5 Contracts @ USD 2 Premium = USD 1.25 <b>Contract Volume 10,001 – 50,000 per month:</b> 1 Contract @ USD 2 Premium = USD 1.00 5 Contracts @ USD 5 Premium = USD 1.00 7 Contracts @ USD 2 Premium = USD 1.05		

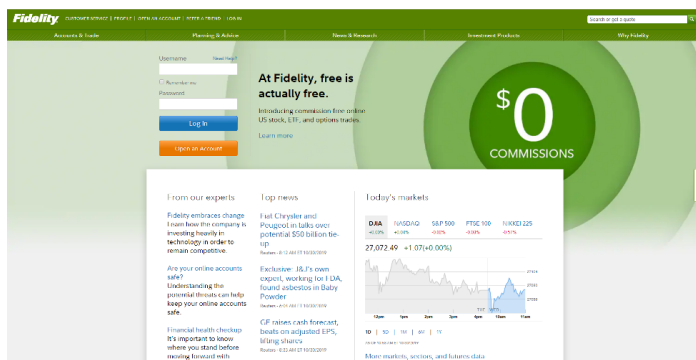
**Again, please do not consider anything in this note a recommendation for any one firm.** This is simply a list of brokerages that receive excellent ratings for customer service... plus a few we have personally used and have had good experiences with. We do not receive any compensation for mentioning them.

You'll have to choose a brokerage that suits your needs.

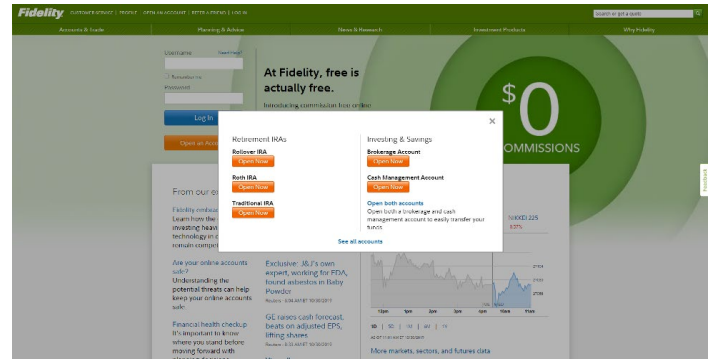
Keep in mind, creating a new account is easy. It takes minutes. Even though every brokerage website differs slightly, the basic terminology you need to look for is similar across all of them.

To set up an investment account with Fidelity, for example, here's what you need to do...

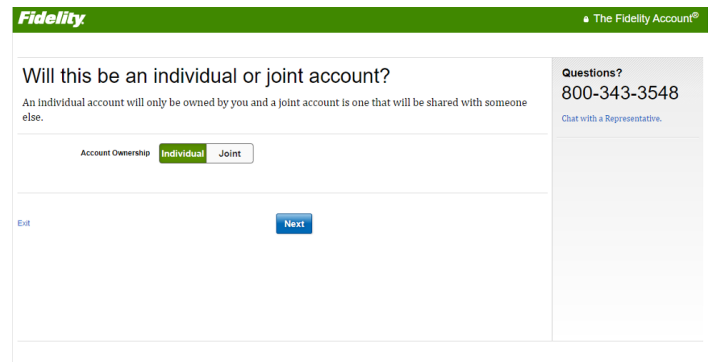
First, go to [www.fidelity.com](http://www.fidelity.com). On the homepage, look for the "Open an Account" button. Most online brokers display this prominently on their websites.



Once you've selected that option, you'll see displays of the different types of accounts Fidelity offers its clients on the box that pops up. Underneath "Investing and Savings" on the right side, click on the "Open Now" button under "Brokerage Account" (shown above).

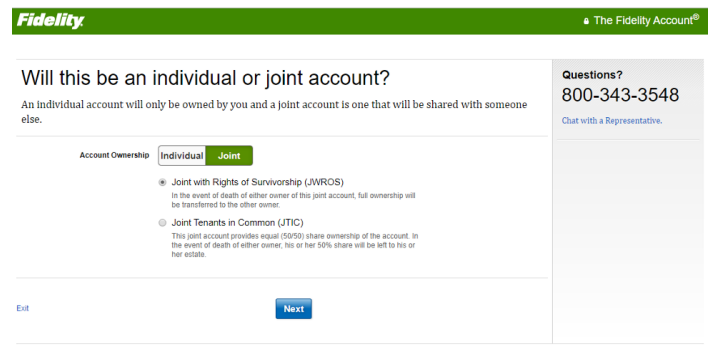


After you've pressed the "Open Now" button, you'll be directed to the webpage below... At this point it will ask you if it will be an individual or joint account. If you will be the only person trading on this account, select "individual."



However, if you will be sharing the account with another person, go ahead and select the "joint" option.

For reference, we've attached an image of what would happen if you chose to make a joint account. But for the purposes of this guide, we'll assume that you're opening an individual account.





After you've selected your account type, you'll be directed to the webpage below... At some point, most brokers will ask if you're an existing customer. This is to help streamline the account-opening process. For the purposes of this tutorial, we'll assume you're not already a customer...

Before "getting started," it will take less time to complete the process if you have some basic information on hand.

To open an account, all brokers require your Social Security number, your employer's name and address, and your bank account and routing numbers (to move money from a bank). If you have a brokerage account with another firm, you may also want to have that account number and type available. Providing your new broker with this information will make it easier to move assets over from another brokerage firm.

Once you've provided the requested information, simply log in with the username and password you chose during the account setup process.

Once you've opened a general investment account, you're ready for Step 2...

## STEP 2: "UNLOCK" YOUR BROKERAGE ACCOUNT

Unless you know how to "unlock" your brokerage account, you can't do any trades using options. Fortunately, it's an easy process... All you have to do is request a higher level of options trading access for your account.

This takes a few minutes to accomplish. But you need to do it to authorize your brokerage account for trading options.

It will differ from broker to broker, but to buy calls and puts, you'll likely need approval for "Level 2" options trading. Your broker will look at your trading experience and the amount of money you have in your trading account to determine what level to grant you.

## UNDERSTANDING "OPTION LEVEL"

The "Option Level" assigned to your account is related to your experience, the varying degree of risk carried by different options trades, and the firm's desire to limit people from losing everything in riskier trades. Imagine a novice trader selling the total value of all his assets using (or misusing) a sophisticated option strategy that wipes him out in a few hours. It's bad for business, so brokerages create levels as a way of controlling the process.

By limiting the access to advanced trading strategies, the brokerages better maintain their risk to losses as well. Once you show your ability to handle certain trades and transactions, you can apply for higher levels of options trading access.

In most cases, you can get the forms and fill them out online. You can also either fax them or mail them to your broker.

Look for language like "Account Authorization" or "Options Levels" on your broker's website to find the form to request higher levels of account access.

To stick with our example, Fidelity calls it "Account Access Rights." The link is located in the left sidebar once you've logged in... There, you can "apply for," "modify," or "revoke" option authorization on your accounts.

The screenshot shows the 'All Accounts' page with a navigation bar at the top. Under 'Account Features', the 'Brokerage & Trading' section is expanded, and 'Options' is highlighted under 'Limited Margin'. Below this, the 'Margin and Options' section is visible, showing a table for 'Individual accounts' with columns for 'Account', 'Option Level', and 'Action'. The 'Action' column for the 'Individual' account shows 'Apply', which is circled in red.

Account	Option Level	Action
Individual	Not enabled	Apply

Here are some of the questions you can expect to find on a typical option agreement form...

1. Basic information – i.e. date of birth, marital status, and number of dependents
2. Employment information
3. Annual income and estimated net worth
4. Investment experience
5. Options level – We purchase calls and puts in *Delta Report*, so make sure to check that box
6. Options trading experience at each level – none, moderate, extensive

After you've completed the forms online, verify your application and hit "I agree."

Filling out the forms only takes about five minutes. It shouldn't take more than a few days (at most) for a broker to authorize your account. Most of the top names in the business can open options accounts for you easily and quickly.

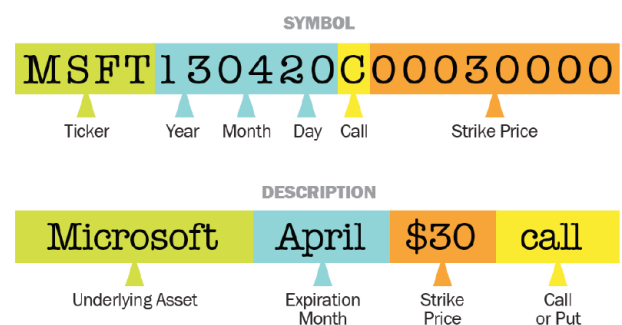
## STEP 3: FINDING AN OPTION AND OPENING A POSITION

Once you've "unlocked" your brokerage account, you're ready to begin executing options trades.

Every time I recommend a trade, I'll provide the exact specifications for each trade. I'll specify the underlying stock, strike price, expiration date of the option – as well as what price you should pay or receive to buy or sell the option.

When I make an option trade recommendation, I also include the "ticker" of an option. This string of characters contains all the elements of the specific option.

The following image depicts the anatomy of a call option on Microsoft stock...



This option is betting that Microsoft's share price will be above \$30 on option expiration day in April, which (in our hypothetical example) is the third Friday of the month.

You can execute all the trades I recommend through your online brokerage account. Here's how...

First, select the underlying stock you want to trade against. Somewhere on the screen (depending on the website's design), you'll see a link to that stock's option chain.

Click on the link, and a list of options will appear.

You can then select the one with the strike price and expiration date you want.

Again – this will differ depending on what brokerage you're using. But you should be able to find a number of menus and drop-down boxes to help select the correct expiration date and strike price.

Please note that some of my option trade recommendations are "out of the money" – meaning the strike price is different from the current share price of the underlying security. Many brokerages don't display out-of-the-money options by default. So be sure to look for an drop-box that reads "Range" and set it to "All." That should show you all the available strike prices, whether they're in-the-money or not.

Once you find the option I recommend, open an order ticket and set a "limit order" while specifying

precisely which price you want. If you want to buy an option, and it's trading above the top of my recommended range, set a limit order for the top of the range and wait for it to come in to range. That way, the order will only execute within my recommended guidance.

## IN CONCLUSION...

With that, you should have everything you need to start making profitable options trades using my *Delta Report* system. But, if you have any questions, my inbox is always open at [feedback@jeffclarktrader.com](mailto:feedback@jeffclarktrader.com).

While I can't respond to every email or give personalized financial advice, know that I read every one. And my customer service team is on the line to assist with your questions.

Best regards and good trading,



Jeff Clark

---

© 2020 Omnia Research, LLC, 55 NE 5th Ave, Delray Beach, FL 33483. All rights reserved. Any reproduction, copying, or redistribution, in whole or in part, is prohibited without written permission from the publisher.

Customer service representatives are available to help you Monday-Friday, from 9 a.m. to 7 p.m. ET. Phone: (800) 752-0820 or (443) 353-4499 if calling from overseas. Email: [feedback@jeffclarktrader.com](mailto:feedback@jeffclarktrader.com).

Information contained herein is obtained from sources believed to be reliable, but its accuracy cannot be guaranteed. It is not designed to meet your personal situation – we are not financial advisors nor do we give personalized advice. The opinions expressed herein are those of the publisher and are subject to change without notice. It may become outdated and there is no obligation to update any such information.

Recommendations in Jeff Clark Trader publications should be made only after consulting with your advisor and only after reviewing the prospectus or financial statements of the company in question. You shouldn't make any decision based solely on what you read here.

Jeff Clark Trader writers and publications do not take compensation in any form for covering those securities or commodities.

Jeff Clark Trader expressly forbids its writers from owning or having an interest in any security that they recommend to their readers. Furthermore, all other employees and agents of Jeff Clark Trader and its affiliate companies must wait 24 hours before following an initial recommendation published on the Internet, or 72 hours after a printed publication is mailed.