05. Options Risk Management and Beginner Checklist

Option Trading Basics in 60 Minutes
Core precautions, trade planning and practice steps for learning options.

1. Understand the Risks

- Options can lose value quickly, including the entire premium paid.
- Short option positions may have very large losses.
- Liquidity, volatility, gaps and expiry can affect execution.

2. Plan Before Any Trade

- Know the strategy, maximum possible loss and breakeven.
- Check lot size, expiry, liquidity and bid-ask spread.
- Set a risk limit and avoid risking money needed for essential expenses.

3. Practice and Review

- Use a paper-trading or payoff simulator first.
- Record the reason for the position and expected outcome.
- Review results and learn contract specifications before using real funds.

4. Beginner Checklist

- Can you explain call, put, strike, premium and expiry?
- Can you identify maximum loss and breakeven?
- Do you understand the Greeks and liquidity?
- Have you practised without real money?

Educational overview only. Options are complex, leveraged instruments and can result in substantial or total loss of the premium paid; some option strategies can carry much larger losses. This material is not investment advice or a recommendation to trade.