

## **POWER TIP**

### **When to Hold 'Em, When to Fold 'Em**

**S**ometimes your options hand is strong, sometimes it is weak. It is important to take the right actions to optimize your profit potential. Here are two scenarios. If you hold an ITM short put that is approaching expiration and the option becomes less ITM for some reason, you are well served to use this strength to roll the option to a later-dated strike price. While you might get lucky and the underlying stock continues to rise so that the option ends up worthless at expiration, it is best to take advantage of this strength to roll and get the large delta premium credit while you can (prior to expiration). If the stock does continue to rally, you will be making money on your later-dated short puts. If, however, the stock heads back south prior to expiration, you will have lost the opportunity to get any meaningful delta premium credit. Thus, rolling on strength provides only upside while hesitating can lead to a situation in which little to no premium credit is attained as the options become increasingly ITM. Discipline, as always, is key. Conversely, if the short put is slightly OTM approaching expiration, it is okay to hold the position until expiration approaches as the option will at best expire worthless (stay OTM) or at worst get closer to ATM or even slightly ITM—in which case substantial delta premium credit will still be available.