How the Cooper Wealth Management Covered Call Strategy Works for You

At Cooper Wealth Management, we utilize an investment strategy called "covered call writing" to increase your cash flow and enhance your investment returns.

The covered call strategy works like this: For example[1], your portfolio holds 100 shares of Walt Disney stock, which is currently priced at approximately $80.00 a share. By writing a call, we enter into a contract with a third party to sell those shares at $87.50 by the third Friday in July. For this we receive $155 in cash immediately. This transaction offers several benefits for you:

1) Enhanced Cash Flow

The $115 you receive provides immediate cash return on your investment, which is taxable as a capital gain at the lowest tax rate. This strategy can usually be executed on average 3 times per year and enhance equity returns by 4-5% on average.

2) Enforced Selling Discipline

The contract price is the price at which we will sell your shares. This avoids building unrealized capital gains in the portfolio and reducing future investment flexibility.

3) We Pay for Ourselves

The funds received from these contracts called option premiums, will more than offset our annual fees in portfolios with an 80% or higher allocation in equities.

At the end of the contract, if Disney stock is trading below $87.50 we keep the stock and the option premium and can enter into another contract. If above, we sell at $87.50 and reinvest earning a higher total return than if we simply sold the stock at $87.50 per share.

To discuss this strategy in further detail, please contact us at Cooper Wealth Management.

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[1] All prices as at February, 2014