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# Why Use Options?



Toronto Stock Exchange | TSX Venture Exchange | **Montréal Exchange** | Natural Gas Exchange | Montréal Climate Exchange | Boston Options Exchange

Canadian Derivatives Clearing Corporation | TMX Datalinx | Equicom | PC Bond | Shorcan

# Why Use Options?



- Investors naturally are overconfident in their predictions about the market.
- Investors overestimate their probabilities of being right.



# Why Use Options?



- Investors underestimate the risk in the investments.
- Investors are under the illusion of being in control.



# When you Learn to Use Options?



- You will be able to protect your investments.
- You will be able to generate consistent cash flow from your investments.
- You will be able to leverage your investments with quantifiable risk.



# Myths and Reality



- **Myth 1: Options are hard to learn.**
  - Pros can use options for complex combinations.
  - But the core uses of options can be relatively straightforward.



# Myths and Reality



- **Myth 2 : Options are risky.**
  - If used haphazardly, options can be used for high leverage.
  - At the same time, when used prudently options can reduce volatility, quantify risk and conservatively generate cash flow.





# Myths and Reality



- **Myth 3: Investors always lose money to the pros when trading options.**
  - Options are priced to the volatility risk of a stock.
  - So long as you know what you want, you can use options to optimize your outcome.



# Myths and Reality



- **Myth 4: Options are a great way to get rich fast.**
  - Options are a tool for investors.
  - When used correctly, they can give you many alternatives to getting your investment results.



# Myths and Reality



- **Myth 5: Trading stocks is safer than options.**
  - Stocks have an unquantifiable risk.
  - When used correctly, options can quantify and manage risk.



# If you Take the Time to Learn to Use Options



- Increase the flexibility of managing a portfolio.
- Define your worst case scenario.
- Generate consistent income.
- Give many alternative strategies to just traditional buy and hold.





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