

FREE INVESTMENT PLAYBOOK 01



Dividend + Wheel System

A practical framework for dividend-stock research, cash-secured puts, covered calls and portfolio risk.

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Educational information only, not individualized investment advice. Investing can result in loss of principal. All numerical examples are hypothetical, exclude fees and taxes unless stated, and are not forecasts.

Start with the business

The Wheel starts with a cash-secured put, may lead to stock ownership through assignment, and may continue with a covered call. The priority is a business you are willing and able to own. Premiums and dividends do not protect against a major stock decline.

1. Apply a quality gate

Review cash generation, dividend coverage, debt, valuation, trend and upcoming events before opening an option chain. Reject an investment when the thesis is weak, assignment cannot be funded, or the position would exceed your portfolio limits.

2. Document the 100-point research rubric

Category	Maximum	Evidence to record
Fundamental quality	20	Revenue, margins, cash generation, competition
Dividend / AFFO quality	15	Coverage, payment history, cut risk
Balance sheet	15	Liquidity, leverage, debt maturities
Valuation	10	Peer multiples and conservative assumptions
Technical trend	15	Trend, relative strength, volatility
Support / resistance	10	Levels, invalidation point, gap risk
Options liquidity	5	Bid/ask spread, volume, open interest
Premium / implied volatility	5	Premium relative to obligation and event risk
Dividend / event risk	5	Earnings, ex-dividend, corporate events

House rubric: 85-100 A+; 75-84 A; 65-74 Watch; below 65 Do Not Trade. A score of at least 80 is a consideration threshold in this framework, not a trade signal. Scores reflect judgment and are not a backtested model. A high total never overrides a serious risk.

Plan the option and the cash

3. Review a cash-secured put

The framework uses 30-45 days to expiration and approximately 0.20-0.30 delta as starting review filters, not recommendations. Choose a strike acceptable on business value as well as chart context. Delta is a sensitivity measure; it does not guarantee an assignment probability.

For an unadjusted standard equity contract, reserve strike x 100 x contract count for the purchase obligation. Verify the actual multiplier and deliverable. Check spreads, earnings, ex-dividend dates and concentration. Cash already needed for emergencies is not available risk capital.

Hypothetical short-put payoff

Sell one \$45 put for \$1.00 per share. Reserve \$4,500 and receive \$100 gross premium. Break-even at expiration is \$44 before costs. Gross profit/loss = $100 \times [1 - \max(45 - \text{stock price}, 0)]$.

Stock at expiration	Gross put profit / loss
\$55 or \$45	+\$100
\$44	\$0
\$35	-\$900
\$25	-\$1,900
\$0	-\$4,400

4. Reassess after assignment

Assignment buys 100 shares at \$45. The premium-adjusted economic entry is \$44, which is not a tax-basis statement. Recheck the business thesis before selling a covered call. A call below acquisition cost can lock in a loss; a call above it still caps upside and leaves substantial stock downside.

5. Manage deliberately

Review a close when 50-75% of the initial option premium has been captured. Compare remaining reward, downside, spreads and costs. Treat every roll as a new risk decision. Do not extend a losing position indefinitely to avoid recognizing a changed thesis.

Evaluate the full cycle

After the \$45 put is assigned, suppose a \$48 covered call is sold for \$0.80 per share. Combined premiums are \$180. If shares are called away at \$48, gross cycle profit is $(\$48 - \$45) \times 100 + \$180 = \$480$. If the stock is \$30 and the call expires, gross economic loss is $(\$30 - \$45) \times 100 + \$180 = -\$1,320$. Both exclude dividends, fees and taxes.

Dividend and assignment checks

A short put does not itself entitle you to the stock dividend. Confirm ownership timing against the issuer and broker calendar. Covered-call sellers can face early assignment, especially with an in-the-money call near an ex-dividend date. Assignment is possible at other times too.

Portfolio stress test

Position	Strike	Contracts	Cash obligation
Hypothetical A	\$45	1	\$4,500
Hypothetical B	\$60	2	\$12,000
Combined		3	\$16,500

If all assigned shares fall 35% below their strikes, their combined value is \$10,725, a \$5,775 decline before premiums. Model correlated assignments and dividend cuts. Cash security funds the purchase; it does not remove equity risk.

Pre-trade review

1. Would I own the shares after a large decline?
2. Can I fund every simultaneous assignment?
3. Is the strike supported by business value?
4. Are liquidity and event dates checked?
5. What change causes me to close or reassess?

Research and trade worksheet

Field	Your notes
Ticker / research date	
Business thesis / counterargument	
Score by category / primary sources	
Strike / expiry / delta / bid / ask	
Contract count / multiplier / cash obligation	
Earnings / ex-dividend / corporate events	
Portfolio weight after all assignments	
Downside scenario / maximum tolerable loss	
Conditions for closing or reassessing	
Result: stock + premiums + dividends - costs	

Research sources

OIC cash-secured put: <https://www.optionseducation.org/strategies/all-strategies/cash-secured-put>

OIC covered call: <https://www.optionseducation.org/strategies/all-strategies/covered-call-buy-write>

OCC disclosure: <https://www.theocc.com/company-information/documents-and-archives/options-disclosure-document>

Use this guide responsibly

Check current issuer filings, fund documents and source dates before making decisions. This guide makes no recommendation to buy or sell any security. Past performance and hypothetical examples do not predict results. Website affiliate relationships are disclosed separately.

Options involve substantial risk and are not suitable for all investors. Read the OCC options disclosure document and confirm broker approval and contract terms. American-style options can be assigned before expiration.