(Explanation of exercise requested followed by blog written)

Ramsey Solutions Editorial Contractor (Investing and Tax)

Writing Challenge

Please write an article, about 800 words (more is OK if you need it), using the direction and keyword information below. You'll also find some high-level guardrails around voice and approach to article-writing for Ramsey.

Title: What is a Call Option?

CTA: Trusted: SmartVestor

URL: https://www.ramseysolutions.com/retirement/call-option

Taxonomy: Retirement/Investing/

Primary Keyword: call option (15000 Search Volume | 41 Keyword Difficulty)

Competition: (We don't want to copy these, but they are good for research)

https://www.investopedia.com/terms/c/calloption.asp

https://en.wikipedia.org/wiki/Call_option

https://www.fidelity.com/learning-center/investment-products/options/call-options-basics

https://corporatefinanceinstitute.com/resources/knowledge/trading-investing/call-option/

Auxiliary Keywords:
call options (SV: 5.4k, KD: 42)
what is a call option (SV 8.9k, KD 42)
what are calls in stocks (sv: 4k, KD 42)
how do call options work (sv: 1300, KD 42)
buy call option (sv: 1200, KD 39)
call options explained (Sv 2700, KD 38)

Content Direction:

H2: What is a Call Option?

H2: Understanding Call Options

H2: How Do Call Options Work?

H3: Buying Call Options

H3: Selling Call Options

H2: Types of Call Options

H2: How to Calculate Call Option Payoffs

H2: Purposes of Call Options

H2: Example of a Call Option

H2: Call Option vs. Put Option

H2: Why Would You Buy a Call Option?

Meta description:

Teaser (for use with the Company Newsletter):

<u>Guardrails</u>

Use storytelling. We are storytellers. Whatever we write has to be as engaging, inspiring, funny, etc. as a story we would tell a friend.

StoryBrand is our framework. The customer is the hero. Ramsey is the guide

We're serving—not selling. Our words help create a brand experience. We don't have to "sell" anyone because our products change lives! We creatively follow the four steps of the selling/serving process: qualification, rapport, education and close. Skipping any one of these = pushy and sales-y.

Keep it simple, stupid. It's okay—actually preferable—to say the same things over and over. Dave's been doing it for 25 years. We don't have to come up with a new and fresh approach. If we are consistent with our messaging, we'll build trust across our brands and make it easier for the audience to make the connections between our personalities, products, events, etc

- Customer is the hero
- Cookies on the bottom shelf
- Sassy
- Informational
- Storytelling
- Bold
- Unique
- Inspirational/aspirational
- Fun
- Empathetic
- Humor
- Smart
- Countercultural
- Connects to the heart
- Authoritative

Blog by Amanda Fox:

What is a call option?

When I first entered the world of investing, I only had a set amount of money I was willing to risk. I'd heard too many horror stories from friends about losing their money overnight. I decided to call my brother-in-law, a certified financial adviser, to inquire about my options. I asked, "What are my options, Joey?"

"Options!" he replied.

"No, I mean, what are my options?" I reiterated.

"Your options are options," Joey explained.

After a moment of fear that I had just called someone who had no idea what they were doing, I realized that he was talking about call options!

My brother-in-law explained to me that although many people believe that the higher the risk, the higher the return on their investment will be, the truth is that people don't have to play with fire to profit successfully. He said that buying a call option is a great way to invest money without skating on thin ice.

Understanding call options

A call option is a transaction between a buyer and a seller that allows the buyer access to stocks at a set price. Call options allow you to diversify your investments and decrease your risk. You wouldn't want to put all your eggs in one basket, so don't put all your money into one investment either! A call option is simply a contract that offers the opportunity for a seller to purchase stocks or bonds (underlying assets) at a set price for a set period despite market fluctuations.

How do call options work?

Investing in call options may seem harder than rocket science at first, but the truth is, anyone can learn. If you want to purchase a call option, you must pay a premium to receive the right to purchase an underlying asset (stock, bond, etc.) at any time within a specified time frame for a set price.

If the market price of the underlying asset you invested in turns out to be lower than the premium by the time of expiration, you would lose your premium and would obviously not profit from the investment itself.

However, if the price of the underlying asset increases, you will receive the difference between the price of the underlying asset at the time of purchase (strike price) and the current price of the underlying asset.

Buying call options

To purchase a call option, we recommend you get in touch with an investing professional. However, just like you wouldn't hand $3,000 to the guy on the street who told you he was starting a lemonade business; you shouldn't just hand your investment to just any professional.

A certain amount of trust must go into the relationship you have with your investment professional. Luckily, there are services like SmartVestor that do the heavy lifting for you. SmartVestor is a free service that connects you with investing professionals in your area, so you don't have to spend countless hours searching and interviewing people you can trust.

Once you have found an investing professional you can rely on, you will then purchase a call option for a strike price, which is the price that the option is bought or sold for at the time of the contract.

Selling call options

If you invest in a call option but sense that the strike price will either decrease or stay stagnant before the expiration date, you have the option to sell. This way, you can at least cover your premium. You can sometimes use this method to profit by setting the new strike price strategically.

Types of call options

Naked (or "short") and covered (or "long") are two types of call options. A naked (short) call option is when an investor creates their own call options without owning any of the underlying security. A covered (long) call option is when an investor creates their own call options with the underlying security they own.

A naked call option is generally used when wanting to profit from the premium over the actual investment. This can be tricky because for that investor to profit, the options must expire below the strike price. If the options exceed the strike price, it is up to the seller (writer) to go to the open market and purchase those assets at whatever price they are currently sitting at. Naked calls are typically only implemented when the seller strongly believes that the price of the asset will decrease.

A covered call option is less risky because if the price of the asset increases by the expiration, the seller (writer) won't have to pay more than they sold it for.

How to calculate call option payoffs

A call option payoff is essentially the difference between the current price of the asset and the strike price minus the premium. If the strike price of a stock within the option you purchase is $100, and if by the expiration date that stock has increased to $150, then your profit would be $50.

Purposes of call options

Like we noted earlier, a call option is a great way to invest without retaining much risk. Call options offer flexibility and reliability. Call options also allow you to have control over your investments. With set expectations, you can decide what route to take.

Example of a call option

Taylor owns 100 shares of stock that are currently trading at $104 per share. She wants to profit, but she doesn't believe that the price of the shares will be higher than $110 total within the next 30 days. She decides to look at what is trading the next month and notices there is a call that is $112 per share that is selling for $0.30 per contract. She then decides to sell her original call option for $0.30 per share, which would be a total of $30, and purchase that next call option, which will then offer an opportunity to reach higher than what she estimated her first call option to reach.

Call option vs. put option

When understanding options, it is important to note the difference between call options and put options. With a call option, you are essentially buying your right to purchase an underlying asset in the future, and you have until a set time to implement that right. A put option, however, gives you the right to sell an underlying asset at a strike price until the expiration date of the contract.

Why would you buy a call option?

If you think the price of an underlying asset will increase in the future, you'll want to purchase a call option. If you believe that underlying asset will decrease in the future, then you would utilize a put option.

The moral of the story

Call options allow you to let your hair down enough to enjoy the fruits of your investments. My brother-in-law helped me understand the intricacies of option investments, and now I can't get enough! My brother-in-law lived on the other side of the country, so he connected me with Smartvestor where I found a fabulous investment professional who I can trust.

-Amanda Fox