A BEGINNER COURSE

The Protected Wheel on SPYM

Step by step, with real prices, and exactly how to place each trade on Fidelity.

Inside:

1. What an option is
2. Calls and puts
3. The end date (expiration)
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Plus a glossary and the sources.

All prices are from the market close on Friday, November 6, 2026 (read November 9, 2026). Prices change every day. Always check the real numbers before you trade.

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LESSON 1

What is an option?

An option is a contract between a **buyer** and a **seller**.

- One contract is about **100 shares**.
- The price of the contract is the **premium**.
- The buyer pays the premium. The seller **gets it in cash, right away**.
- Prices are shown per share. An option that shows $1.20 really costs $1.20 × 100 = **$120**.

Think of insurance. The buyer is like a person buying insurance. The seller is like the insurance company: it collects money, and most of the time nothing happens. But when something bad happens, it has to pay. In the wheel, **you are mostly the seller**.

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LESSON 2

Calls and puts

	What it is	If you SELL it
CALL	The right to **buy** 100 shares at the strike price	On shares you own: you promise to **sell** your 100 shares at the strike
PUT	The right to **sell** 100 shares at the strike price	You promise to **buy** 100 shares at the strike

The seller gets paid now for making the promise.

Words you will see

- **Strike**: the set price in the contract.
- **Assigned**: the other side used the option, so you must keep your promise.
- **In the money**: the option has real value and will likely be used.
- **Sell to Open / Buy to Open**: start a trade.
- **Buy to Close / Sell to Close**: end a trade early.

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LESSON 3

The end date (expiration)

Every option has an end date. After that day it is finished.

- For this plan, pick an end date about **30 to 45 days** away. As of Nov 9, 2026 that is **Friday, December 18, 2026** (39 days).
- Shorter dates pay very little. Much longer dates tie up your money.
- An option loses value fastest in its last month. That helps you, the seller.

What happens on the end date

- Fidelity's rule: options that are **$0.01 or more in the money** are used (exercised) **automatically**.
- Options that are not in the money end worth $0.
- You do not need to do anything for this to happen.
- To stop an automatic exercise of an option you **own**, Fidelity says to call them before 4:15 PM ET on the last trading day. You cannot stop an assignment on an option you sold.
- Fidelity's advice: on expiration Friday, check that your options are closed, or that you have enough money to cover exercise or assignment.

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LESSON 4

The wheel

Step 1. Sell a put on a fund you would be happy to own. Keep the cash ready to buy the shares. You get paid.

- Price stays **above** your strike: keep the money, do step 1 again.
- Price ends **below** your strike: you buy 100 shares at your strike.

Step 2. You own 100 shares. Sell a covered call above your price. You get paid again.

- Price stays **below** the call strike: keep the shares, sell another call.
- Price goes **above** it: your shares are sold at that price. Go back to step 1.

The weak spot: if the market falls hard, you still must buy at your strike, even if the shares are now worth much less. The small premiums don't cover a big drop. The protected wheel adds insurance for this.

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LESSON 5

The protected wheel

Step 1, protected: a bull put spread

Do two things at once, same end date:

- **Sell to Open** a put (for example, the $83 put). You get paid.
- **Buy to Open** a cheaper put at a lower strike (for example, the $78 put). This is your insurance.

Worst loss = (gap between strikes × 100) − the credit you got.
($83 − $78) × 100 = $500. If you got $55: $500 − $55 = **$445**.

Correction to what you were told before: the worst loss is not $500. It is $500 minus the credit.

Three ways step 1 can end (Dec 18)

SPYM on the end date	What happens
Above $83	Both puts end worth $0. You keep the $55. Do step 1 again.
Between $78 and $83	Your $83 put is assigned: you buy 100 shares for $8,300. The $78 put ends at $0. Go to step 2.
Below $78	Both puts are used: you buy at $83 and sell at $78 at the same moment. **You end with no shares** and lose $445.

Honest truth: with a spread, step 2 only happens if the price ends **between** the strikes. If you want to keep the shares when the price ends below $78, you can sell the $78 put (Sell to Close) before the end date, but then you have no more insurance. Also, the other side can assign you **early**, before the end date.

Step 2, protected: a collar

You own 100 shares. Do two things at once:

- **Sell to Open** a call above your price (the ceiling). You get paid.
- **Buy to Open** a put below your price (the floor). This is your insurance.

The call usually pays for most of the put. Below the put strike you are protected. Above the call strike your shares are sold, and you go back to step 1.

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LESSON 6

A real example on SPYM

SPYM = State Street SPDR Portfolio S&P 500 ETF. It holds the 500 biggest US companies. Close on Fri, Nov 6, 2026: **$86.56**. 100 shares ≈ **$8,656**.

Dec 18, 2026 option	Bid	Ask	Middle	Open contracts
$83 put (sell)	$1.05	$1.35	$1.20	79
$78 put (buy)	$0.50	$0.75	$0.63	84

The step 1 order

Sell to Open 1 SPYM Dec 18 2026 **$83 put**
Buy to Open 1 SPYM Dec 18 2026 **$78 put**
Limit, **net credit $0.55**, Day

You get	**$55**
Worst loss	**$500 − $55 = $445**
Break-even	$83 − $0.55 = **$82.45**
Fidelity fee to open	2 contracts × $0.65 = **$1.30** (plus tiny regulatory fees)
Lowest credit to accept	about **$0.30** (selling at the bid and buying at the ask)

Middle value: $1.20 − $0.625 ≈ $0.57. Start at $0.55. If it doesn't fill, lower it a few cents at a time.

The picture on the end date



Step 2 example: a collar (Jan 15, 2027)

To show real prices: say you own 100 SPYM at $86.56.

Sell to Open 1 Jan 15 **$89 call** (bid $1.65 / ask $1.90)	+ about $1.77
Buy to Open 1 Jan 15 **$80 put** (bid $0.95 / ask $1.30)	− about $1.12
Net you get	**about $0.65 = $65**
Above $89 on Jan 15	Shares sold at $89: about **+$309** total
Below $80 on Jan 15	Put sells them at $80: loss stops at about **−$591**

In the real wheel, use the prices on the day you get the shares.

Money you need

- **$8,300 cash** to take the shares at $83.
- Fidelity rule for spreads in a regular brokerage account: the account must be worth at least **$10,000**, with at least **$2,000 margin equity**.
- So plan on about **$10,000**, kept in cash. Don't borrow to buy the shares.

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LESSON 7

Risks

- You can lose the worst loss, even several times in a row.
- **Small wins, bigger losses.** In the example you risk $445 to make $55. One loss can wipe out about 8 wins.
- When you own the shares, a drop still hurts, down to your put.
- You can be **assigned early**, before the end date.
- Prices can jump overnight or on news. Your cash is tied up while a trade is open.

SPYM options are thin

	SPYM $83 put	SPY $705 put (same spot)
Bid / Ask	$1.05 / $1.35	$10.67 / $10.80
Gap	**30¢ (about 25%)**	**13¢ (about 1%)**
Open contracts	79	6,680
Share price	$86.56	$735.29
100 shares cost	**about $8,656**	**about $73,529**

Closing quotes from Friday. During the trading day the gaps can be smaller or bigger.

Correction: 100 SPY shares cost about **$73,500**, not $68,000.

What this means: SPY's options are far easier to trade, but if you are assigned you would need about $70,500 for the shares. So for the full wheel, SPYM is still the one that fits your money.

With SPYM: always use a **limit order** near the middle price, be patient, and lower your price only a few cents at a time.

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LESSON 8

Checklist before every trade

1. Would I be happy to own 100 shares at this strike?
2. Do I have the cash in the account ($8,300 for the $83 strike)?
3. Is the end date 30 to 45 days away?
4. Is the bid/ask gap small?
5. Am I using a **limit** order (never market)?
6. Do I know my worst loss: gap × 100 − credit?
7. Is my credit at least about $0.30?
8. Did I press **Preview** and read everything (credit, worst loss, fees)?
9. Do I have a plan: close at about half profit, roll, or let it end?
10. Is there an end date this week? Check the account that morning.

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LESSON 9

Fidelity: getting approved, and fees

Apply

On fidelity.com, go to the Options trading page and choose **Apply to trade options**. The form asks about your money and your experience, and you sign an options agreement. Fidelity looks at your situation, experience and goals.

The three tiers (from Fidelity's options FAQ)

Tier	Includes	For this plan
Tier 1	Covered calls, buy-writes, rolling covered calls, buying calls and puts, selling cash covered puts	The plain wheel, and both parts of the collar
Tier 2	Everything in Tier 1 + **spreads (up to 4 legs)**	**Needed for the step 1 put spread**
Tier 3	+ uncovered (naked) selling	Not needed

- Tiers 2 and 3 need **margin** added to the account. Applying for Tier 2 also applies for margin.
- Fidelity's form: Tier 1 needs an investment goal of **Balanced** or above. Tier 2 needs **Growth** or higher.
- To hold spreads in a regular account: **$10,000** total account value and **$2,000** margin equity.

In an IRA

- Fidelity IRAs can get Tier 1, and you can add **Spread Trading**.
- Spread Trading is not allowed if the IRA's core position is the **FDIC-Insured Deposit Sweep**. You'd change the core position first.
- An older Fidelity help page says IRAs that trade spreads keep a **$2,000** minimum cash spread reserve. Ask Fidelity to confirm.

Fees

- Online options: **$0 commission + $0.65 per contract**.
- Buy to Close online for options priced 65¢ or less: **free**.
- Exercise and assignment: **free**.
- Small regulatory fees apply on sales.

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LESSON 10

Fidelity: placing, closing, rolling, end date

Fidelity has three places to trade: the **website** (Accounts & Trade → Trade, then Options), **Fidelity Trader+ Web**, and the **app** (Trade → Options). The screens look a little different, but the parts are the same. On the app, use the multi-leg order and check each leg on Preview.

In Fidelity Trader+ Web (Fidelity's own steps)

1. Log in. From Accounts & Trade, choose Fidelity Trader+ Web.
2. Type the symbol: **SPYM**.
3. Open the **Option Chain**. Set it to a multi-leg strategy (a put spread / vertical).
4. Pick the end date: **Dec 18, 2026**.
5. Check the strikes you want and choose the action.
6. Look at the Trade Analyzer: max gain, max loss.
7. Choose **Preview order in trade ticket**.
8. Set quantity, order type and limit price.
9. Choose **Place Order**. Watch it in **Orders**; you can cancel or replace it there.

The step 1 order, field by field

Account	your brokerage account (or IRA with Spread Trading)
Symbol	SPYM
Strategy	Spread / vertical, 2 legs
Leg 1	**Sell to Open**, 1, SPYM Dec 18 2026 $83 Put
Leg 2	**Buy to Open**, 1, SPYM Dec 18 2026 $78 Put
Order type	Limit, **Net Credit**
Limit price	$0.55
Time in force	Day

On **Preview**, check: it says **credit**, the max loss is about $445, fees about $1.30. Then **Place Order**.

Without Tier 2 (Tier 1 only)

You can sell the $83 put as a **cash covered put** ($8,300 cash held) and buy the $78 put as a separate order. Same protection, but Fidelity holds the full $8,300, and the two orders may fill at different times.

Close early

One order: **Buy to Close** the $83 put + **Sell to Close** the $78 put. Limit, **Net Debit**, about $0.27 (about half of the $0.55 made).

Many traders close at about half profit.

Roll

Rolling = moving to a later date. One 4-leg order: close the Dec 18 spread (Buy to Close $83, Sell to Close $78) and open a Jan 15 spread (Sell to Open $83, Buy to Open $78). Aim for a **net credit**. If you'd have to pay to roll, it's often better to just close.

On the end date

- Check the account that morning. Decide: close, roll, or let it end.
- Assigned? You will see 100 SPYM shares in Positions, and $8,300 of cash used.

Step 2 on Fidelity: the collar

- **Sell to Open** 1 call above your price (covered by your 100 shares).
- **Buy to Open** 1 put below your price.
- Use a collar order if your screen offers one, or two separate orders. Limit price, Preview, Place Order.
- When the shares are called away, go back to step 1.

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Glossary

Ask
The lowest price a seller will take right now.

Assignment
When the other side uses the option you sold, and you must buy (put) or sell (call) the shares.

Bid
The highest price a buyer will pay right now.

Break-even
The price where you neither make nor lose money on the end date.

Bull put spread
Sell a put and buy a lower put, same end date. You get a credit; your loss is limited.

Call
The right to buy 100 shares at the strike price.

Cash covered (cash-secured) put
Selling a put while holding the full cash to buy the shares.

Collar
Own 100 shares, sell a call above, buy a put below.

Covered call
Selling a call on 100 shares you own.

Credit / debit
Credit = money paid to you. Debit = money you pay.

Exercise
Using an option you own.

Expiration
The end date of an option.

In the money
The option has real value (a put below its strike, a call above its strike).

Leg
One option inside a multi-part order.

Limit order
An order at your price or better. Always use it for options.

Margin
A Fidelity account feature needed for spreads (Tier 2). It also allows borrowing; don't borrow for this plan.

Open interest
How many contracts are open in the market. Low = thin, harder to trade.

Premium
The price of an option.

Put
The right to sell 100 shares at the strike price.

Roll
Close a trade and open a similar one with a later end date.

Strike
The set price in the option contract.

Tier
Fidelity's options approval level (1, 2 or 3).

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Sources

Read on November 9, 2026.

- Prices, bid/ask, open interest (closing quotes Nov 6, 2026): Nasdaq option chains for SPYM and SPY; SPYM and SPY last prices from Yahoo Finance.
- Fidelity options tiers, IRA strategies, limit-price increments, auto-exercise at $0.01: fidelity.com/options-trading/faqs
- Tier rules, margin for Tiers 2 and 3, investment-goal rule, IRA Spread Trading and FDIC sweep rule: Fidelity Options Application (PDF)
- Spreads need $10,000 account value and $2,000 margin equity: fidelity.com/trading/faqs-margin
- Fees ($0.65 per contract, free buy-to-close at 65¢ or less, free exercise/assignment): Fidelity Brokerage Commission and Fee Schedule (PDF), fidelity.com/trading/commissions-margin-rates
- Trader+ Web steps: "How to trade options in Fidelity Trader+ Web" (Fidelity Learn, Sep 25, 2025)
- Calling before 4:15 PM ET to stop auto-exercise: fidelity.com/options-trading/options-auto-exercise-rules
- Expiration-day check: Fidelity Learn, "Managing and monitoring options expirations"
- IRA $2,000 cash spread reserve: older Fidelity help page "Trading Options" (may be out of date)

Before trading options, Fidelity asks you to read "Characteristics and Risks of Standardized Options."

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