**August 2, 2018**

**By Joseph Rinaldi & Michael Huber**

**Utilizing Covered Calls to Boost Your Retirement Income**

Are you concerned that your portfolio income won’t cover your lifestyle? Retirement is supposed to be the time of enjoying new freedoms. That blissful period when worries about bills and the daily grind are traded out for time spent enjoying the beauty of the natural world in the company of friends and loved ones. However, the undulations of unsteady stock markets can seriously undermine this ideal. Inflation is once again rearing its ugly head and interest rates are ticking higher with it. Escalating global trade wars have not made the situation any easier. Against this backdrop, investors are being corralled into taking abnormal risk to achieve normal returns.

We find that these challenges are particularly relevant for retirees, given their greater demand for regular and reliable income. In light of this, our investment committee structures our Retirement Plus Accounts to utilize a financial instrument many outside the finance world are unfamiliar with. Writing covered calls against underlying stock positions allows us to utilize “volatility” and generate extra income on current assets held in a retirement account.

Here’s how it works in simple terms. If your stocks do well or trade flat (neither going up or down), you profit the amount you received from selling the call options (your synthetic dividend). If your stocks go down, you keep your synthetic dividend and don’t lose money unless the stock decreases by more than the amount of the synthetic dividend. In other words, selling the covered call options gives you a buffer. How big you want that buffer to be is entirely up to you. This strategy can become especially effective when it is applied to stocks that already pay a dividend. When structured correctly, selling covered calls on a dividend stock can leave you collecting two dividends on a single stock.

While this basic strategy can be applied by anyone, we employ a more sophisticated variance with our Retirement Plus Accounts. In technical terms, we use algorithmic analysis to execute “covered call writing” trades on well suited underlying assets. We then layer in a targeted short covered puts to boost income further. This structure is set up to generate income on a monthly basis, or at a minimum a quarterly basis.

**Market Outlook**

We expect volatility to pick up in the short and mid term. Further, we expect both U.S. and global interest rates to rise. Both of these bellwethers support our expectation of significant disruptors to occur not only in the tech market but globally among our trading partners.

If you are interested in participating in our self-directed retirement account that works to transform your existing retirement portfolio into an income generator, email us at [customerservice@qfainc.com](mailto:customerservice@qfainc.com) or reach us by phone at 301-296-6203.