The options risk plan on one page

> **THE OPTIONS RISK PLAN**
>
> The one-page plan for the platform's most asymmetric instrument: defined risk only (or undefined risk treated as the exception it should rarely be), sized by maximum loss, aggregate Greeks capped, events on the calendar and priced, assignment planned for, and the total premium at risk bounded. It carries every discipline the earlier plans did, plus the ones only options need: risk-definition, the Greek dashboard, and event concentration.

The platform's last risk plan, for its most asymmetric instrument. Options add three disciplines no earlier plan needed - risk-definition, the Greeks, and event concentration - to the risk-per-trade anchor every plan has carried.

The options risk plan

Risk per trade: fixed fraction, in money - the anchor through six asset classes.Risk definition first: defined-risk positions by default; undefined risk treated as the rare, carefully-managed exception it should be (lesson 1) - the options-specific first question.Size by maximum loss: the known capped loss for defined risk (lesson 2); undefined risk as the unsizeable thing the method flags (lesson 2's warning).The aggregate Greeks capped: total delta, vega and theta limits, so the book is not one hidden directional or volatility bet (lesson 7).Events on the calendar: known events identified, the volatility crush priced, positions over them sized and decided deliberately (lesson 8).Assignment planned: for any short position, the assignment outcome planned before entry (lesson 5).Total premium at risk bounded: the aggregate of all long premiums capped, so the limited-risk trap's aggregate bleed is sized (lesson 3).

What is deliberately absent, sixth telling

No option views, no premium targets, no 'this one will pay' conviction, no naked selling for the steady income dressed as safe. The plan works identically whether the positions win or lose - the sentence that has survived six asset classes, tested here by an instrument whose asymmetry most tempts its abandonment. Risk management is the machinery that keeps the account alive through the leverage, the decay and the tail that options carry - the same machinery, on the hardest instrument.

The three options-specific lines

Every earlier plan managed direction and size; options add risk-definition (defined versus undefined, the question that governs everything), the Greeks (the dashboard through which options risk is read), and event concentration (where options most often fail). Those three lines are options' contribution to the platform's risk machinery, and they exist because options carry risks - to time, to volatility, to the tail - that no earlier instrument did. Module 5 turns to constructing options views, where the three judgements an options view requires - direction, timing and volatility - are built on the risk this module has bounded. The risk plan is the floor; the view is built on it, never instead of it.

Check your understanding

1. What three disciplines do options add to the risk plan?

a. Leverage, margin and spread

b. Risk-definition (defined versus undefined), the Greeks (the dashboard options risk is read through), and event concentration (where options most often fail)

c. Direction, size and timing

Answer: b. Options carry risks to time, volatility and the tail that no earlier instrument did. Risk-definition, the Greeks and event concentration are options' contribution to the risk machinery.

2. What is deliberately absent from the options risk plan?

a. The maximum loss

b. Option views, premium targets, conviction, and naked selling for steady income dressed as safe - the plan works identically whether positions win or lose

c. The Greeks

Answer: b. The sentence that survived six asset classes, tested by the instrument whose asymmetry most tempts its abandonment. Risk management keeps the account alive through the tail options carry.