

iRebal[®] covered call workflow

Implementing and
managing your
covered call positions

The covered call workflow in the iRebal platform streamlines the process of opening and closing option positions. You can also use a global setting to prevent generating sell orders of any equities that have short call positions written against them during a rebalance.

Directed trading of options

Navigate to directed trading by going to **Rebalancing** > **Create a Rebalance**.

The screenshot shows the iRebal platform dashboard. The top navigation bar includes 'Home', 'Reports', 'Clients', 'Models', 'Rebalancing', and 'Order Blotter'. The 'Rebalancing' menu is open, showing 'Create a Rebalance' (highlighted with a red box), 'Rebalance Results', and 'Scheduled Rebalances'. The dashboard also displays a 'BLOTTER SUMMARY' with a gauge for 'ACTIVE TRADES' at 18, a 'REQUIRES ATTENTION' indicator at 1, and a 'SHORTFALL' indicator at 0. There are also buttons for 'Create a portfolio' and 'PORT'.

From **Rebalance Type** drop-down menu select **Covered call**.

The screenshot shows the 'Create Covered Call' form. The 'Rebalance Type' dropdown menu is set to 'Covered call' (highlighted with a red box). The 'Rebalance Name' field contains 'Covered Call - 12/29/2022'. There are buttons for 'Process' and 'Close'. A checkbox labeled 'Use iRebal's suggested name' is checked.

Sell covered call

This feature calculates the appropriate number of short calls to open based on the number of relevant shares each client holds. Already have covered calls written against your position? iRebal can be set to account for that, and open only enough calls to match the remaining position.

You can choose to match whatever percentage of shares you wish with short calls—iRebal will then take the current percentage and open enough new covered calls to reach your indicated percentage automatically.

Note: iRebal does not account for non-standard options with multiple deliverables.

Rebalance Settings

Trade Type

Allow in: Taxable accounts Qualified accounts

Options

Options settings Specify values to apply to all securities listed below (optional)

Percent of underlying to cover:

<input type="checkbox"/>	Underlying Symbol	Option to sell	<input type="checkbox"/>	Percent of underlying to cover	<input type="checkbox"/>
<input checked="" type="checkbox"/>	FAHN	Oct 20 2023 Call 100		<input type="text" value="100.00%"/>	

Buy to cover

The **buy to cover** trade type allows you similar functionality as the sell covered call trade type above, but on the closing side of the trade. If you only want to close 25% of your covered call, just put 25% in the **Percent of option to close** field.

Rebalance Settings

Trade Type

Allow in: Taxable accounts Qualified accounts

Options

Buy using cash above: Cash target Cash minimum
Only the cash exceeding an account's cash target will be used for the buy. (Set-aside cash is never used for this.)
All the cash exceeding an account's minimum cash value will be used for the buy. (Set-aside cash is never used for this.)

Options settings Specify values to apply to all securities listed below (optional)

Percent of option to close:

<input type="checkbox"/>	Underlying Symbol	Option to close	<input type="checkbox"/>	< Days to Expiration	<input type="checkbox"/>	Percent of option to close	<input type="checkbox"/>
<input checked="" type="checkbox"/>	FAHN	Oct 20 2023 Call 100		<input type="text" value=""/>		<input type="text" value="100.00%"/>	

Note: There are two trade types in the covered call directed trade. For both **sell covered call** and **buy to cover** trade types, any underlying equity position that has a long call will be skipped to avoid disturbing your existing options strategies on the underlying security—for example, a vertical spread.

Option trading global settings

Under the **Rebalancing** section of **Global Settings**, there is a parameter that lets you seamlessly close out your covered calls while performing any of your rebalance types. Please note that requesting to close covered calls against an equity will not impact any options within a spread position.

Close corresponding covered call positions when selling equities

When an equity is over-allocated, and iRebal prepares to sell a portion, the system can automatically avoid leaving naked positions in the account by generating trades to close the appropriate number of covered calls. This will hold true for any type of rebalance; including directed trades, generate cash, and full rebalances. If iRebal cannot generate buys to close the calls and keep your positions within the model target accuracy range, no trades will be proposed.

Options

Prevent sale of equity with covered call Yes No

Close corresponding covered call position when selling equities Yes No

Editing options trades

Users can edit options trades on the **Portfolio Result Details** page. Options positions will display on the Orders section of the page with an asterisk (*) to indicate that they have been excluded from the portfolio allocation calculations. To transact on an options position, change the **Transaction Type** from **none** to one of the four options order types: **buy to close**, **sell to open**, **buy to open**, or **sell to close**. Only available order types will show in the drop-down menu.

Orders

Show | Hide positions with no orders

Buy an unheld security | User-edited order | Undo user edits | Clear all orders

Current position									Orders				Adjusted position (est)	
Acct#	Tax	Symbol	Mkt Val \$	Shares	Cost \$	Unr G/L \$	G/L %		Transaction Type	Amt	Shares	Amt Type	Mkt Val \$	Shares
> 0800-XXXX	D	FAHN	\$54,534.00	300.000	\$54,534.00	0	0		NONE	\$0.00	0.000		\$54,534.00	300.000
> 0800-XXXX	D	FAHN Jan 20 2023 Call 180.0	(\$1,380.00)	(3.000)	(\$1,380.00)	0	0		BUY TO CLOSE	\$1,380.00	3.000	S	\$0	0
> 0800-XXXX	D	JPHW	\$58,438.80	1,512.000	\$58,438.80	0	0		NONE				\$58,438.80	1,512.000
> 0800-XXXX	D	JPHW Dec 18 2022 Call 36.0	(\$3,015.00)	(15.000)	(\$3,015.00)	0	0		SELL TO OPEN			S	\$0	0
									BUY TO CLOSE					

Options may only be edited in whole shares. When you make a change to an excluded order, the other sections will update dynamically, making it easy to track differences in available cash and allocations.

Block trading for options

You can submit any single-leg option trade that's on the blotter as an individual or block order. To combine multiple orders into a block, click **Create Blocks**. All trades with the same order type (buy to close, sell to open, buy to open, sell to close) and the same symbol (underlying equity, strike, and date) will be combined and traded through the **Block Account**. Only the available trade instructions for each order type will be shown. Shortly after the order is filled, it will be automatically allocated to the client's account. Allocations can be verified in the **Block Allocation** area of Schwab Advisor Center®.

Note: At this time, the order blotter in iRebal does not support multi-leg options trades (e.g. spreads or butterflies).

Default limit order conditions and dynamic limit price settings

If you prefer to submit options trades as limit orders, the default limit order conditions in iRebal can streamline this process by automatically creating limit instructions to be implemented when you approve your order. These orders use dynamic limit price settings to instruct iRebal to set the limit price to last trade, bid, ask, or midpoint between the bid and ask values for each security. When one of these settings is specified, the limit price will continue to refresh dynamically on the order blotter until the actual price is set to the latest value at the time of submission. You can enable this feature by going to **Global Settings > Trading** and adding your **Order Type Defaults**.

Order Type Defaults

You can have iRebal generate equity or option orders with the order type default set to either market or limit... [more](#)

Equity	Sell Order type: <input type="radio"/> Market <input checked="" type="radio"/> Limit	Ask	Limit price will be set to the latest Ask value at the time of submission
	Buy Order type: <input type="radio"/> Market <input checked="" type="radio"/> Limit	Bid	Limit price will be set to the latest Bid value at the time of submission
Options	Sell Order type: <input type="radio"/> Market <input checked="" type="radio"/> Limit	Midpoint	Limit price will be set to the latest Midpoint value at the time of submission
	Buy Order type: <input type="radio"/> Market <input checked="" type="radio"/> Limit	Midpoint	Limit price will be set to the latest Midpoint value at the time of submission

iRebal[®]

Learn more:

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Options carry a high level of risk and are not suitable for all investors. Certain requirements must be met to trade options through Schwab. Please read the options disclosure document titled "Characteristics and Risks of Standardized Options." Supporting documentation for any claims or statistical information is available upon request.

Covered calls provide downside protection only to the extent of the premium received and limit upside potential to the strike price plus premium received.

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