

charles
SCHWAB

Options Trader Study by Charles Schwab

October 2016

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Important Disclosures

Options carry a high level of risk and are not suitable for all investors. Please read the options disclosure document titled [Characteristics and Risks of Standardized Options](#) before considering any option transaction. With long options, investors may lose 100% of funds invested. Multiple-leg options strategies will involve multiple commissions. Spread trading must be done in a margin account. Covered calls provide downside protection only to the extent of the premium received and limit upside potential to the strike price plus premium received. Writing uncovered options involves potentially unlimited risk.

The information provided here is for general informational purposes only and should not be considered an individualized recommendation or personalized investment advice. The investment strategies mentioned here may not be suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decision.

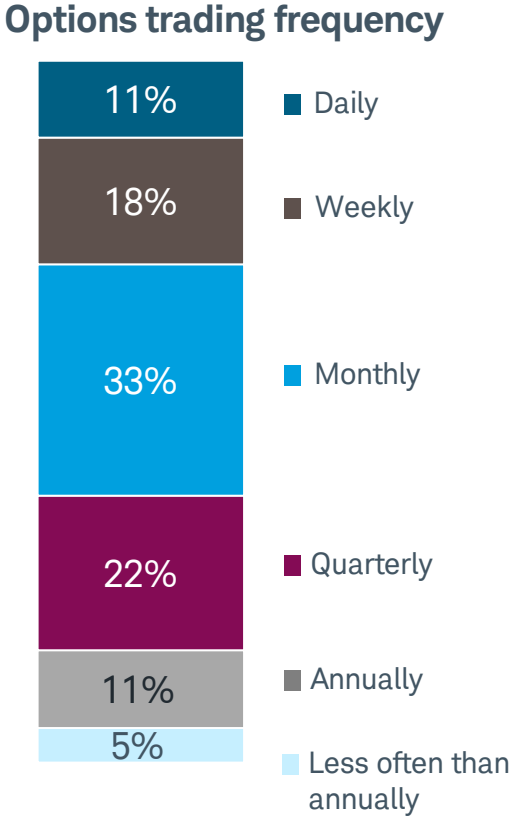
About the Study

| | |
|-------------|--|
| | |
| What | <ul style="list-style-type: none">▪ An online study among a national sample of options traders was conducted by Koski Research▪ Average length was 10 minutes▪ Following the quantitative research, a qualitative study was executed to better understand individual options traders' behaviors and attitudes▪ Koski Research is neither affiliated with, nor employed by, Charles Schwab & Co., Inc. |
| When | <ul style="list-style-type: none">▪ The study was fielded January 11 – 15, 2016 |
| Who | <ul style="list-style-type: none">▪ 317 options traders completed the study.▪ To qualify for the study, Investors had to:<ul style="list-style-type: none">▪ Be 25 to 75 years old▪ Have a minimum of \$50,000 in investable assets▪ Have traded options in the past 2 years▪ Do investing on their own |

The retail options trader

*Profile and
mindset*

Majority of options traders surveyed trade options at least monthly



At-a-Glance Profile

Investable assets (mean)
\$1.3M

Currently trade options
71%

Have traded options in the month prior to survey
45%

Mean Age: 47

| Generation | Percentage |
|-------------|------------|
| Millennials | 24% |
| Gen X | 34% |
| Boomers | 32% |
| Matures | 9% |

Gender

| Gender | Percentage |
|--------|------------|
| Male | 57% |
| Female | 43% |

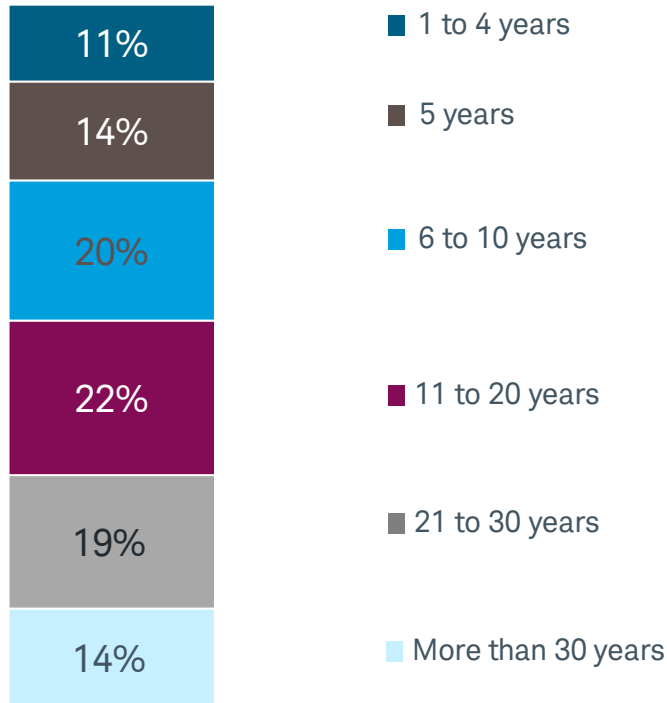
Employment status: 78% working, 17% retired, 6% other

Q18. How frequently do you typically trade options? (Base: Options Traders = 317)

They are experienced investors and traders

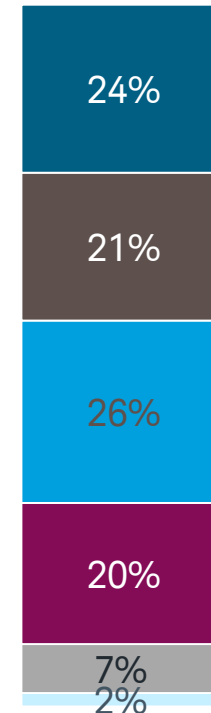
Length of time options traders have been:

Investing (in stocks, bonds, etc.)



Mean = 17 Years

Trading options

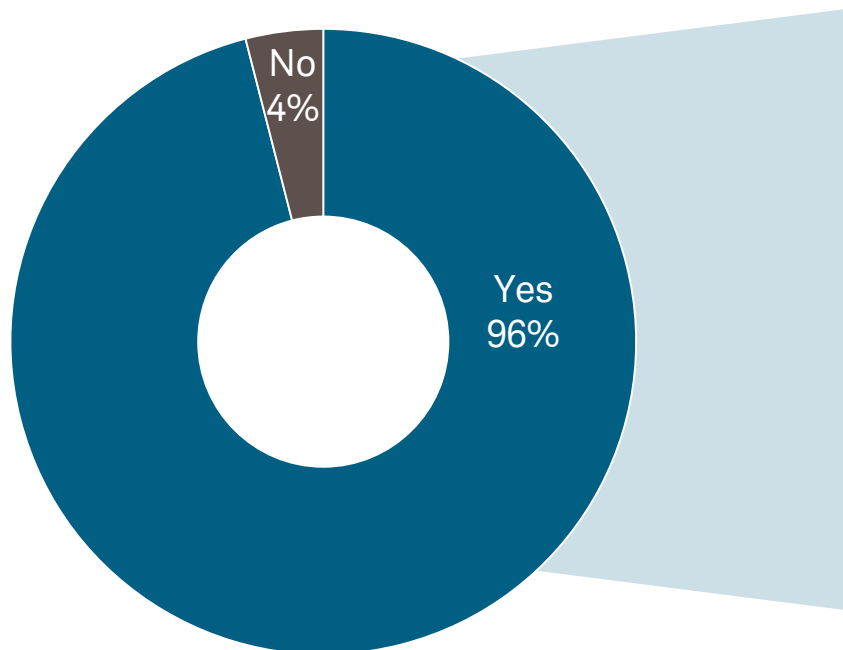


Mean = 10 Years

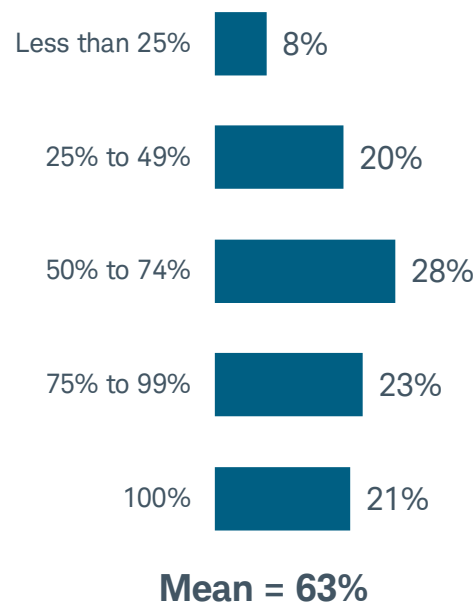
Q14. How many years have you been investing in stocks, bonds, ETFs and other investments?
Q17. For how many years have you been trading options? (Base: Options Traders = 317)

They are highly engaged: almost all options traders manage at least a portion of their portfolios themselves

Percent of options traders managing a portion of their portfolio themselves



Portion of portfolio self-managed

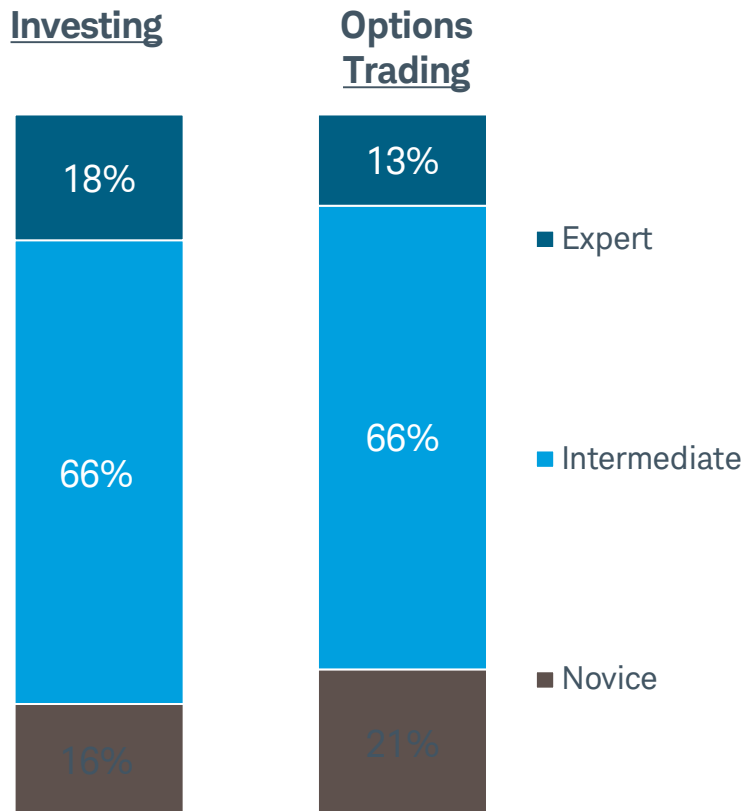


Q12. Do you have a portion of your investment portfolio that you actively manage yourself? (Base: Options Traders=317)

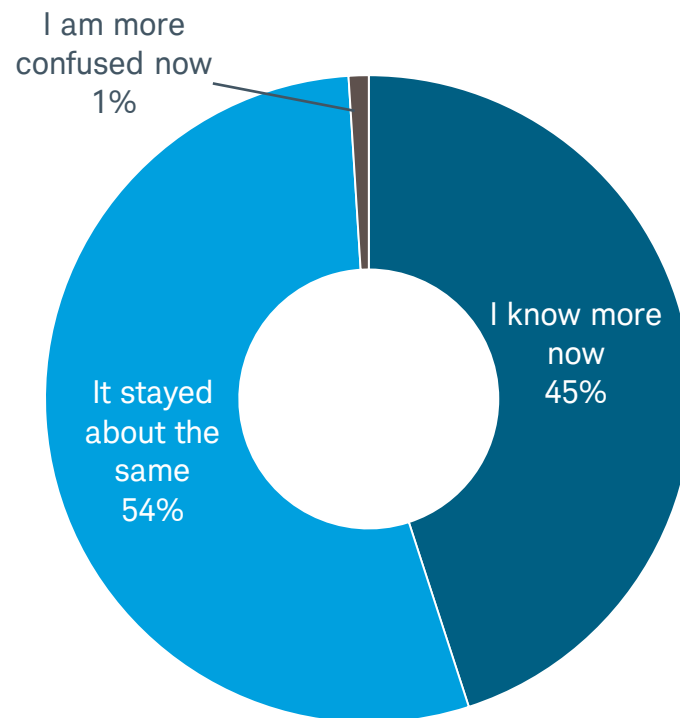
Q13. What portion of your investment portfolio do you actively manage yourself? (Base: Self-manage some portion of investment portfolio=304)

Two-thirds self-identify as having an intermediate understanding of options trading, and 45% know more now than just a year ago

Knowledge level when it comes to:



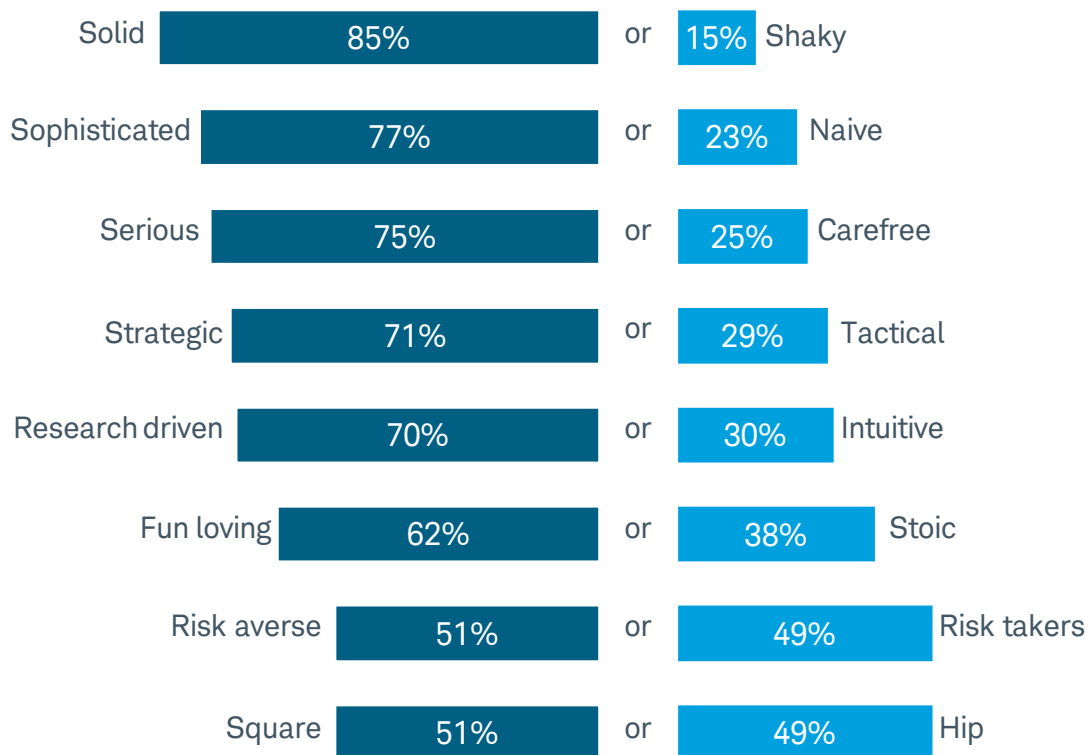
How knowledge of options trading has changed over past year:



Q10. When it comes to your understanding of investing in general, do you consider yourself a/an...?
Q15. When it comes to your understanding of options trading, do you consider yourself a/an...?
Q16. How has your knowledge of options trading changed over the past year? (Base: Options Traders=317)

Options traders see traders like themselves as solid, sophisticated, serious, strategic and research driven

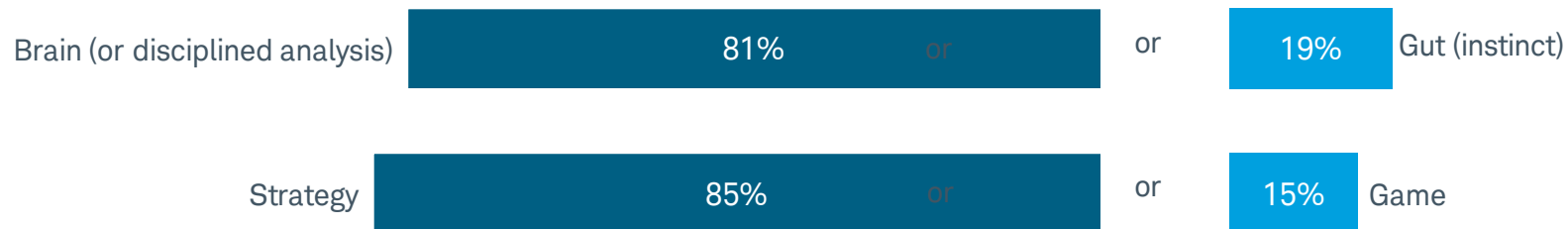
How options traders view traders like themselves:



Q33. For each of the pairs of words or phrases below, please select the one that best describes options traders like you – that is, options traders who use the same strategies as you do. (Base: Options Traders = 317)

Options traders say trading options is strategic, requires disciplined analysis

How options traders view options trading



Q35. Do you consider your options trading to be based on...?

Q38. Do you think of options trading as a...? (Base: Options Traders = 317)

Options trading behaviors

Generating income is the #1 reason for trading options

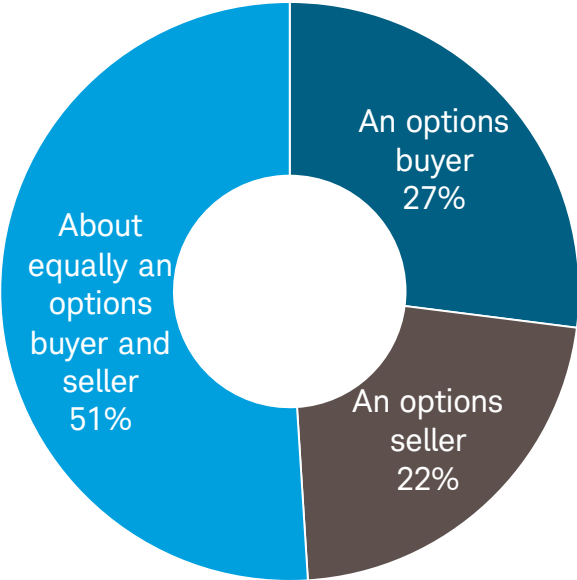
Key Reasons for Trading Options

| | <u>All Reasons</u> | <u>Single Most Important Reason</u> |
|---|--------------------|-------------------------------------|
| To generate income | 66% | 46% |
| To increase my leverage | 37% | 13% |
| To limit my risk | 32% | 12% |
| To hedge existing equity or ETF positions | 27% | 11% |
| To speculate | 27% | 8% |
| As a short-market strategy | 26% | 6% |
| As a substitute for limit orders | 12% | 3% |
| None of these | 1% | 1% |

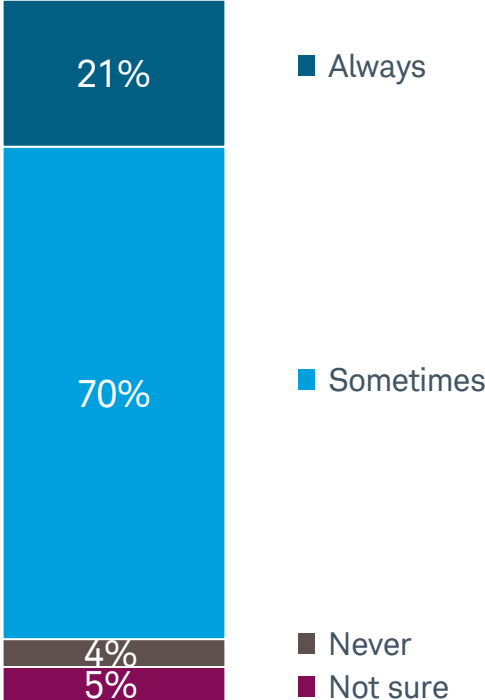
Q21. What are the main reasons why you trade options?
 Q22. What is the single most important reason why you trade options? (Base: Options Traders=317)

More than half consider themselves both options buyers and sellers, and nearly all say their trades are at least sometimes related to underlying equity or ETF positions

Options traders consider themselves mostly:



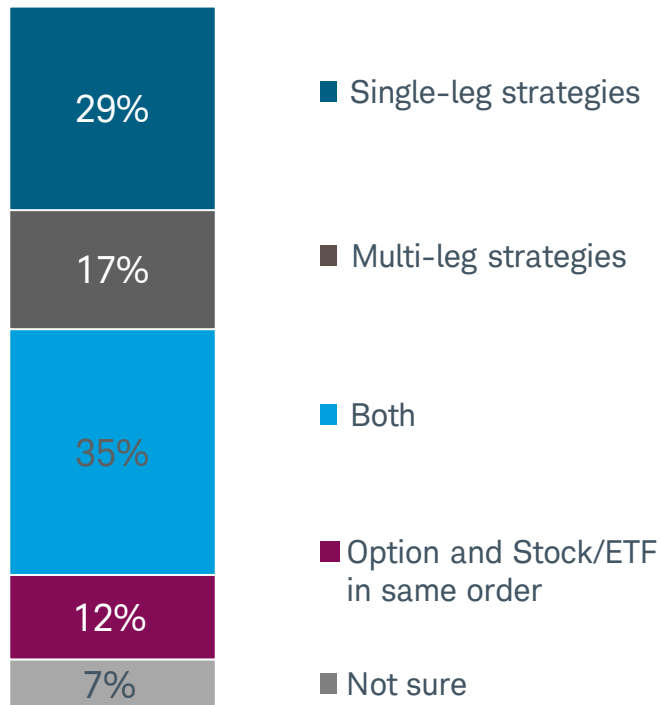
How often options trades are related to equity positions they own



Q23 Do you consider yourself to be mostly...?
Q24. How often are your options trades related to equity or ETF positions that you own? (Base: Options Traders=317)

Covered calls are the most common strategy

Strategies Used When Trading Options



| | <u>All Strategies Used</u> | <u>Strategy Used Most Often</u> |
|-----------------------------|----------------------------|---------------------------------|
| Covered calls | 42% | 24% |
| Long calls or puts | 36% | 16% |
| Protective puts | 30% | 10% |
| Spreads or straddles | 26% | 14% |
| Cash secured equity puts... | 22% | 15% |
| Uncovered (naked) calls... | 21% | 8% |
| 3 or 4 legged strategies | 14% | 7% |
| Collars | 10% | 2% |
| Other | 4% | 4% |

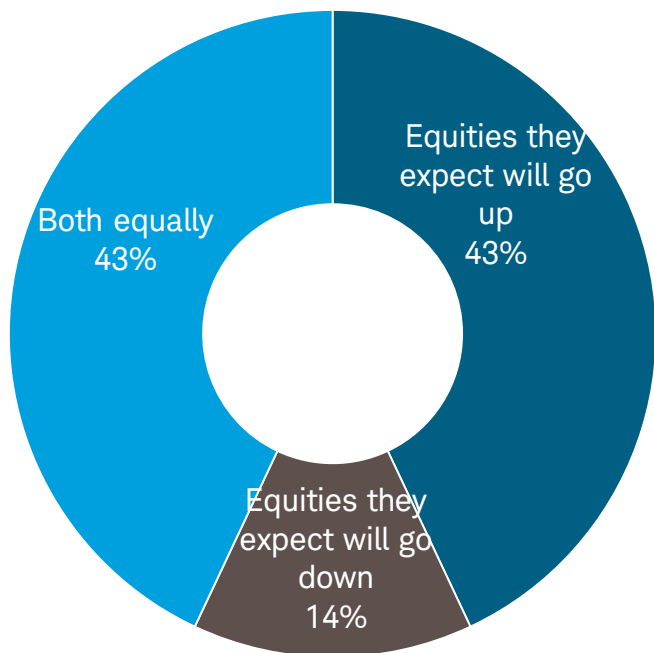
Q27. When trading options do you typically use...?

Q25. Which of the following trading strategies do you use when trading options?

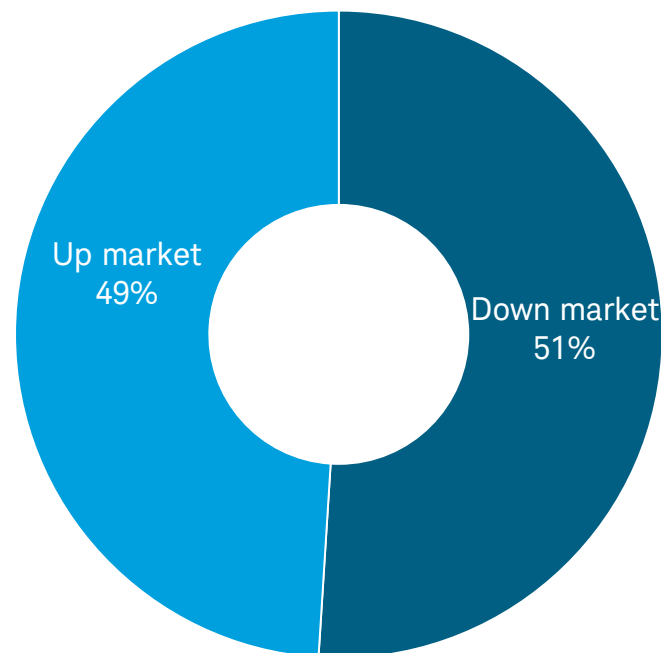
Q26. Which of these trading strategies do you use most often? (Base: Options Traders=317)

Traders say options strategies can make sense in up or down markets

More likely to trade options on:



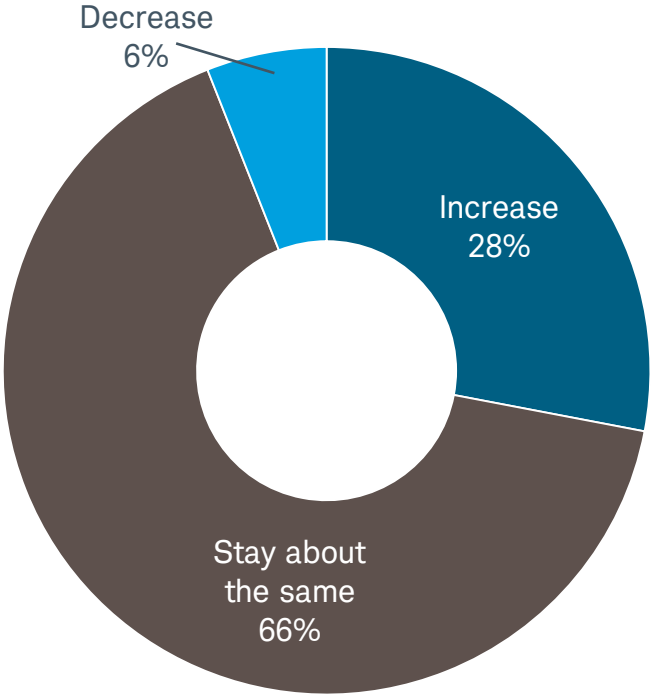
More likely to use options in:



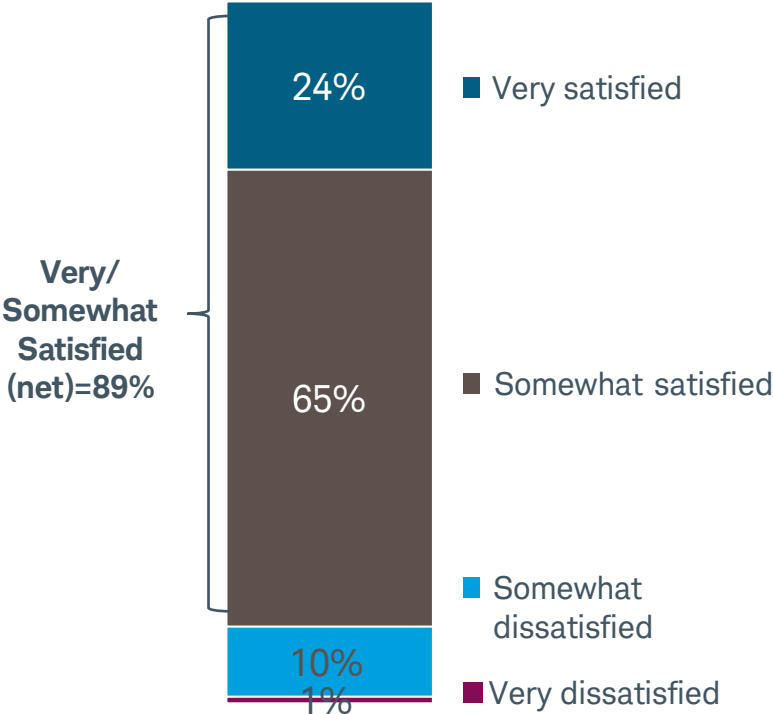
Q36. When making options trades, are you more likely to make trades based on...?
Q37. Are you more likely to use options in a...? (Base: Options Traders=317)

Most options traders expect the volume of their trades to stay the same in next year; nearly 90% report they are satisfied with the returns from their options strategies

Expected volume of options trading in next year



Satisfaction with returns from options trading

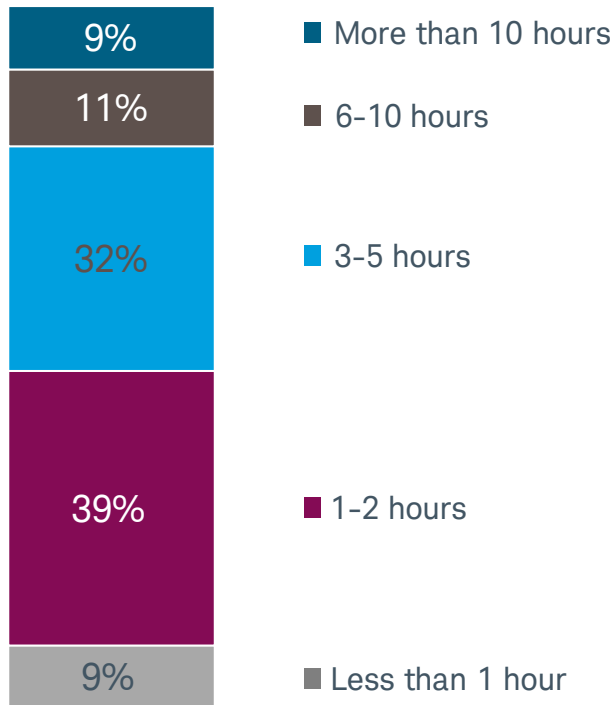


Q32. Over the next year, do you expect your volume of options trades to...?
Q30. Overall how satisfied have you been with the returns you have received from your options trading?

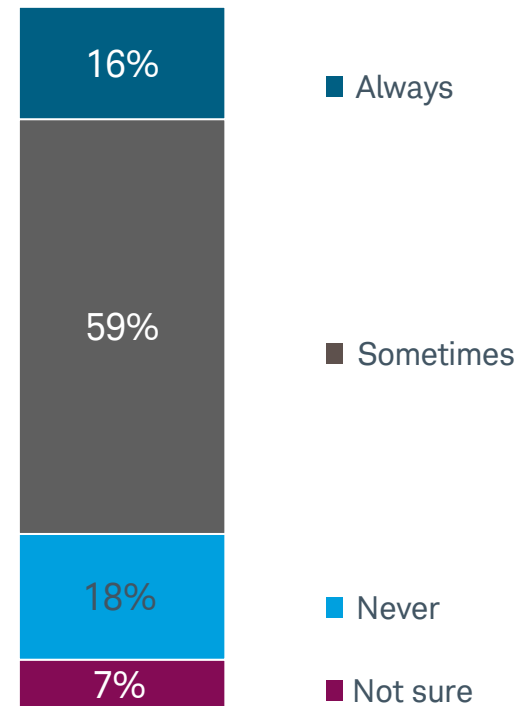
Options trading approach

They put time into trading: more than half spend 3+ hours doing research and three out of four back-test strategies

Time spent researching options strategies



Frequency in which traders back-test options strategies



Q19. How much time on average do you spend doing research before making an options trade?

Q28. When trading options, how frequently do you back-test an options strategy prior to entering a trade? (Base: Options Traders = 317)

Demographics

Demographics

| | Options Traders (n=317) |
|--|-------------------------|
| Gender | |
| Male | 57% |
| Female | 43% |
| Age | |
| Millennials | 24% |
| Generation X | 34% |
| Boomers | 32% |
| Matures | 9% |
| MEAN | 47 years |
| MEDIAN | 47 years |
| Region | |
| East | 16% |
| Midwest | 22% |
| South | 35% |
| West | 27% |
| Investable Assets | |
| Under \$100K | 14% |
| \$100K to less than \$250K | 17% |
| \$250K to less than \$1M | 38% |
| \$1M or more | 31% |
| MEAN | \$1,261K |
| MEDIAN | \$625K |
| Experience with Trading Options | |
| Currently trade options | 71% |
| Have traded options in the past but do not currently trade options | 29% |

| | Options Traders (n=317) |
|---|-------------------------|
| Type of Investor | |
| You do all the research and decision making yourself without the assistance of a financial advisor or broker | 48% |
| You make most of your own investment decisions but occasionally discuss them with a friend or family member | 21% |
| You make most of your own investment decisions but want to be able to discuss them with a financial advisor or broker | 31% |
| Income | |
| Less than \$100K | 34% |
| \$100K to less than \$150K | 31% |
| \$150K to less than \$200K | 12% |
| \$200K or more | 22% |
| Prefer not to say | 1% |
| MEAN | \$148.1K |
| MEDIAN | \$112.5K |
| Number of Trades in Past Year | |
| None | 0% |
| 1 to 11 | 26% |
| 12 to 23 | 26% |
| 24 to 35 | 21% |
| 36 or more | 24% |
| Don't know/prefer not to answer | 3% |
| MEAN | 38 |
| MEDIAN | 18 |

Demographics

| | Options Traders (n=317) |
|--|-------------------------|
| Last Time Personally Traded Options | |
| Past month | 45% |
| Past 3 months | 19% |
| Past 6 months | 12% |
| Past year | 15% |
| Past 2 years | 9% |
| MEAN (in days) | 124 |
| MEDIAN (in days) | 60 |
| Employment | |
| Working (net) | 78% |
| Employed full-time | 69% |
| Employed part-time | 8% |
| Retired | 17% |
| Unemployed | 1% |
| Student/homemaker/other | 5% |
| Education | |
| High school/trade or technical school | 8% |
| Some college | 13% |
| Graduated college | 47% |
| Post graduate school | 32% |

| | Options Traders (n=317) |
|--|-------------------------|
| Marital Status | |
| Married/Living with Partner (net) | 81% |
| Married | 77% |
| Living with a partner | 4% |
| Single | 13% |
| Separated/divorced/widowed | 6% |
| Children | |
| Have Children (net) | 74% |
| Have children under 18 | 38% |
| Have children over 18 | 31% |
| Have children both over and under 18 | 5% |
| Do not have children | 26% |
| Area Where Living | |
| Urban | 27% |
| Suburban | 60% |
| Rural | 12% |

Focus on: Selected differences by gender

Analysis of Selected Questions by Gender

| | Gender | |
|---|------------------------------|--------------------------------|
| | Male ^a (n=180) | Female ^b (n=137) |
| Q11. Description of Self as an Investor | | |
| Generally aggressive | 51% ^b | 35% |
| or Generally conservative | 49% | 65% ^a |
| Mostly an active trader | 44% | 46% |
| or Mostly buy and hold | 56% | 54% |
| Usually hedge my investments | 44% | 47% |
| or Usually do not hedge my investments | 56% | 53% |
| Q19 Time spend researching options trades | | |
| Less than an hour | 12% | 7% |
| 1-2 hours | 43% ^b | 32% |
| 3-5 hours | 27% | 39% ^a |
| 6-10 hours | 10% | 12% |
| More than 10 hours | 8% | 10% |
| Q22 Single most important reason you trade options | | |
| To hedge existing equity or ETF positions | 15% ^b | 7% |
| To generate income | 43% | 51% |
| To increase my leverage | 10% | 18% |
| To limit my risk | 12% | 11% |
| To speculate | 11% ^b | 3% |
| As a substitute for limit orders | 3% | 3% |
| As a short-market strategy | 6% | 7% |

Letter notations indicate statistically significant differences at the 95% confidence level

Analysis of Selected Questions by Gender

| | Gender | |
|--|------------------------------|--------------------------------|
| | Male ^a (n=180) | Female ^b (n=137) |
| Q26 Strategy used most often | | |
| Long calls or puts | 20% ^b | 12% |
| Covered calls | 30% ^b | 15% |
| CSEPs | 6% | 25% ^a |
| Collars | 2% | 1% |
| Protective puts | 8% | 14% |
| Spreads or straddles | 14% | 15% |
| 3 or 4 leg strategies | 6% | 8% |
| Uncovered calls or puts | 12% ^b | 3% |
| Other | 2% | 7% ^a |
| Q28: Frequency options strategies are back-tested | | |
| Always | 16% | 16% |
| Sometimes | 54% | 66% ^a |
| Never | 24% ^b | 8% |
| Not sure | 6% | 10% |
| Q30: Satisfaction with options trading returns | | |
| Very satisfied | 24% | 24% |
| Somewhat satisfied | 64% | 66% |
| Somewhat dissatisfied | 12% | 8% |
| Very Dissatisfied | 0% | 2% |
| Q32: Expected options activity in next year | | |
| Increase | 31% | 25% |
| Stay about the same | 62% | 71% |
| Decrease | 7% | 4% |

Letter notations indicate statistically significant differences at the 95% confidence level

Focus on: Selected differences by generation

Analysis of Selected Questions by Generation

| | Generation | | |
|---|------------------------------------|-------------------------------|---|
| | Millennials ^a (n=77) | Gen X ^b (n=109) | Boomers/Matures ^c (n=131) |
| Q11. Description of Self as an Investor | | | |
| Generally aggressive | 39% | 52% ^c | 40% |
| or Generally conservative | 61% | 48% | 60% ^b |
| Mostly an active trader | 53% ^c | 50% ^c | 36% |
| or Mostly buy and hold | 47% | 50% | 64% ^{ab} |
| Usually hedge my investments | 60% ^c | 46% | 37% |
| or Usually do not hedge my investments | 40% | 54% | 63% ^a |
| Q19 Time spend researching options trades | | | |
| Less than an hour | 8% | 7% | 12% |
| 1-2 hours | 32% | 39% | 42% |
| 3-5 hours | 32% | 36% | 28% |
| 6-10 hours | 16% | 7% | 12% |
| More than 10 hours | 12% | 11% | 6% |
| Q22 Single most important reason you trade options | | | |
| To hedge existing equity or ETF positions | 13% | 10% | 11% |
| To generate income | 49% | 47% | 44% |
| To increase my leverage | 15% | 15% | 11% |
| To limit my risk | 7% | 17% ^a | 11% |
| To speculate | 4% | 5% | 13% ^{ab} |
| As a substitute for limit orders | 5% | 2% | 2% |
| As a short-market strategy | 7% | 4% | 8% |

Letter notations indicate statistically significant differences at the 95% confidence level

Analysis of Selected Questions by Generation

| | Generation | | |
|--|------------------------------------|-------------------------------|---|
| | Millennials ^a (n=77) | Gen X ^b (n=109) | Boomers/Matures ^c (n=131) |
| Q26 Strategy used most often | | | |
| Long calls or puts | 14% | 12% | 21% ^b |
| Covered calls | 13% | 19% | 34% ^{ab} |
| CSEPs | 23% ^c | 13% | 11% |
| Collars | 3% | 4% | 0% |
| Protective puts | 10% | 13% | 8% |
| Spreads or straddles | 16% | 18% | 10% |
| 3 or 4 leg strategies | 12% | 6% | 5% |
| Uncovered calls or puts | 4% | 9% | 9% |
| Other | 5% | 6% | 2% |
| Q28: Frequency options strategies are back-tested | | | |
| Always | 22% | 17% | 12% |
| Sometimes | 65% | 63% | 53% |
| Never | 4% | 14% ^a | 28% ^{ab} |
| Not sure | 9% | 6% | 7% |
| Q30: Satisfaction with options trading returns | | | |
| Very satisfied | 34% ^c | 24% | 18% |
| Somewhat satisfied | 56% | 67% | 69% |
| Somewhat dissatisfied | 9% | 8% | 13% |
| Very Dissatisfied | 1% | 1% | 0% |
| Q32: Expected options activity in next year | | | |
| Increase | 43% ^c | 29% ^c | 18% |
| Stay about the same | 52% | 68% ^a | 73% ^a |
| Decrease | 5% | 3% | 9% ^b |

Letter notations indicate statistically significant differences at the 95% confidence level

Focus on: Selected differences by investable assets

Analysis of Selected Questions by Investable Assets

| | Investable Assets | |
|---|---------------------------------|---------------------------------|
| | <\$500K ^a (n=146) | \$500K+ ^b (n=171) |
| Q11. Description of Self as an Investor | | |
| Generally aggressive | 39% | 48% |
| or Generally conservative | 61% | 52% |
| Mostly an active trader | 42% | 47% |
| or Mostly buy and hold | 58% | 53% |
| Usually hedge my investments | 41% | 49% |
| or Usually do not hedge my investments | 59% | 51% |
| Q19 Time spend researching options trades | | |
| Less than an hour | 8% | 11% |
| 1-2 hours | 40% | 37% |
| 3-5 hours | 33% | 30% |
| 6-10 hours | 11% | 11% |
| More than 10 hours | 8% | 11% |
| Q22 Single most important reason you trade options | | |
| To hedge existing equity or ETF positions | 8% | 14% |
| To generate income | 55% ^b | 40% |
| To increase my leverage | 13% | 14% |
| To limit my risk | 15% | 9% |
| To speculate | 5% | 11% |
| As a substitute for limit orders | 1% | 4% |
| As a short-market strategy | 3% | 8% |

Letter notations indicate statistically significant differences at the 95% confidence level

Analysis of Selected Questions by Investable Assets

| | Investable Assets | |
|--|---------------------------------|---------------------------------|
| | <\$500K ^a (n=146) | \$500K+ ^b (n=171) |
| Q26 Strategy used most often | | |
| Long calls or puts | 12% | 20% ^a |
| Covered calls | 19% | 28% |
| CSEPs | 17% | 12% |
| Collars | 2% | 2% |
| Protective puts | 13% | 8% |
| Spreads or straddles | 19% ^b | 10% |
| 3 or 4 leg strategies | 7% | 7% |
| Uncovered calls or puts | 5% | 11% |
| Other | 6% ^b | 2% |
| Q28: Frequency options strategies are back-tested | | |
| Always | 14% | 18% |
| Sometimes | 69% ^b | 51% |
| Never | 10% | 24% ^a |
| Not sure | 7% | 7% |
| Q30: Satisfaction with options trading returns | | |
| Very satisfied | 24% | 24% |
| Somewhat satisfied | 66% | 64% |
| Somewhat dissatisfied | 9% | 12% |
| Very Dissatisfied | 1% | 0% |
| Q32: Expected options activity in next year | | |
| Increase | 28% | 28% |
| Stay about the same | 65% | 67% |
| Decrease | 7% | 5% |

Letter notations indicate statistically significant differences at the 95% confidence level