

How to Use Limit Orders

In recent weeks, we have experienced exceptionally volatile market conditions. Due to rapidly changing prices, we recommend that you use Limit Orders when you sell your options on Trade Day.

Please remember, under normal market conditions, we recommend that you use Market Orders when you trade. Market Orders are a more efficient way to trade because they typically fill immediately and do not require the “babysitting” that Limit Orders do.

If you use Lattco AutoPilot, these steps are programmed into the trading process, so you will not need to follow the additional steps listed in this document.

STEP 1 – DETERMINE LIMIT PRICE

To use a Limit Order, you will be required to enter a Limit Price. You can use the following steps to determine your Limit Price.

CALCULATE THE BID/ASK SPREAD

To determine the Bid/Ask Spread, subtract the Bid Price of the option you wish to sell from its Ask Price.

ASK PRICE		BID PRICE		BID/ASK SPREAD
	-		=	

CALCULATE THE SPREAD MIDPOINT

Divide the Bid/Ask Spread by 2 to find the Midpoint.

BID/ASK SPREAD				SPREAD MIDPOINT
	÷	2	=	

CALCULATE INITIAL LIMIT PRICE

To determine your initial Limit Price, add your Bid Price to the Spread Midpoint.

BID PRICE		SPREAD MIDPOINT		INITIAL LIMIT
	+		=	

DETERMINE LIMIT PRICE

Once you have determined your Initial Limit Price, you will round it down to determine the Limit Price. If the Initial Limit Price is less than \$3.00 round down the nearest \$0.05 limit. If the Initial Limit Price is \$3.00 or more, you will round down the nearest \$0.10 limit.

INITIAL LIMIT PRICE	ROUND DOWN TO NEAREST
< \$3.00	\$0.05 Limit
≥ \$3.00	\$0.10 Limit

You will round down to ensure that the Limit Price is in whole 5 cent or 10 cent increments, which is required for many option contracts. A Limit Price that is not in these increments will likely be rejected. For example, if your Initial Limit Price is \$3.28, you will round down to \$3.20.

STEP 2 – PLACE YOUR TRADE

Now that you have determined your Limit Price, you will enter it into your Option Order Form and place your trade.

STEP 3 –MONITOR YOUR TRADE

After you place your trade, wait 15 seconds and then check your Order Status. If the trade has been filled, move to your next trade. However, if the trade has not filled, you will modify the order using a new Limit Price. You will use the steps above to determine your new Limit Price.

EXAMPLE

In this example, we will assume that Bid Price is \$1.20, and the Ask Price is \$1.85.

CALCULATE THE BID/ASK SPREAD

ASK PRICE		BID PRICE		BID/ASK SPREAD
\$1.85	-	\$1.20	=	\$0.65

CALCULATE THE SPREAD MIDPOINT

BID/ASK SPREAD				SPREAD MIDPOINT
\$0.65	÷	2	=	\$0.325

CALCULATE INITIAL LIMIT PRICE

BID PRICE		SPREAD MIDPOINT		INITIAL LIMIT
\$1.20	+	\$0.325	=	\$1.525

DETERMINE LIMIT PRICE

Because the Initial Limit Price is less than \$3.00, you will round down the nearest \$0.05 limit. **The Limit Price you will enter in your Option Order Form is \$1.50.**

THE FINE PRINT

The intent of this document is to help expand your financial education. Although the information included may be relevant to your particular situation, it is not meant to be personalized advice. When it comes to investing, insurance, and financial planning, it is important to speak to a professional and get advice that is tailored to your unique, individual situation. All investments involve risk including possible loss of principal. Investment objectives, risks, and other information are contained in the [Snider Investment Method Owner's Manual](#); read and consider them carefully before investing. More information can be found on our [website](#) or by calling 1-888-6SNIDER. Past performance is not indicative of future results.

Snider Advisors has an economic incentive for recommending that prospects and clients open an account with Ally Invest. Specifically, as part of a loan agreement with Ally Invest, Snider Advisors receives payment in the form of a loan reduction for each new account it refers to Ally Invest and any of its affiliates. More detailed information about the loan agreement can be found in the [ADVII \(Schedule F\)](#). Clients may contact Snider Advisors with any questions regarding its relationship with Ally Invest and the terms of the agreement.

Options involve risks and are not suitable for all investors. Before opening an option position, a person must receive a copy of Characteristics and Risks of Standardized Options. Copies of this document are available by calling 888-6SNIDER. Please read it carefully before investing.

If you have any questions, please contact Snider Advisors
at 888-6SNIDER (888-676-4337) or support@snideradvisors.com