

Both **credit spreads** and **cash-secured puts** are strategies used by options traders to generate income, but they have key differences in risk, margin requirements, and trade structure. Let's break these down using the SOFI options chain from the image.

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## 1. Credit Spreads (Bull Put Credit Spread Example Using SOFI Options)

A **credit spread** is an options strategy where a trader sells one option and buys another option with the same expiration but a different strike price.

Example from the SOFI option chain:

- **Sell the \$12 Put for \$0.93**
- **Buy the \$10 Put for \$0.24**

This creates a **bull put spread** (put credit spread). The trader collects a net premium of **\$0.69 per share** ( $\$0.93 - \$0.24$ ) or **\$69 per contract** (since one contract covers 100 shares).

If SOFI stays above \$12 at expiration, both options expire worthless, and the trader keeps the full \$69. If SOFI falls below \$10, the trader's maximum loss is the difference between the strike prices (\$2) minus the premium collected (\$0.69), which equals **\$1.31 per share or \$131 per contract**.

SOFI \$11.93 (-3.21%)

Price History

## SOFI sell Put

Builder Buy **Sell** Call Put Expiring April 17 (30d)

Strike price	Breakeven	Chance of profit	% Change	Change	Bid Price
\$15	\$11.82	48.74%	+7.80%	+\$0.23	\$3.15 +
\$14	\$11.71	51.06%	+19.27%	+\$0.37	\$2.27 +
\$13	\$11.46	55.40%	+26.23%	+\$0.32	\$1.52 +
\$12	\$11.06	62.16%	+27.03%	+\$0.20	\$0.93 +
Share price: \$11.93					
\$11	\$10.49	71.17%	+30.77%	+\$0.12	\$0.50 +
\$10	\$9.75	80.75%	+38.89%	+\$0.07	\$0.24 +
\$9	\$8.88	88.32%	+33.33%	+\$0.03	\$0.11 +
\$8	\$7.94	93.10%	0.00%	\$0.00	\$0.05 +
\$7	\$6.97	96.02%	0.00%	\$0.00	\$0.01 +

### Key Characteristics of Credit Spreads:

- ✓ Limited risk due to the hedge (long \$10 put).
- ✓ Requires margin but does not need full cash collateral.
- ✓ Collects premium upfront, aiming for options to expire worthless.
- ✓ Lower capital requirement than a cash-secured put.

## 2. Cash-Secured Puts (Example Using SOFI \$12 Put)

A **cash-secured put** involves selling a put option while holding enough cash in your account to buy 100 shares of the stock if assigned.

Example from the SOFI option chain:

- **Sell the \$12 Put for \$0.93**
- **Hold \$1,200 in cash (100 shares at \$12 each) in case the put is assigned**

If SOFI stays above \$12, the put expires worthless, and the trader keeps the full **\$93 premium** per contract. However, if SOFI drops below \$12, the trader is obligated to buy 100 shares at \$12, effectively purchasing them at an **adjusted cost basis of \$11.07 (\$12 - \$0.93 premium received)**.

SOFI **\$11.93** (-3.21%) Price History

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#### Key Characteristics of Cash-Secured Puts:

- ✓ Requires full cash collateral (\$1,200 per contract) for potential assignment.
- ✓ Generates premium income upfront but carries the obligation to buy the stock.

- ✓ No hedge; full downside exposure if SOFI price falls significantly.
- ✓ Best for traders willing to own SOFI at a discount.

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## Key Differences Between Credit Spreads and Cash-Secured Puts

Feature	Credit Spread (SOFI \$12/\$10)	Cash-Secured Put (SOFI \$12)
<b>Risk</b>	Limited (max loss \$131)	Higher (obligation to buy shares at \$12)
<b>Capital Required</b>	Lower (\$131 max loss per contract)	Higher (\$1,200 to buy 100 shares)
<b>Profit Potential</b>	Capped (max \$69 per contract)	Higher if SOFI moves favorably
<b>Stock Ownership</b>	No ownership involved	Can result in stock ownership
<b>Best For</b>	Traders wanting defined risk	Traders willing to own stock at a discount

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## Which One Should You Use?

- If you want limited risk and lower capital requirements, a credit spread is the better choice.

- **If you are comfortable owning the stock at a discount**, a **cash-secured put** allows you to collect premium while waiting for a potential buy opportunity.

Both strategies can be powerful income-generating tools when used correctly. The choice depends on your risk tolerance, capital availability, and market outlook.