Are you daring enough to opt in too?

TO HEAR the marketeers say it, options can make you real rich.

Well, nothing is impossible but the options road is long and demanding, which is why only a handful of people actually reach their destination.

Options are not the simplest instrument to understand. They take time to master even for a financial expert like Mr Aaron Sim, 44.

A certified public accountant, he became interested in trading options after attending a course that cost US$2,500 (S$4,285) in 2001.

Over the next 18 months, he traded with results that were anything but exhilarating. "It was a case of win some, lose some. I just broke even," he says.

Then he attended another seminar, where he learnt trading strategies from American trader Mirriam MacWilliams.

A few months later, he left his finance director job at Unisys Singapore, giving up a six-figure-a-year income to try to make money from trading.

He now also teaches people how to trade options. His financial results? He says he earns as much as he used to at Unisys.

Basically, there are two types of options: call options and put options.

The former gives the buyer the right, but not the obligation, to buy an asset at a fixed price within a specified time. The latter gives the seller the right to sell at a fixed price.

Options will cost you only a fraction of the value of the underlying asset. This is the beauty of options.

The assets can range from stocks to currencies to gold.

Obviously, you need to know the fundamentals of the assets before you trade.

If it is a stock of a company such as IBM, you need to form a view of whether the stock price is likely to go up or down or stay at its current level. Only then can you take the appropriate action on IBM options.

So, like investing in other types of instruments, you have to do a lot of homework and stay alert for opportunities.

If you are right in your decision, your options will reap you a gain that is outsized in percentage terms compared with what you would get investing in IBM stock directly.

Whether you are right or wrong in your trade will become evident very quickly.

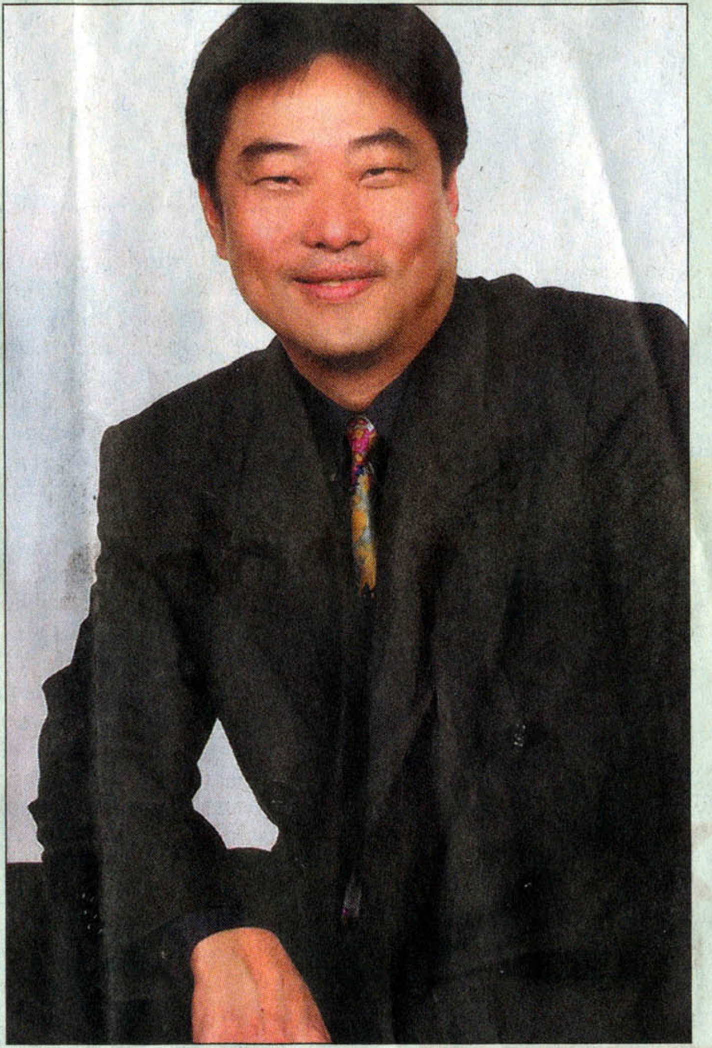
Options have a limited lifespan, ranging from a month to more than a year.

If you are wrong, you will lose your entire investment, unless you can exit early.

If you do not want to expose yourself to currency exchange risk in buying options on United States stocks, indexes and other securities, you can buy similar instruments here that have been set up for Singapore shares, and even the underlying local index itself.

These are "covered call warrants" on stocks such as Singapore Press Holdings, Singapore Airlines and the local banks, and can be bought and sold through a local broker. They usually have longer lifespans than US call options.

And earlier this year, DBS Bank launched the first-ever "put warrant" on the Straits Times Index, an instrument that gains in value as the index falls.



MAKING THE RIGHT CALL is far from easy, especially for novices. When he first began trading options, Mr Sim 'just broke even'.

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