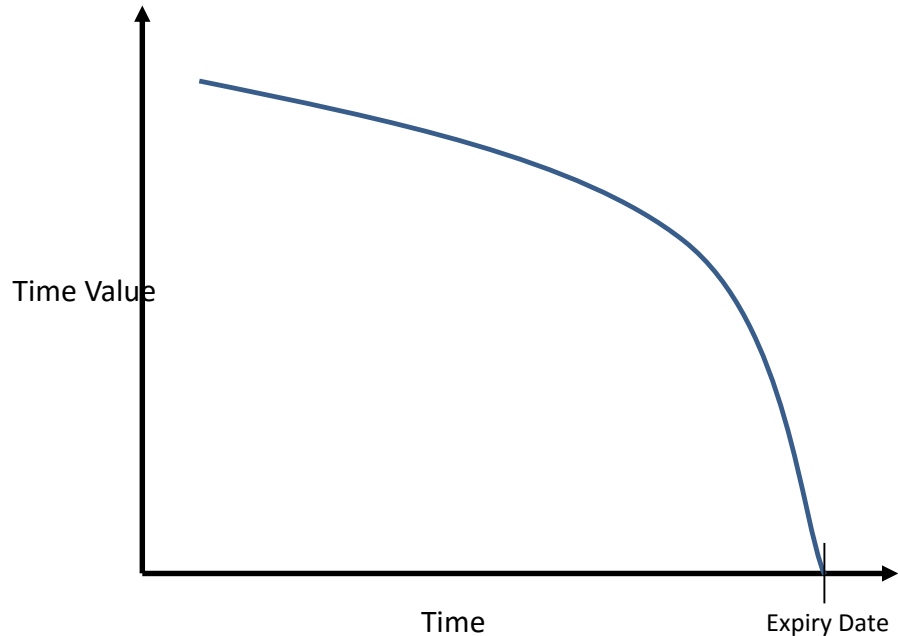


Option Basics

Time Decay During Options Lifetime

Time Decay of Options



- Time Value of options decreases through time because of amortization.
- The intrinsic value of the option is dependent on the „Moneyness“ (how much ITM the option is) of the option.
- All options eventually lose their time value at expiry date.
- At the expiry date, what will be left is the intrinsic value of the option (price is above strike for call or price is below strike for put).
- Meaning ATM and OTM options at expiry date have no value (0 intrinsic & 0 time value)