Let's compare the two Synthetic Calls we've just looked at (B and D):

Example 5.1c

	Synthetic Call B (Strike $25)	Synthetic Call D (Strike $20)
You pay	Stock Price + Put Premium **$25 + $4.50 = $29.50**	Stock Price + Put Premium **$25 + $2.38 = $27.38**
Risk	Stock Price + Put Premium – Put Strike **$25 + $4.50 - $25 = $4.50** Risk of $4.50 is only 15% of your total cost	Stock Price + Put Premium – Put Strike **$25 + $2.38 - $20 = $7.38** Risk of $7.38 is 27% of your total cost
Reward	Unlimited to the upside	Unlimited to the upside
Breakeven	Stock Price + Put Premium **$25 + $4.50 = $29.50**	Stock Price + Put Premium **$25 + $2.38 = $27.38**
Comparison	• More expensive • Lower maximum risk • Higher breakeven	• Cheaper • Greater maximum risk • Lower breakeven

What the above table clearly shows is that the higher the Put Strike Price you select for your Synthetic Call Strategy, the lower your risk will be. However, you'll have to pay more up front for that added insurance and therefore your Breakeven Point will generally be higher as well.

Chart 5.1.1 | Synthetic Call Comparison between B and D