

Income from 0-DTE

[00:00:00] Yeah, I believe we alive now. How are you doing friends? Ernie here and in the vacation home. So that's why you see a slightly different background. That's slightly, it's really different. I'm not in my dungeon anymore. I am on Martha's Vineyard. We were not able to beat Henri to the island. It beat us yesterday.

[00:00:23] And so we were sent home by the coast guard saying that they could not allow the ferry, the steamship authority to take us over to the island. So we had to return this morning and here we are such as life, you're dealt with these things that happen. Some, nothing is regular, nothing is.

[00:00:44] Life itself is impermanent. And so, it was trading. Trading is definitely impermanent today's episode is about impermanence. And I'm asked this question quite a bit. Can I generate an income with the zero dash DTE strategy? Notice the dash must never forget the dash. If you forget the dash, you're going to find trash the 0-dte.com strategy.

[00:01:16] If you want to try it out, go to 0-dte.com/try Anyways, can you generate an income with the zero dash DTE strategy or the zero days to expiration? One would think that it has all the, all the components of an income generating strategy as if that is a thing, right? Because a lot of people talk about options, income generation, and I'm going to debunk that notion 100% in this podcast, in this episode.

[00:01:51] And it all has to do with impermanence, and we'll get into it. We will get into it, and we'll look at, what are some valid income generating strategies of which trading is not one of them. And certainly, zero DTE is not one of them. However, from the uninitiated or for those that believe that there is such a thing as an income generating strategy, you see it all the time and you go on YouTube, and you start searching around for videos and they talk about their trading income strategy.

[00:02:24] It's crazy. These people are delusional. They cannot guarantee an what are some of the first of all, let's establish this. What are some of the characteristics of an income? I think we can all agree on certain things, right? An income is something that's regular and expected, maybe not guaranteed, but about as close to a guarantee as you're going to find.

[00:02:52] So for instance, if you have a job, there is an expectation that on payday, you're going to get paid and agreed upon amount. Of money that you can then do what you want to do with every once in a while, you might get a raise, or you might get canned and then no longer are you the benefactor of an income. So, you have to go out and search for another one, but you're not going to go out and start trading to generate that income.

[00:03:20] You would be a frigging idiot. You would be a dumb ass. That's what you would be. If you went out and started trading, thinking that you were going to replace your income. There's another thing. Replacing that income. What would it really take? Let's be realistic here.

[00:03:39] Let's say that your income is, I don't know. You're doing okay. You're making \$10,000 a month. Okay. What would you need as capital? What are the capital requirements around generating \$10,000 a month regularly? Now, first of all, let's throw the whole idea of regular out, as if you could take a trading strategy and like clockwork, pump out \$2,500 a week, which is a little bit more than \$10,000 a month.

[00:04:11] We'll say \$2,500 a week every week. You're doing that. So that means on the zero DTE, you're making at least \$800 each event, Monday 800 Wednesday, 800 Friday 800. Ka ching. Ka ching. Ka ching. We know that. That's not true.

[00:04:33] If you look at our performance. Sure. We talk about average returns. 150% return on the risk capital that you put up. Let's look at that, right? The average return 150% on your risk capital. So, in order to generate \$2,500 a week, you would have to put up at least what, say [00:05:00] \$2,000, \$1,500 somewhere between 1500 and \$2,000 in your trade.

[00:05:05] All right. And, I think that's a fair amount. And from that, you're hoping to generate \$800 a week. Now there could be some weeks where you do not have a trade, or you have a losing trade. Our strategy is not infallible. Although some people would like to believe it is. We lose about 20% of the time when times are good.

[00:05:32] We lose about 40 to 45% of the time when volatility is super low, however, we still manage to generate some kind of return. And it's always, it's a positive return by the way, but that's a stark difference. How are you going to accommodate that? So I would think that instead of trying to generate \$800 a week, you would have to shoot for something much larger than that, so that you

can compensate for those times when you are not generating an \$800 a week income, the variability is just tremendous.

[00:06:15] There are some weeks where we might do four or five, 10 times our average. That's very possible. And then there are going to be other times where it's going to be lean. That is also very possible and likely. So the point here is that there is no income. There is no regularity to it, like a paycheck.

[00:06:36] If you're going to rely on this as your income, then you're going to have to shoot much higher. And then use whatever you make on top of what your basic needs are, so that you can put them into some sort of buffer account, an emergency fund. And that makes a lot of sense. So let's say that instead of shooting for the \$2,500 a week, you really have to shoot for \$5,000 a week, maybe even more, maybe \$7,500 a week.

[00:07:06] And let's say that. A reasonable way to go about this is to put up 5% of your account as risk capital. And so if you're putting up \$7,500, that means that you need an account that is at least what that comes out to about 125, \$150,000. So, you would have to be trading with 120 \$550,000 account.

[00:07:31] Now this first of all, let me just put this into perspective. If you were trading with 120 \$550,000 account, and you were regularly churning out the type of numbers that I'm talking about, you would be considered an elite trader among the best on earth. All right. That's not saying that you can't do it.

[00:07:51] Yeah. Some people do it. They may not be recognized for it. And it is definitely possible with a smaller account. As you get to bigger accounts, you start running into all kinds of liquidity issues and other things scales scale doesn't always work perfectly. So where are you going to come up with the 150,000?

[00:08:16] I would say that you would probably need a buffer on top of that. For those times that where, hey, maybe because we are human and I'm assuming that you are also human, that you are not infallible, meaning that you make mistakes. And when you make a mistake that might set you back, that might set your trading capital back a bit, you could make a fat finger mistake.

[00:08:41] I do those all the time because I've got big ass hands. You could just make a stupid error or not follow the strategy and go off. Go off the farm, as they say, and go on tilt there. Mixing analogies there, going on tilt is the idea of going to an arcade and then getting mad at the pinball machine and you hit it and it goes tilt, and then it you lose the game.

[00:09:05] And it's also a common term used for gamblers and in the casino, when they go on tilt, that means they start getting into this downward spiral of bad decisions and they wipe out an account. That also is something that is something afflicts, many traders. Now, a lot of the things that we do help us guard against ever going on tilt because we are not.

[00:09:33] Managing risk. We have managing profits. We have a complete inversion philosophy where we're concentrating on how we become confident traders and we can build these things up. The point that I'm trying to drive home, that even with a great strategy, fantastic discipline control, a market that is accommodative.

[00:09:59] Right now what happens during markets where volatility is super low, your average, income's going to go way down when volatilities are in that Goldilocks zone and volatility is just right. You're going to do well, but when volatility gets way above that zone, again, that's going to be a more chaotic time and perhaps not as ideal.

[00:10:22] How often are you within that time? What happens if an entire year is low volatility or high volatility? All these things are telling you that there is no way to place any kind of regularity on trading. So trading is not an income strategy, regardless of what the underlying strategy is. Now, I would say that our strategy probably has a better chance at producing an income than any other strategy.

[00:10:50] But even that I would not ever say that. It is a growth strategy. It is a way of growing your account. One of the principles that we abide by is asymmetry and asymmetric opportunities don't come around on a regular basis, but those are the things that help us grow our account like mini, black Swan.

[00:11:11] You just cannot grow at a regular clip that would accommodate having to pay bills, which are regular. So, what are some income strategies? Having a job for one, as I had mentioned earlier, having a job is the perfect income strategy because you're getting a set amount every week, every month.

[00:11:34] And you can rely on it until you get fired because you're spending too much trading while on the job. Perhaps having an annuity or a business or an income property that produces regular income collecting social security. Of course, this is assuming that you're older, right? I would also associate having an annuity with somebody that is more mature and having being older.

[00:12:01] And it would also imply that you have a much larger nest egg too. So writing notes or buying short and long-term bonds or notes is another way to produce income. You could be of the clipping class. Clipping coupons. But even that also implies that you've got a lot of money. What happens if you don't have money and you want to produce that income trading is not the way.

[00:12:33] Get a job finance your account, grow your account, grow your capital account and keep on paying your bills, stay solvent, have good credit, but for God's sake, trading is not the way you're going to generate that income. It's just not going to happen. And you might have wide eyes thinking that you can do it, that you are the exception, but you're not the exception.

[00:13:02] Even if you are exceptional, you're still not the exception. The best traders in the world did not do this. The best, the most successful people in the world do not do this. They go after multiple streams of income, passive income, active income, growth strategies. They may put their income generation in many different buckets in case one of those buckets fails.

[00:13:29] These are things that as a new trader, are certainly not going to be available to you because you as simply haven't been in the game long enough, but that is something to aspire to. As you become more mature and you start making more money in your job, you make more money on growth strategies. You've made some good investments.

[00:13:51] Then you can start diversifying, start creating these income sources. And maybe someday you can leave your job [00:14:00] and then do trading full-time. Maybe you can do it now. I don't know. I don't know personal situation, but you're not going to be trading to produce the income that pays your bills. That allows you to survive from day to day.

[00:14:14] If you're reliant on that, unless you have a very large account.

[00:14:19] Hopefully, this is sinking in. These are, fundamental things, I get this question all the time. Can I generate an income, Ernie? And my first thing is how much do you want to generate? And then they tell me, and I said you know that you're going to need a good six-figure account to do that.

[00:14:38] And he said I don't have it. I have \$5,000. Can I do it on that?

[00:14:42] This is insanity. Big eyes, lack of experience. Experience tells us nothing is so regular. Even a regular job. Everything is impermanent. And that especially goes for trading and the markets are not regular in order to generate

an income from the markets or markets that are irregular, that do their best to try to foil you at every turn.

[00:15:12] And you think that you're going to produce a regular income from that? You're not, you're just not. Get it out of your head. Creating an income from trading is not the way to go.

[00:15:25] Someone coming to you and telling you that they have an income producing strategy as a trader. First of all, you'll know that they don't do it themselves because if they did, they wouldn't be offering it to you. What they're trying to do is sell you a piece of crap that they know doesn't work, but they're more than happy to take your money.

[00:15:48] Now if you have enough money. Sure. And if you got money to burn, sure. You could produce enough. And if your expenses were low enough, it's all a matter of scale. Now, if you came to me and said, hey, I got a million dollars in the bank and I can afford to go through it and produce an income then I'd say, okay.

[00:16:06] And if you only need, say 75 grand a year to live on. I say that you got pretty good chance of doing something like that. That's right on the edge with a great strategy, great mentorship, great support and everything going your way. That's yes, you could do that. You could also at the same time, build up your capital.

[00:16:33] That you could then put into an annuity that could produce some passive income, which could give you a little bit of diversity in that income strategy, because that's the most important thing. Keeping that income coming at a regular clip is the most important thing. And it's impossible with trading. So you need something else.

[00:16:54] You need a support of income. You need passive income. Other income sources, buy a house, rent it out, buy a bond, clip the coupons, buy an annuity, all of these things, but they all take time and a plan. So can zero DTE provide you with an income. The answer is a qualified. Yes, but. In most cases, an absolute no, and it's not just zero DTE.

[00:17:28] It is all trading strategies adopt a strategy for building up your capital account and then diversify that into different types of passive income until you're at a point where you have enough diversified income streams that. You can afford, even if, say, let's say you have five streams and if two of them fail, you can still pay all your bills.

[00:17:58] That's the standard that I would probably work on, develop five streams and any two of them can fail and I can still pay my bills. Then you are ready to trade full time until then you're putting your life at risk. And if you have a significant other and they're depending upon you, then you're not doing your job.

[00:18:23] Okay. That's about all I have to say. I know that this isn't one of those exciting trading topics and a lot of you out there are looking to use my strategy to leave your godforsaken job. And get out there and just produce your income on your own and never have to look at that. Again. They look at, someone like me that has been working on their own for the past 25 years.

[00:18:49] They want that lifestyle. They want to be able to come and go as they please. It took a lot to get here, and I've developed multiple streams of income. I've also developed a resiliency and knowledge. That allows me to generate those different streams of income and that's what you need. And it just takes time.

[00:19:12] It takes time and effort, the right effort, the right thing, everything.

[00:19:18] Okay. Thank you very much. I guess nobody really has any questions in the comments section, which I'm surprised. I hope you have a wonderful Monday. We'll see you on Wednesday. I am going to take a walk with the dogs and then go watch a sunset take care. All right. Is the, ah, there it is off button.

[00:19:46] Okay.