

The 5K Challenge

Can We Generate \$5,000 of
Cash Income Per Week
Selling Options?

The 5K Challenge

- 30 Minute Presentation
- Q&A at the end
- Session will be recorded
- Results will be reviewed at the Investor's Blueprint Live Training and Trading Event in Boca Raton, FL (February 25 – 27, 2022)



What is the 5K Challenge?

- It all started because we've been using a unique application of a simple yet active options strategy to generate \$200 to \$300 per week using a small amount of capital...

Can We Get \$5k per Month?

- The results have been consistent, which have led a number of traders to ask:
- *“How can I scale my results using this same strategy to be able to get \$5k per week?”*



What You Will Learn In Today's Session

- The basic option "income" strategy behind the 5K Challenge
- A basic plan to execute this strategy starting this week
- The parameter for the 5K Challenge Trade Set-ups
- How we will attempt to meet the "challenge" and generate \$5k per week of income for the next 90 days



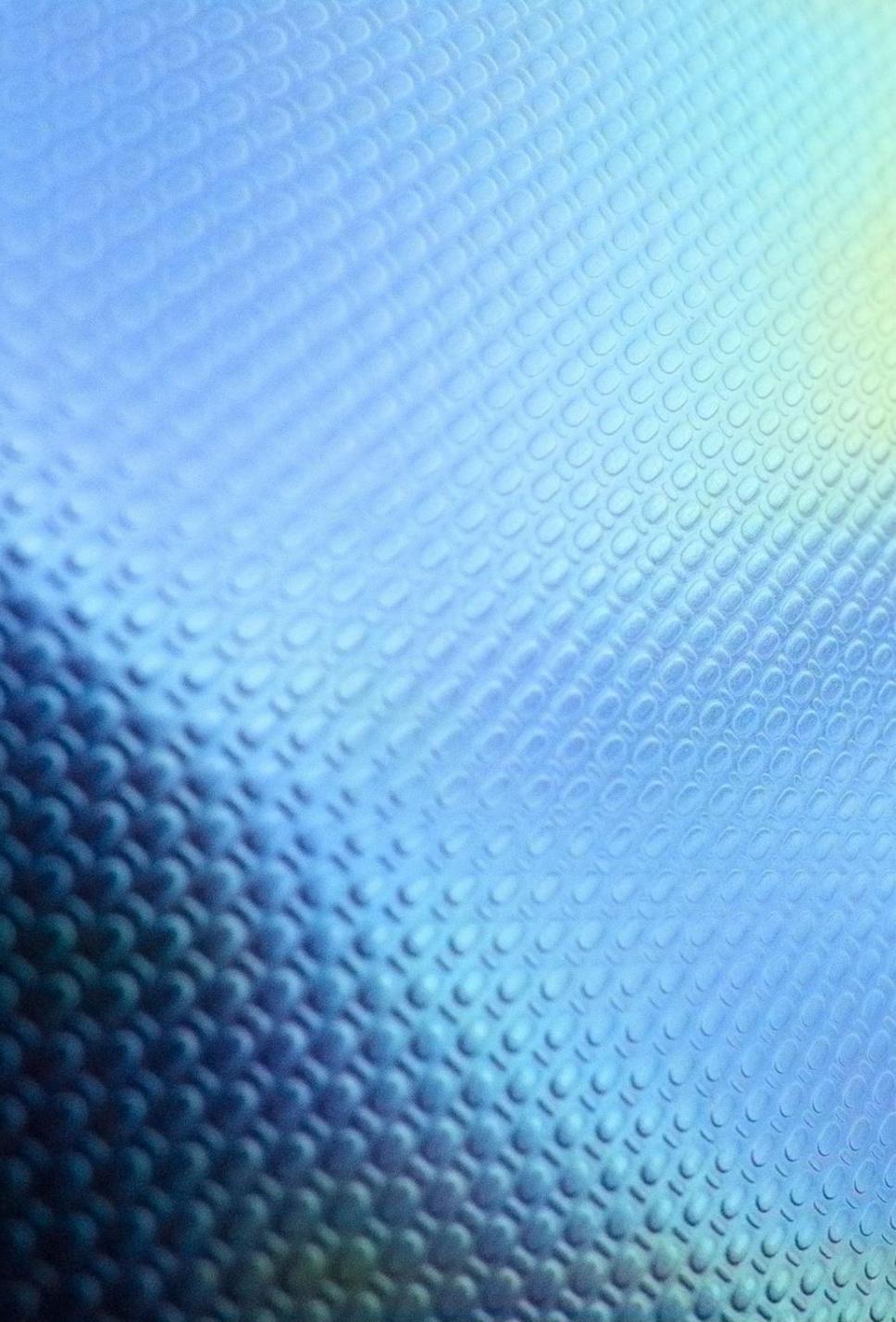
5K



cash

“The Option Trade That Keeps On Giving”

- It revolves trading around one ETF or stock that we can sell options against every week ... sometimes 2 to 3 times each week
- We call it a “core trade” because we can continue to generate cash from this one ETF or stock on a long-term basis ... not a “one off” day or swing trade



Core Trade Benefits

You don't have to switch between stocks or ETFs every week

You don't have to open and close new stocks every week

Not trying to “swing for the fences” for short-term home run trades

A “Core Trade” will help you to manage and trade around a very focused position that you can build cash against over time

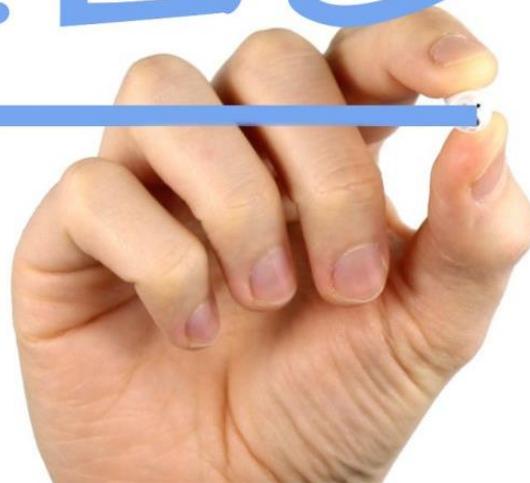
It works for trading in “small accounts”

“5K / Week” Basics

- Liquid Tickers: **SPY, QQQ, DIA, IWM, XBI, SMH, TLT, XLV, etc.**
- Directional bias: Neutral, bullish or bearish
- Calls or Puts or a combination of Calls or Puts
- Spread trades with long option 30 to 120 days out and short option 5 to 10 days out
- Enter the trade as a net debit
- Manage the short position week-to-week
- Can make one of these trades with a \$5,000 account (actually started with a \$3,500 account)

Simple Rules

RULES



- Liquidity is the number one criteria in selecting the underlying stock or ETF
- Duration over Direction
- Active rolling and adjustments to the trade positions
- Track short position cash separate from long position cash



The Option Trade That Keeps on Giving

- Bringing in \$1 per week per contract means we can usually cover the cost of the trade in 6-10 weeks
- From a capital standpoint that is about \$100 to \$300 per week, \$400 to \$800 per month
- On average, we have doubled the test account about every 8-12 months
- These numbers can change quickly based on implied volatility, market movement, adjustments
- Any trade can lose but the value of this tactic is that it is flexible and allows us to move with the market



Directional Bias: Calls or Puts

- **Neutral**
- Neutral to Bullish
- Neutral to Bearish

- **Rough Guidelines:**
- Bullish: Set Strikes ABOVE current stock price
- Bearish: Set Strikes BELOW current stock price
- Neutral: Set Strikes near current stock price

Calendar Spread

- Sell near-term call or put; buy longer-term call or put
- Same strike, usually at or near the money
- Profits from greater time decay of sold option (positive theta)
- Profit when underlying has small move; implied volatility (IV) expands (increases bought value more than sold value)

Calendar Spread						
Today	1-Apr	9-Apr	16-Apr	20-May	17-Jun	15-Jul
SPY @ \$390	Sell SPY 1 Apr 395 Call				Buy SPY 17 Jun 395 Call	

Diagonal Spread

- Same setup as a calendar except using different strikes
- Sell near-term call or put; buy longer-term call or put
- Profits from greater time decay of sold option (positive theta) and increased IV
- Profit when underlying has small move; IV expands (increases bought value more than sold)

Diagonal Spread						
Today	1-Apr	9-Apr	16-Apr	20-May	17-Jun	15-Jul
SPY @ \$390	Sell SPY 1 Apr 400 Call				Buy SPY 17 Jun 395 Call	

Additional Tactics

Calendars and diagonal spreads

Butterflies

Straddles

Synthetics

Put sales

Covered calls

Capital Requirements

- Each contract costs roughly \$1,000-1,200 for an opening calendar or diagonal 90 days out with SPY, QQQ, and IWM
- We need 2-3 different strikes so that is \$1,500-3,000 for opening and we want to leave some cash on the side for adjustments (recommend 10-15% minimum but when starting a new position better to err on the conservative side)
- Weekly rolls generate additional cash that can be withdrawn or used for compounding (recommended for smaller accounts)

Core Trade Set-Up: The Bought Long Option

- **Duration / Direction:** We go out 90 to 120 days
- The farther you go out in time, the more it will cost (debit)
- **Strikes:** Can set different ways
 - OTM
 - ATM
 - ITM
- Can set one at a support level; one above
- 2 to 3 strikes OTM

Short Option Focus

Each week the ATM option can usually be rolled for **\$1-2**

The ITM option can be rolled for **\$0.50-1.00**

The OTM option can be rolled for around **\$1.00**

Total income averaged per week is about **\$2-\$3 or \$2.50** combined for 3 different strikes

Managing the Strategy

Usually an ongoing trade, no defined end point

Roll out sold option(s) to add premium

Roll out (extend duration) bought option(s) when duration gets close to 60 days (debit)

Manage strikes to keep direction in check

- Increase sold strike => bullish
- Decrease sold strike => bearish

Add spreads to provide smoother P/L curve and add theta (time decay)

- More spreads => more profit potential
- Wider strikes => wider breakeven points, spread risk

Results From a Live Workshop



- **OPEN: Jan. 14: SPY 379.01**
- **Bought 21 May 388 call**
- **Bought 21 May 374 call**

- **CLOSED: Mar. 12: SPY: 392.05**
- **Long: 3.54 (capital gains)**
- **Short: 12.28 (cash)**
- **Total: 15.82 (33% return)**

Actual Cash Income Results

- Results from the *Small Account Trader Workshop* and *Small Account Trader PRO Service*
- Real time trades made from live trading sessions
- Averages ... some weeks higher or lower
- A few of the underlying tickers that work for this approach

Ticker	Avg. Cash/Week (1)	Avg. Cash/Week (5)
SPY	200.00	1000.00
QQQ	198.00	990.00
IWM	229.00	1,145.00
SMH	214.00	1070.00
TLT	113.00	565.00
		4,770.00

Getting Started

- Dedicated Trading Account
- TD Ameritrade (ThinkorSwim)
- \$100,000 of cash
- Tax Deferred IRA

My Account: Positions



Combined accounts		tr5kplan		+ Link/Add Acct	
tr5kplan value	Total cash	Avail for withdrawal	Total positions val	Avail funds for trading	Nonmarginable funds
\$0.00 \$0.00	\$0.00 \$0.00	\$0.00	\$0.00 \$0.00	\$0.00	\$0.00

Asset type [All positions](#) **\$100,000.00** [Balances](#) [Order status](#) [Transaction history](#)

Total Cash			
Description	Mkt value*	Day gain (\$)*	Accrued interest (\$)¹
Cash	0.00	0.00	--

*Most data is streaming, but values marked with * update every 5 minutes. 5:09:07 pm ET 11/14/21 [Update now](#) Current value: **\$0.00** **\$0.00 (0.00%)**

Symbol	Description	Quote Trend	Last	Net Ch...	Yield	Volume	IV_Perce...	HV_Perce...	ImpVol...
TLT	ISHARES TRUST 20 YR TR BD ETF		146.01	-1.32	1.55%	2,433,195	55.99	69.0	0.19
XLY	SELECT SECTOR SPDR TRUST SBI ...		203.35	-.44	0.54%	1,852,113	45.76	48.0	0.23
GLD	SPDR GOLD TRUST GOLD SHS ETF		173.9401	-.5099	N/A	1,836,993	36.22	19.0	0.17
EEM	ISHARES TRUST MSCI EMG MKT E...		51.92	-.08	0.93%	3,775,138	33.37	15.0	0.23
SMH	VANECK ETF TRUST SEMICONDU...		300.634	-.466	0.50%	1,023,757	30.42	21.0	0.29
BRK/B	BERKSHIRE HATHAWAY INC COM...		285.615	-.375	N/A	658,652	24.65	6.0	0.2
XBI	SPDR SERIES TRUST S&P BIOTEC...		124.42	-2.12	0.13%	1,472,227	24.33	23.0	0.3
IBB	ISHARES TRUST ISHARES BIOTEC...		153.52	-.48	0.32%	286,261	22.69	35.0	0.24
XLV	SELECT SECTOR SPDR TRUST SBI ...		133.77	-.04	1.40%	2,096,048	19.41	16.0	0.16
DIA	SPDR DOW JONES IND UT SER 1 ...		362.38	+1.10	0.39%	819,048	18.52	2.0	0.16
XOP	SPDR S&P OILGAS EXP ETF		106.36	-1.06	1.30%	1,514,000	15.24	17.0	0.46
QQQ	INVESCO QQQ TRUST UNIT SER 1...		394.08	-.62	0.42%	11,598,931	12.0	9.0	0.17
SPY	SPDR S&P500 ETF TRUST TR UNI...		467.72	+.45	1.22%	9,622,974	8.89	0.0	0.17
OIH	VANECK ETF TRUST VANECK OIL ...		203.72	-2.66	0.93%	177,461	6.92	9.0	0.42
IWM	ISHARES TRUST MSCI INTL MKT E...		114.44	-.14	1.14%	6,168,860	3.96	22.0	0.18

5K Challenge

Assumptions:

\$100k

Account

- Active Capital of \$90,000
- Number of positions: 5
- Capital per position: \$18,000
- Average capital per 1 contract per position: \$3,000
- Contracts per position: 4 to 8

Trade Set-Up

- 4 Confirmed Tickers
- Target cash to exceed \$5,000 per month to allow for market volatility
- Looking at other potential tickers ... GLD, XLY, TLT, BRK/B
- Managed by Chris Davis, SAT PRO, and myself

Ticker	Price	Avg. Cash/Week	Contract	Weekly Cash
SPY	467.00	200.00	5	1,000.00
IWM	239.5	229.00	7	1,603.00
SMH	301.10	214.00	5	1,070.00
XBI	126.54	178.00	8	1,424.00
(TBD)		?	6	0.00
Total				5,097.00

Time Frame

- Trading Strategy Starts Today (11/15/21)
- Trade Set-ups, Trades and fill-out all 5 positions by market close tomorrow (11/22)
- 14 weeks of trading
- Update results at the **Investor's Blueprint Live** Training and Trading Event



Trade Management

- This is not a “static” option strategy
- Manage trade positions as needed (at least once a week)
- Trades will be managed more actively to achieve returns
- Trade positions may be defended with advanced options trading strategies to reach the goal
- Stretch to exceed goal each week to protect against market moves against our positions



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Questions



Investor's Blueprint Live