

Financial Freedom Books Series

Book 5

**Turn Your Retirement Accounts
Into a Paycheck**

**How Investors 50 and Above
Generate Weekly and Monthly
Cash Flow From an Idle 401(k),
IRA, or Roth IRA by Selling
Options**

Rolf Strasse

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Introduction. The Million Dollars Doing Nothing

You already have the money.

That is the part almost nobody believes about themselves, so let me say it again. You already have the money. If you are like most people who pick up this book, you are somewhere past fifty, with about three decades of working life behind you. For all those years you sent a slice of every paycheck into a 401(k) or an IRA. You barely looked at it. A statement showed up once or twice a year, the number was a little bigger or a little smaller than last time, and you went back to your life.

That account is not small anymore. For a lot of people reading this it has grown into the largest pile of money they will ever own, bigger than the house, bigger than anything in the bank. And right now it is doing almost nothing for you. It sits in a fund. It drifts up and down with the market. Maybe it kicks off a sliver of dividends that you never see because they vanish back into the fund the day they arrive.

Here is the quiet truth of the American retirement account. The money is real, the balance is real, but the income is zero. You have built a productive asset and then asked it to take a thirty-year nap.

You are not alone in this, and you are not foolish for it. The whole system was built to keep you passive. You were enrolled automatically, your money was dropped into a target-date fund automatically, and you were gently encouraged to never touch it. It worked. Roughly nineteen out of every twenty account holders do not make a single trade in a given year. They are not lazy. They were handed a machine with no steering wheel and told that was the safe way to drive.

I want to hand you the steering wheel.

Where I am coming from

I am a long-term investor and a professional options trader, and before any of that I spent close to three decades as a corporate executive working all over the world. I have sat in boardrooms on several continents and managed contracts larger than most businesses will ever see. None of that handed me an easy path as an investor. I earned most of what I know the hard way. Early on I lost money I could not afford to lose, and I made some of the same mistakes twice. What pulled me out was not a hot tip or a lucky trade. It was a boring, repeatable idea that I will teach you in this book, the idea that you do not have to buy and pray. You can sell, and get paid for it.

For years I shared what I learned with people one at a time. I do not do that anymore. Not because I stopped caring, but because a single book can reach more people in a month than I could ever help in years of one conversation at a time. So now I write. My only goal is to help as many people as possible reach financial freedom, regardless of their age, their race, or their religion. The market does not care who you are or where you come from. Neither does this strategy. That is exactly why it is fair, and why it is yours to use.

What this book will do for you

This is a book about turning the pile you already own into a paycheck.

The tools are simple and they are not new. You sell covered calls against shares you already hold, which means you get paid for agreeing to maybe sell a stock at a higher price later. You sell cash-secured puts, which means you get paid for agreeing to maybe buy a stock you already wanted, at a discount. Do both in a steady rhythm and you have what traders call the Wheel. It is one of the oldest and most conservative income strategies there is, and the big institutions have run it quietly for decades.

The difference is that I am going to show you how to run it inside the retirement accounts you already have, with the long-term holdings

you already own acting as your collateral. No new pile of cash required. No quitting your job. No staring at screens all day. A modest, consistent stream of income squeezed out of money that is otherwise asleep.

And here is the part worth pausing on if you are past fifty. Your accounts are very likely the largest they have ever been, which means the income they can produce is larger too. For some readers that income will be a welcome supplement, a little breathing room in the monthly budget and a cushion under the family. For others, once they get genuinely good at this, it becomes something bigger. It becomes a reason to look at the calendar and wonder whether the retirement they penciled in for sixty-five or seventy might actually arrive years sooner. I will not promise you that, because no honest person could. But I have watched what happens when a large, idle account is finally put to work, and retiring earlier than you planned is not the fantasy most people assume it to be.

What this book is not

Let me be just as clear about what you are not holding.

This is not a get-rich-quick book. Nobody is going to turn a small account into a fortune in a weekend, and anyone who tells you otherwise is selling something. This is also not a day-trading book or a guide to buying lottery-ticket options, which is exactly how most people lose money in this arena. We are sellers here, not gamblers.

It is not a tax manual either. I will tell you what you need to know to act, and then I will point you to a professional for the fine print, because your situation is yours alone. And nothing in these pages is personal financial advice. I am a teacher and a fellow traveler, not your advisor. The decisions are yours.

I also want to be honest about the trade-offs, because a book that only shows you the upside is not worth your time. Selling covered calls can cap your gains and can mean parting with a stock you loved. We will face that squarely when we get there. Done with care, these are

conservative income tools. Done carelessly, anything can hurt you. I will keep steering you toward care.

How to read it

I made this book short on purpose. You are busy, and the ideas do not need three hundred pages. Read it straight through once to get the shape of the thing, then come back to the chapters you need when you are ready to act.

Along the way you will meet some of the people I worked with over the years. Their names are changed, their stories are real, and I include them because a strategy on a page is abstract until you watch a regular person actually use it. Their wins were not dramatic. They were steady. That is the whole point.

So here is the promise. By the end of this book you will know exactly how to take an account that has been sitting idle for decades and teach it to pay you, month after month, using nothing but what you already own.

You already have the money. Let us put it to work.

Chapter 1. The Great American Default

The statement shows up a few times a year. You glance at the top, find the big number, and feel one of two things. Relief if it went up. A small knot in your stomach if it went down. Either way, within about ten seconds, you file it away and get back to your life.

I am not judging you. I did the exact same thing for years. It is what almost everyone does. And it has a name, even if nobody ever said it to you out loud. It is called the default.

The word has two meanings here, and both of them apply to you. There is the default in the sense of the pre-set choice, the box that was already checked before you ever walked in the door. And there is the default in the older sense, the one where you quietly give up something that was yours. Most retirement savers in America are living inside both meanings at once, and they have no idea.

How the default got built

Here is the part that surprises people. The system was designed this way on purpose, and the intentions behind it were good.

A couple of decades ago the people who run retirement plans noticed a problem. Workers were not signing up. The ones who did sign up made a mess of their investments, panic selling at the bottom and chasing winners at the top. So the industry made a decision. They would take the thinking out of it.

They started enrolling you automatically. You no longer had to opt in, you had to opt out, and almost nobody opts out. Then they chose where your money would go by default, and they picked the target-date fund. You know the kind. It has a year in the name, like 2045 or 2055, and it promises to quietly handle everything for you and get more conservative as you age.

It worked beautifully, at least for the goal they had. Participation climbed to all-time highs. Today the numbers are staggering.

Vanguard, which runs retirement plans for millions of Americans, reports that nearly seven in ten of their participants now have their savings in a professionally managed allocation, and six in ten have their entire retirement account sitting in a single target-date fund. More than eight in ten use one of these funds in some form.

And the trading? In a recent year, only five percent of participants made a single trade. Read that again. Ninety-five percent of people did not touch their account all year, through a volatile market, through headlines that would have rattled anyone. Among the people who own just one target-date fund, more than nine in ten never placed a trade at all.

That is not an accident. That is the design performing exactly as intended.

The bill nobody mentions

Here is what they did not tell you when they checked that box for you.

The same design that made you a great saver also made you a completely passive owner. And passive ownership has a price. Your money now does precisely one thing. It floats up and down with the market. When stocks rise, your number rises. When they fall, it falls. In between, on the long flat stretches and the scary drops, it pays you nothing. Not a dollar of income reaches you while you wait.

Think about what that actually means. You are the owner of a large basket of some of the finest businesses on earth. Real companies, with real profits, that millions of people pay every single day. And in all the years you have owned a piece of them, they have never once written you a check you could actually use. The whole arrangement was built so you would never have to make a decision, and the cost of never making a decision is never getting paid.

Some of you are thinking, but I get dividends. You do, and dividends are a good thing. I will not say a word against them. We are going to spend the whole next chapter on them, because they matter

and because they have real limits. For now I will only point out that whatever you collect inside a fund almost always disappears straight back in the moment it arrives. You never see it, never spend it, never feel it. There is nothing wrong with that for building wealth slowly. It is just not the same as getting paid.

You are an owner who has never acted like one

Let me put it in plain terms, because this is the whole hinge of the book.

You own shares. Owning shares gives you rights. One of those rights, the one almost nobody in a retirement account ever uses, is the right to sell other people the chance to buy or sell those shares at a price you set, and to get paid up front for offering it. That payment is real cash. It shows up in your account. It is yours to keep no matter what happens next.

That is the second source of value hiding inside the assets you already own, and the default has kept it locked away from you your entire saving life. Not because it is complicated. Not because it is dangerous when done with care. Simply because the system was built to keep your hands off the wheel, and a hand that never touches the wheel never reaches for anything else either.

Flipping one switch

I want to be careful not to oversell this. Automatic enrollment and target-date funds did a lot of good. They got tens of millions of people to save who otherwise would have saved nothing. If you are holding a meaningful balance today, the default deserves some of the credit, and so do you for staying the course.

But you are reading this book because staying the course is no longer enough for you. You have done the hard part already. You saved. You stayed in. You built the pile. What you have never done is ask that pile to pay you while you still own it.

This whole book is about flipping one switch. From default to deliberate. From a saver who waits to an owner who collects. You do not have to become a day trader, you do not have to watch screens, and you do not have to risk the nest egg you worked thirty years to build. You just have to stop letting the box that someone else checked decide how hard your money works.

In the next chapter we give dividends their full due, because they earned it, and then we look at the second engine that runs on the very same shares and can pay you several times more, the one the default never let you switch on.

Chapter 2. Dividends Are Not Enough

Let me start by defending dividends, because I am about to tell you they are not enough, and I do not want you to hear that as me running them down. I am not.

In my first book I called dividends a form of passive income, and I praised them, and I stand by every word of it. A dividend is a company taking a slice of its real profits and handing it to you simply for being an owner. You did nothing that day. You did not trade, you did not watch a screen, you did not lift a finger. The check arrived anyway. That is a beautiful thing, and there are not many beautiful things in finance.

Dividends also do one job better than almost anything else. They compound.

What dividends do well

Here is the quiet magic of a reinvested dividend. The company pays you. You use that payment to buy a few more shares. Those new shares pay you their own dividends next time. Now you own a little more, which pays you a little more, which buys you a little more, around and around for years. Left alone for decades, that loop turns a modest position into a large one without you ever adding another dollar.

This is the engine behind a strategy a lot of people know as DRIP, where every dividend is automatically reinvested. It is patient. It is reliable. It asks nothing of you. If your only goal is to grow a pile slowly and safely over twenty or thirty years, dividend reinvestment is one of the finest tools ever built, and I will never tell you to turn it off.

So when I say dividends are not enough, I am not saying they are bad. I am saying they were built for one job, slow compounding, and most people are quietly asking them to do a second job they were never designed for, which is paying you an income you can actually live on.

The ceiling nobody talks about

Here is the problem. The dividend is small, and you do not control it.

The broad market pays well under two percent a year in dividends these days. Even a portfolio tilted toward strong, dependable payers usually lands somewhere around three or four percent, and that is on the high end. You do not get to set that number. The company sets it. The board votes on it. You are a passive recipient who takes whatever they decide to send.

Let me put real numbers on it, because numbers cut through the fog. Say you have built a three hundred thousand dollar account, which is right in the range for a lot of people past fifty. At a two percent dividend yield, that pile pays you about six thousand dollars a year. That is five hundred dollars a month. And remember, most people have that automatically reinvested, so they never even see the five hundred. It vanishes back into the machine.

Five hundred dollars a month from three hundred thousand dollars. After a lifetime of saving. That is the ceiling the default quietly built for you, and almost nobody ever questions it, because a dividend feels like a gift and you do not argue with a gift.

But you should ask a simple question. Is that really the most these shares can pay me?

The second engine on the same shares

It is not. Not even close.

The shares you already own can pay you twice. The first stream is the dividend, set by the company, slow and small. The second stream is option premium, set by you, and it is the one this entire book is about. You sell another investor the right to buy or sell your shares at a price you choose, and they pay you cash today for that right. That cash is yours to keep no matter what happens next.

And here is the part that should make you sit up. You do not have to give up the dividend to collect the premium. You keep both. The same one hundred shares that pay you a dividend every quarter can also pay you a premium every single month. Two engines, one pile, running at the same time.

How much bigger is the second engine? Let me be careful here, because I will never promise you a number and the honest answer is that it varies with the stock, with how calm or jumpy the market is, and with the choices you make. But to show you the shape of the difference, a careful, conservative approach to selling options against shares you own can often generate four or five times what the dividend pays, and sometimes a good deal more.

Take that same three hundred thousand dollar account. Where the dividend handed you about five hundred dollars a month, a steady option income approach on the same holdings could realistically aim for several times that. Now you are talking about a number that changes how a month feels, not a trickle you never notice. I am not going to slap a guaranteed figure on it, because anyone who guarantees you returns is lying. But the gap between the two engines is not small, and you have been running on only one of them your entire life.

Keep the floor, build the room

So here is how I want you to hold this.

Dividends are the floor. They are dependable, they compound, and they belong in your plan. Keep them. Reinvest them if that suits your goals. Nothing in this book asks you to abandon a single thing that has been working for you.

Option premium is the room you have never walked into. It sits on top of the floor, built from the very same shares, and it can pay you several times more while you still own everything you owned before. Most people never find the door. You are about to.

In the next chapter I am going to show you exactly what that premium looks like in real dollars, so the four or five times stops being

a phrase in a book and starts being a number you can picture landing in your account.

Chapter 3. The Premium You Are Leaving on the Table

In the last chapter I told you the second engine could pay you four or five times what a dividend does, and sometimes much more. A promise like that is worthless until you can see it in real dollars. So let us put it on the table.

To keep this simple, I am going to use one example all the way through this book. A stock priced at one hundred dollars. One hundred shares of it tie up about ten thousand dollars, whether that is ten thousand in shares you already own or ten thousand in cash you have set aside. Ten thousand dollars of your money, at work. Hold that picture, because every number that follows is built on it.

Each month, you can sell one option against that position and collect a payment for it. That payment is the premium. It lands in your account as cash, and it is yours to keep no matter what the stock does next. The only real question is how big that premium is, and the answer depends on two things, both of which you control.

The two dials you control

The first dial is what you own. A calm, broad investment pays a small premium because it does not move much. A jumpy, volatile one pays a fat premium because it swings around and other traders will pay up for the chance to bet on those swings. More movement, more premium. That is the whole trade.

The second dial is how close to the action you sell, and traders measure this with a number called delta. You do not need the math. Just think of delta as a rough gauge of the odds that your option actually gets exercised. A twenty delta option sits further away from the current price. It pays less, and it is less likely to get triggered, so it is the calmer choice. A thirty delta option sits a little closer. It pays more, and it is a little more likely to put you into action. Lower delta is the gentle setting. Higher delta is the bolder one.

Turn those two dials and you decide your own paycheck. Let me show you the actual range.

What a single month looks like

Start with the calmest choice, a broad index fund that tracks the whole market. Sell the gentle twenty delta option forty-five days out and the premium runs around one and a third percent of your capital for the cycle. On our ten thousand dollars, that is about a hundred and thirty dollars. Step a little closer to a thirty delta and it climbs to roughly two percent, about two hundred dollars. Small numbers, but hold on.

Now move up to a sector fund, a focused slice of the market you actually have a view on. Because that slice moves more than the whole market, it pays more. The gentle twenty delta now brings in around three percent, about three hundred dollars for the cycle. The bolder thirty delta brings in close to five percent, roughly four hundred and eighty dollars.

Now go to the spicy end, a single high-volatility company, the kind of name that jumps around on every headline. Here the premiums get serious. The gentle twenty delta pays somewhere around seven and three quarters percent, about seven hundred and seventy dollars in a single cycle on that same ten thousand dollars. The bolder thirty delta pays around twelve percent, roughly twelve hundred dollars.

Read that last number again. Twelve hundred dollars, in a single six-week cycle, from ten thousand dollars of capital.

Now compare it to the dividend

Remember the dividend. That same ten thousand dollars, at a two percent yield, pays you about two hundred dollars for the entire year. Roughly seventeen dollars a month.

So even the calmest, most conservative option choice on the calmest possible investment pays you in a single six-week cycle the better part of what the dividend pays in a whole year. And if you owned a single name you believed in and sold a touch closer to the money,

you could collect more in one cycle than the dividend would hand you in five or six years.

This is what I meant by four or five times, and you can see now that the phrase was conservative. The gap is not a rounding error. It is the difference between a trickle and a stream, built from the very same money. The dividend keeps coming on top of it. You give up nothing.

The bigger premium is not free

Now let me be the honest voice in your ear, because a book that only shows you the twelve hundred dollar number is doing you no favors.

The fat premiums come from volatility, and volatility cuts both ways. The same movement that lets you collect eight or twelve percent in a cycle is movement that can run against you. The bolder you set the dials, the more often your shares get called away or a falling stock gets handed to you. The premium is real and it is yours, but it is payment for taking on real risk, not a free gift.

That is exactly why you do not simply grab the biggest number on the table. You match it to two things. Your appetite for action, and your honest view of what you own. If you have no strong opinion, you stay calm and broad and you collect the smaller, steadier premium. If you genuinely believe in a sector, you can lean into it and collect more. And if there is a single company you would be perfectly happy to own for years anyway, you can reach for the spicy premium, because the worst case is that you end up holding a stock you wanted in the first place.

The premium is the table. How much you take off it is a decision, and that decision should be tied to your conviction, not to greed.

One more piece of honesty. The figures above are what a single good cycle looks like, the kind where the option expires and you keep the whole premium. Not every cycle lands that way. We will deal with the stretches that go sideways later in the book, in plain detail, with no sugar coating. But here is the thing worth sitting with. Even after you

account for the rougher cycles, the table you have been ignoring is far richer than the bare plate most savers eat from their whole lives.

You can see the premium now. You can see how much of it has been sitting there, untouched, while your money slept. The only question left is whether your account will actually let you reach out and take it. That is what the next part of the book is for.

Chapter 4. Know Your Account

You have seen what is sitting on the table. Now we make sure your account will actually let you reach for it, because here is the hard truth. The same dollars can be free to work or completely locked down, and the only difference is which kind of account they happen to be sitting in.

So before we talk about a single trade, you need to understand the three accounts most of your money lives in, and what each one will and will not let you do.

If you already know cold how a 401(k), a Traditional IRA, and a Roth IRA work, how each is taxed, and when you can pull money out, then you have my blessing to skip this chapter and go straight to the next one, where the money starts. For everyone else, stay with me for a few pages. This is the one stretch of plumbing in the whole book, and it is worth getting right before we turn on the water.

These accounts are not investments. They are wrappers.

Start with the idea that trips up almost everyone. A 401(k) is not an investment. Neither is an IRA. They are wrappers. Think of them as special containers the government created to nudge people into saving for retirement. Inside the container you hold the actual investments, the funds and the stocks. The container itself does two things. It decides how your money is taxed, and it decides what you are allowed to do inside it.

For this book, that second part is everything. Three wrappers, three different sets of rules. Let me walk you through them in plain language.

The 401(k) is the workplace account. Your employer sets it up, the money comes straight out of your paycheck before taxes, and very often your employer adds a match on top, which is free money you should never leave on the table. It grows without being taxed along the

way, and you pay ordinary income tax on it when you pull it out in retirement. The catch, and it is a big one for us, is that your employer and the plan provider control what you are allowed to do inside it.

The Traditional IRA is your own account, opened at a broker, in your name, under your control. You fund it with money that has not been taxed yet, within the annual limits. It grows tax-deferred, just like the 401(k), and you pay ordinary income tax when you withdraw in retirement. The difference that matters here is the word control. You decide what it holds and what it is allowed to do.

The Roth IRA is also your own account, but it flips the taxes around. You fund it with money you have already paid tax on. In exchange, it grows completely tax-free, and qualified withdrawals in retirement are tax-free as well. You already paid the tax going in, so the government is done with you.

Which ones let you collect the premium

Now the question that actually matters for this book. Which of these will let you sell options against your holdings and collect that premium.

The two IRAs will. Both the Traditional and the Roth allow conservative options strategies like selling covered calls and cash-secured puts, as long as you fill out a short application and get the account approved for options trading. You cannot do the wild, high-risk stuff in an IRA, and that is fine, because we are not interested in the wild stuff anyway. The income strategies in this book are exactly the kind these accounts permit.

The Roth deserves a moment of its own, because it hides a real gift. Inside any IRA, your trades do not trigger a tax bill as you go. That alone is huge, because in a regular taxable account, every premium you collect is taxed that same year, usually at the higher ordinary income rate, which quietly eats a chunk of everything you earn. Inside a Traditional IRA that tax is at least delayed until retirement. But inside a Roth, it never comes at all. Every premium you collect, every month,

for the rest of your life, is tax-free. Read that again. A stream of income that the tax man never touches. For an active income strategy, the Roth is close to the perfect container.

The 401(k) is the problem child. Most workplace 401(k) plans will not let you sell options at all. They hand you a short menu of funds and nothing else. No individual stock control, no options, no way to reach for the premium. The plan was built to keep you safe and passive, and on that score it works perfectly. It just was not built to pay you an income.

So if your money is in an IRA, you are nearly free to begin. If it is locked inside a 401(k), we have some work to do first.

Sort your money into two buckets

Everything you own in a 401(k) falls into one of two buckets, and the bucket decides your options.

The first bucket is old plans. Any 401(k) from a job you no longer work at is yours to move whenever you want. You quit, you were laid off, you retired, it does not matter. That money can roll into an IRA today, with no tax and no penalty, when you do it the right way. If this is you, you are basically free.

The second bucket is your current employer's plan. This is the one with rules. You still work there, and the plan controls when and whether you can move money out while employed. That brings us to the ways out.

The three escape hatches

The first hatch is the brokerage window. Some 401(k) plans bolt on a feature that lets you push part of your balance into a self-directed brokerage account inside the plan. Once your money is in that window, you can often trade individual stocks and, with the right approval, sell covered calls and cash-secured puts right there. You never leave the plan and you never have to wait. This is the cleanest path when it exists. The catch is that not every plan offers it. Two minutes with your plan

documents or one call to your benefits department tells you. Ask the exact question. Does my plan offer a self-directed brokerage window, and does it allow options trading.

The second hatch is the in-service rollover, which means moving money to an IRA while you are still employed. This is not automatic, and your plan has to allow it. The common rule is that you must generally be at least 59 and a half. Some plans add their own conditions on top, like requiring a few years in the plan. The answer lives in a document called your Summary Plan Description, which your benefits department can email you in about thirty seconds. If you are 59 and a half or older and your plan allows it, this is a strong move. You roll some or all of your balance into a self-directed IRA, get options approval, and you are in business.

The third hatch is separation, or your own plan. When you leave the employer, the whole balance becomes portable and the gate swings open. For a lot of readers this is the realistic answer, and that is perfectly fine. The strategy in this book works just as well the day after you retire as it would have the year before. There is also a back door for the self-employed. A Solo 401(k), the kind built for sole proprietors, often allows options trading right inside it. If you have any self-employment income at all, even from a small side business, that is worth a look with a provider that permits options.

How to move the money without getting hurt

When you do roll money, one rule matters more than all the rest. Ask for a direct rollover, sometimes called a trustee-to-trustee transfer. The money goes straight from the old account to the new one and never touches your hands. If you let them mail you a check instead, the plan must hold back twenty percent for taxes, and you then have sixty days to deposit the full original amount, including the part they withheld, or the government treats the whole thing as a withdrawal. That mistake has cost people thousands of dollars in a single bad month. Direct rollover, every time.

One more warning for the readers between 55 and 59 and a half. If you just left a job and you might need that money soon, be careful about rushing it into an IRA. There is a rule that lets you pull from that former employer's 401(k) without the early penalty once you separate in or after the year you turn 55. The moment you roll it into an IRA, that early access disappears and the usual penalty rules come back until you reach 59 and a half. So if there is any chance you will need cash in the near term, leave enough behind in the old plan to cover it and roll the rest.

Can you actually spend this money?

Sooner or later you will ask the obvious question. The premium keeps landing in my account as cash. Can I take it out and spend it? The answer is yes, but when you can do it cleanly, and what it costs you, depends on your account and your age. The number that governs almost everything is 59 and a half.

Here is the good news for most readers of this book. A lot of you are already at or near that age, which means the rules below treat you far more kindly than they would treat a thirty year old.

Inside a Traditional IRA, the premium piles up with no tax along the way, but every dollar is taxed as ordinary income on the way out. If you are under 59 and a half and you withdraw, you also get hit with a ten percent early penalty on top of the tax, which makes pulling money out early an expensive mistake. Once you pass 59 and a half, the penalty disappears and you simply pay ordinary income tax on whatever you take. There is one more thing to know. Starting at age 73, the government forces you to take a minimum amount out each year whether you want it or not, and that too is taxed as income. So in a Traditional IRA, think of your premium as fuel that compounds untouched until you are old enough to draw it without penalty.

Inside a Roth IRA, the rules are friendlier, but they hide a wrinkle that a lot of people miss. The money you originally contributed can come out any time, tax-free and penalty-free, because you already paid the tax on it. But the premium you earn is not a contribution. The tax

man counts it as earnings. To pull your earnings out completely free of tax and penalty, you have to clear two hurdles at the same time. You must be at least 59 and a half, and your Roth must have been open for at least five years. Clear both and every dollar of premium you ever collected is yours, tax-free, for good, with no forced withdrawals, ever. Miss either one and the earnings you take out can be taxed and penalized. So do not assume that because it is a Roth you can scoop the premium out tomorrow with no cost. The contributions, yes, any time. The premium, only once you have cleared those two bars.

Put it all together and here is the simple way to hold it. If you are past 59 and a half, and in the case of a Roth your account is at least five years old, the premium is real, spendable income you can pull out month after month, paying ordinary income tax in a Traditional and nothing at all in a Roth. If you are younger than that, treat the premium as money that grows inside the account for later, not cash to spend today, because reaching in early is costly. Either way the strategy works exactly the same. The only thing that changes is whether you spend this harvest now or store it for the harvest you take later.

I am giving you the shape of these rules, not the fine print, because your own situation will have its own wrinkles and this is not a tax manual. Before you actually make a withdrawal, run it past a tax professional. That one phone call can save you from an expensive surprise.

A real story

One of the first people I ever sat down with was a man I will call Dave. Fifty-eight years old, thirty-one years on the factory floor, and a 401(k) worth a little over three hundred thousand dollars that he had never once looked inside. He thought the dividends were his income. They were not. They were a few hundred dollars a year quietly reinvesting into a fund he did not understand.

When I told him that pile could pay him a monthly check, the first thing he did was call his benefits department, ready to roll everything into an IRA that afternoon. Good instinct, wrong order. His plan did

not allow in-service rollovers until he turned 59 and a half, and he was eight months short. He was crushed for about a day.

Then we found the brokerage window. His plan had one the whole time, and nobody had ever told him. We moved a slice of his balance into it, got him approved for covered calls, and the next month he sold his first one. The premium was not life changing. It was a couple hundred dollars. But Dave told me it was the first time in three decades that his retirement account had ever paid him instead of the other way around. Eight months later he turned 59 and a half, rolled the rest into an IRA, and never looked back.

The lesson in Dave's story is the whole point of this chapter. The rules are not the enemy. They are just a map.

Your one action step

Before you read another page, do this. Email your benefits department or plan administrator and ask two questions. Does my plan offer a self-directed brokerage window with options trading. And does my plan allow in-service rollovers, and if so, at what age. Their answer tells you exactly which path is yours.

Then we get to the part you came for, where your idle pile finally starts writing you checks.

Chapter 5. Covered Calls on What You Already Own

This is the chapter you have been waiting for since page one. The plumbing is behind us. Now we turn on the water.

We start with the covered call, and we start here for a reason. It is the most conservative options strategy there is, it works on shares you already own, and the big, careful institutions have used it quietly for decades. If you own at least a hundred shares of something inside your account, you can run a covered call. Nothing else required.

Here is the whole idea in one sentence. A covered call is how you get paid to rent out shares you already own.

What you are actually doing

You own a hundred shares of something. You sell one call contract against them. A call is simply a promise. You are promising that if the stock climbs to a certain price by a certain date, you will sell your hundred shares at that price. For making that promise, another investor pays you cash today. That cash is the premium, and it lands in your account the moment the trade fills. It is yours to keep no matter what happens next.

You choose two things. The strike, which is the price you would agree to sell at, set above today's price. And the expiration, which is the date the promise expires. Throughout this book we use about forty-five days out, because six weeks is a sweet spot between collecting a healthy premium and not tying yourself up too long.

After that, only two things can happen, and you win in both.

The stock finishes below your strike. Your promise expires worthless, because nobody pays a hundred and ten dollars for shares they could buy for a hundred. You keep your shares. You keep the premium. The very next day you can sell another call and collect all

over again. This is the outcome you want, and on a calm holding it is the outcome you get most months.

Or the stock finishes above your strike. Now your shares are called away, which simply means they are sold at the strike price you agreed to. You still keep the premium. You still keep every dollar of gain up to the strike. The only thing you give up is the gain above it. You made money. You just did not squeeze out the absolute maximum.

Read that again, because it is the heart of the matter. The cost of a covered call is never a loss. It is a ceiling.

First, know your cost basis

There is one more thing about that strike, and it is not optional. The strike must sit above what you actually paid for the shares, not just above today's price. Those two numbers are not always the same, and confusing them is one of the most common ways people hurt themselves with covered calls.

Say you bought your hundred shares years ago at a hundred and twenty dollars, and today the stock sits at a hundred. It would be easy to sell a call at a hundred and five and feel clever, since a hundred and five is above today's price. But if the stock climbs and your shares get called away at a hundred and five, you have just been forced to sell shares you paid a hundred and twenty for. The small premium almost never fills a fifteen dollar hole. You took a winning idea and turned it into a locked-in loss.

So the rule is firm. Before you write a single covered call, know your cost basis, the price you truly paid for the shares. Then set your strike above that number. Do this and being called away is always a good day, because you walk away with a gain on the shares plus the premium on top. Ignore it and you can end up paid a thin premium to sell your own shares at a loss, which is the exact opposite of why we are here.

This holds even inside your IRA, where the sale itself is not taxed. The tax may be gone, but the loss is not. Selling a hundred and twenty

dollar stock for a hundred and five costs you fifteen dollars a share whether the tax man is watching or not.

And if a stock you own is sitting below your cost basis right now, you have two clean choices. Wait until it recovers above what you paid before you write calls on it, or sell a call at a strike above your cost basis even though it sits far out of the money and pays only a little. What you never do is chase a fat premium at a strike that would force you to sell at a loss.

What it pays, in real dollars

Let us go back to our hundred dollar stock. A hundred shares ties up about ten thousand dollars of your money. You sell one call, forty-five days out, at a strike above the current price. How much you collect depends on the same two dials from Chapter 3. What you own, and how close to the money you sell.

On a calm, broad index fund, the gentle twenty delta call pays around one and a third percent, about a hundred and thirty dollars for the cycle. Step a little closer with a thirty delta and it climbs to roughly two hundred. On a sector fund, which moves more, the twenty delta pays about three hundred dollars and the thirty delta about four hundred and eighty. And on a single volatile name, the twenty delta can pay around seven hundred and seventy dollars in a single cycle, with the thirty delta close to twelve hundred.

Now connect delta to your shares, because in a covered call delta has a very real meaning. Think of it as the rough chance your shares get called away. A twenty delta call carries something like a one in five chance of losing the shares. A thirty delta call, closer to one in three. So the dial works exactly as you would expect. Lower delta means a smaller premium but you keep your shares more often. Higher delta means a fatter premium but a better chance of being called.

The one rule that keeps you out of trouble

Here is the question you ask before every single covered call. How would I feel if these shares got called away at this strike?

If it is a holding you would be perfectly happy to sell at a higher price, covered calls are about as close to free money as this game offers. Collect the premium, and if the shares go, you sold them at a profit you already agreed to.

If it is a stock you would be heartbroken to lose, you have two honest choices. Sell far out of the money at a low delta, so the odds of losing it stay small, or simply leave that position uncovered and write calls on something else. Never write a covered call on shares you cannot bear to part with at the strike. That single rule will save you more regret than any other in this book.

Why your retirement account makes this even better

Here is a quiet advantage most people never think about. In a regular taxable account, having your shares called away is a sale, and a sale can hand you a capital gains tax bill you did not plan for. That tax friction is the single biggest annoyance of covered call investing out in the open market.

Inside your IRA, it disappears. When your shares get called away, there is no taxable event at all. You simply have cash sitting where the shares used to be, ready to go back to work the next morning. The wrapper removes the headache and lets you run the strategy cleanly, month after month, without a tax form chasing every trade.

How it looks when you place it

In practice it takes about a minute. You pull up the option chain for a stock you own, pick an expiration roughly six weeks out, choose a strike above the current price at the delta that matches your comfort, and sell one contract for every hundred shares you hold. The premium hits your account right away. Then you wait for the cycle to play out.

We will get into picking the exact strike and date in a later chapter, so do not worry about precision yet. For now, just hold the shape of it. You own the shares. You rent them out. You collect.

Engine one is running

That is the first engine of your cash flow. You take shares that were sitting there doing nothing but drifting with the market, and you turn them into a regular paycheck, while still collecting any dividend they pay, and inside your IRA you do all of it without a tax bill.

But what about money you have not invested yet? Or a stock you would love to own, but only at a better price than today? That is where the second engine comes in, and it is the mirror image of this one. Instead of getting paid to maybe sell shares you own, you get paid to maybe buy shares you want. We turn to it next.

Chapter 6. Cash-Secured Puts

In the last chapter you learned to rent out shares you already own. Now we flip it around. A cash-secured put is how you get paid to buy a stock you want, at a price below where it trades today.

If the covered call is renting, the cash-secured put is making an offer. You name a price you would happily pay for a stock, you get paid for naming it, and then one of two good things happens.

What you are actually doing

You pick a stock you would genuinely like to own. You set aside enough cash to buy a hundred shares of it. Then you sell one put contract. A put is a promise, the mirror of the call. You are promising that if the stock falls to a certain price by a certain date, you will buy a hundred shares at that price. For making that promise, another investor pays you cash today. That premium is yours the moment the trade fills, no matter what happens next.

Two pieces again. The strike, which is the price you would agree to buy at, set below today's price this time, because you are offering to buy at a discount. And the expiration, about forty-five days out, same as before.

Two outcomes, and you win in both

The stock stays above your strike. Your promise expires worthless, because nobody sells you shares at ninety-five when the market pays a hundred. You keep your cash. You keep the premium. Next month you do it again. This is the income outcome, and on a stock that drifts sideways or up, it is what happens most of the time.

Or the stock falls below your strike. Now you are assigned, which means you buy your hundred shares at the strike price you chose. You keep the premium. And you own a stock you wanted in the first place, bought at a discount to where it traded when you made the offer, with the premium lowering your cost even further.

Notice what is missing from both outcomes. There is no version where you are forced to buy a stock you did not want. You picked it. You picked the price. That is the whole game.

The cash-secured part, and why it keeps you safe

The two words "cash-secured" are the most important in this chapter. They mean you have set aside the full amount of cash needed to buy the shares, parked and waiting, before you ever sell the put.

On our hundred dollar stock, if you sell a put at a ninety-five strike, you set aside about nine thousand five hundred dollars, the cost of a hundred shares at ninety-five. That cash does not move. It sits there backing your promise. There is no borrowing, no leverage, and no margin call that can blow up in your face. The worst thing that can happen is that you spend cash you already had, on a stock you already wanted, at a price you already chose. This is exactly why the strategy is allowed inside your IRA, and exactly why it is one of the most conservative ways to use options that exists.

The one rule that keeps you out of trouble

Covered calls had a rule. So do puts, and it is the mirror image. Never sell a cash-secured put on a stock you would not be happy to wake up owning.

The premium can be tempting. On a wild, volatile name you can collect a fat one. But the moment you sell that put, you have agreed to buy the stock if it drops, and stocks usually drop for a reason. If you sold the put only to grab the premium and never actually wanted the company, assignment leaves you holding something you have no conviction in, watching it fall. That is how a clean income strategy turns into a bag of regret.

So the discipline is simple. Only sell puts on stocks or funds you would genuinely like to own. Only at a strike where you would be glad to buy. Do that, and assignment is not a thing to fear. It is just you

getting what you asked for, at the price you asked for it, after being paid to wait.

What it pays, in real dollars

Here the numbers come home, because return on the cash you set aside is the natural way to measure a put. Same hundred dollar stock, same ten thousand dollars of capital backing the trade, same forty-five days.

On a calm, broad index fund, the gentle twenty delta put pays around one and a third percent, about a hundred and thirty dollars for the cycle. The closer thirty delta pays roughly two hundred. On a sector fund, the twenty delta brings in about three hundred dollars and the thirty delta about four hundred and eighty. On a single volatile name, the twenty delta can pay around seven hundred and seventy dollars, and the thirty delta close to twelve hundred.

Delta means something specific here too. Think of it as the rough chance you end up buying the shares. A twenty delta put is a smaller premium and roughly a one in five chance of assignment. A thirty delta put pays more and carries closer to a one in three chance. Lower delta, you keep more cash and buy less often. Higher delta, fatter premium, more likely to own the stock. The same dial, pointed the other way.

The discount hiding in the premium

Here is the part that makes puts so satisfying for a patient investor. When you are assigned, your true cost is not the strike. It is the strike minus the premium you already pocketed.

Say you sell that ninety-five strike put on the hundred dollar stock and collect two hundred dollars, which is two dollars a share. If the stock dips and you are assigned, you buy at ninety-five, but you already kept two dollars a share, so your real cost is ninety-three. You wanted the stock. It traded at a hundred when you started. You now own it at ninety-three. And from the day you own it, you can turn around and

start selling covered calls against it, which is exactly where the next chapter goes.

Engine two is running

That is the second engine. Covered calls pay you to maybe sell shares you own. Cash-secured puts pay you to maybe buy shares you want. One works on stock, the other on cash, and both drop a premium into your account every month while you wait.

You may have already seen where this is heading. Sell a put until you are assigned and own the stock. Then sell calls against that stock until it gets called away and you are back to cash. Then sell puts again. Around and around, getting paid at every step. That loop has a name, and it is the heart of this whole book. We turn to it next.

Chapter 7. The Wheel, Retirement Edition

You have now met both engines. The covered call, which pays you to maybe sell shares you own. The cash-secured put, which pays you to maybe buy shares you want. On their own, each one is useful. Run them in sequence, over and over, and they become something better. They become a wheel that pays you at every turn.

This loop has been around for a long time, and traders simply call it the Wheel. What makes this chapter the retirement edition is that the Wheel and a retirement account were practically made for each other, and by the end of this chapter you will see why.

The loop, step by step

Start with cash, which is where most retirement money begins anyway.

Step one. You sell a cash-secured put on a stock or fund you would be glad to own, at a strike where you would be glad to buy. You collect a premium.

Step two. If the stock stays up and you are not assigned, you keep the premium and the cash, and you sell another put next month. You can circle here for a long time, collecting income on your cash, never owning a share. That is a perfectly good place to be.

Step three. If the stock dips and you are assigned, you buy the shares at your chosen strike, at a discount to where they started, with the premium lowering your cost even more. You wanted the stock. Now you own it, cheaply.

Step four. The moment you own the shares, you switch engines. You start selling covered calls against them, at a strike above your cost basis, and you collect a premium for that too.

Step five. If the stock stays below your call strike, you keep the premium and your shares, collect any dividend along the way, and sell

another call next month. You circle here now, collecting income on your stock.

Step six. If the stock climbs through your strike, your shares are called away, sold at a profit, and you are back to cash. The premium is yours, the gain is yours.

Step seven. You are holding cash again. So you go back to step one and sell another put.

Around and around it goes. Put until you are assigned. Calls until you are called away. Then puts again. And here is the thing worth saying out loud. You collect a premium at every single step of that circle. There is no point in the loop where your money is sitting idle, which is exactly the disease we set out to cure in the first chapter.

Why this fits a retirement account so well

Plenty of people run the Wheel in ordinary taxable accounts. But it belongs in a retirement account, and here is why.

It uses no leverage. Every put is backed by cash, every call is backed by shares. That is precisely the kind of conservative, fully covered trading an IRA is built to allow, and it is why you can run this strategy inside the wrapper without trouble.

It carries no tax friction. Out in a taxable account, every assignment and every called-away lot can spit out a tax bill, and the constant churn of the Wheel can make tax time a nightmare. Inside your IRA, none of that happens. Shares come and go, premiums pile up, and not a single trade generates a tax form. The wrapper lets the Wheel spin cleanly.

It is slow and mechanical. We turn the Wheel about every six weeks, at forty-five days out. There is no staring at screens, no day trading, no reacting to every headline. That calm, unhurried rhythm suits a long-term retirement investor far better than it suits a gambler, and it fits a life that already has a job and a family in it.

And most important, it runs on things you actually want to own. The whole strategy is built on the discipline from the last two chapters. You only sell puts on what you would be happy to own, and you only sell calls above what you paid. That means the Wheel is forever turning around quality you chose on purpose, which is the same buy-and-hold instinct that built your retirement balance in the first place. The Wheel does not ask you to abandon that instinct. It just asks you to get paid for it.

The honest worst case

I promised you early on that I would never show you only the sunny side, so let us look at what can go wrong.

The Wheel can stall. You sell a put, the stock drops, and you are assigned. Then it keeps dropping, below your cost, and your covered calls have to be written further out for thinner premiums so you do not lock in a loss. Now you are holding a stock that is underwater, collecting smaller premiums while you wait for it to recover.

Here is the part to sit with. That is the worst case, and for a long-term investor it is a tolerable one. You are holding a company you chose and wanted, you are collecting its dividend, you are still selling calls and pulling in some premium, and every bit of that premium is quietly lowering your real cost while you wait. You have not been wiped out. You have been parked, and paid to park.

But tolerable is not the same as harmless. If you put the Wheel on a weak company that keeps falling and never recovers, you can ride a genuinely bad stock down, premiums and all. The premium softens the blow. It does not erase it. This is exactly why the single most important rule in this whole book is the one you already know. Only turn the Wheel on stocks and funds you would be glad to own for years. Do that, and the worst case stays survivable. Ignore it, and no amount of premium will save you.

One turn, in dollars

Picture one full turn on our hundred dollar stock. You sell a put and collect, say, two hundred dollars. A month later you are assigned at ninety-five, so your real cost is ninety-three. You sell a call above that, at, say, ninety-seven, and collect another hundred and fifty. The stock climbs, your shares are called away at ninety-seven, and you pocket the gain plus both premiums before going back to cash.

You were paid on the way in and paid on the way out, on a stock you wanted, inside an account that taxed none of it. Multiply that rhythm across a year and across the right number of positions, and the idle pile from Chapter 1 starts behaving like a paycheck.

Where this came from

I did not invent the Wheel, and I did not arrive at it cleverly. I arrived at it after years of doing nearly everything the hard and expensive way first. If you want the full story of that journey, the losses that taught me, and how this simple loop finally turned things around, that is the book that started this series, Book 1. This chapter is the strategy. That book is the story behind it.

For now, you have the whole machine in front of you. Both engines, and the loop that joins them. What you do not have yet is the precision, how to choose the exact strike and the exact date so the Wheel turns in your favor more often than not. That is the next chapter.

Chapter 8. Choosing Strikes and Dates Without Guessing

You now have the whole machine in front of you. This chapter is about running it with intention instead of hope, so that every trade is a deliberate choice rather than a guess.

Here is the thing that surprises every beginner. You do not have to predict where the stock is going. You are not betting on direction. You are setting the odds and getting paid to do it. Let me walk you through the three decisions you make on every single trade, and how to make each one without guessing.

Decision one, the date

We go out about forty-five days, and we do it on purpose.

An option is a melting ice cube. Every day that passes, a little of its value drips away, and as the seller, you are the one collecting those drips. That melting is called time decay, and it does not happen at a steady pace. It speeds up as expiration approaches, and in the final stretch it melts fastest of all.

Forty-five days sits in the sweet spot. It is close enough that the decay is working briskly in your favor, and far enough that you are not chained to your screen babysitting a position in its wild final days. It also gives you a clean, roughly six-week rhythm. Sell, let it ride, collect, repeat. Around eight cycles a year, give or take.

In our base plan you simply let the trade run to expiration. If it expires worthless, you keep everything and sell again next month. If you are assigned or called away, good, because you only ever sold on something you were happy to own or happy to sell. There are more active ways to handle the final days, and we will look at those later in the book, but you do not need a single one of them to start.

Decision two, the strike

The strike is where delta earns its keep.

You met delta back in Chapter 3 as the dial between the gentle setting and the bold one. Here is the simple way to use it. Delta is roughly the chance your option finishes in the money. For a cash-secured put, that is roughly the chance you get assigned and buy the shares. For a covered call, it is roughly the chance your shares get called away.

So the strike is not a guess about price. It is a choice about probability. A twenty delta strike sits further out, pays less, and triggers about one time in five. A thirty delta strike sits closer, pays more, and triggers about one time in three. You are not predicting anything. You are choosing how often you want the action to happen, and getting paid accordingly.

How do you choose? Tie it to what you actually want.

If you are selling a put and you would love to own the shares, lean toward the higher delta. You collect more, and being assigned is the goal anyway. If you mostly want the income and would rather keep your cash free, lean toward the lower delta. You collect less, but you stay in cash more often.

If you are selling a covered call and you would be glad to sell at that strike, lean higher for more premium. If you want to hold the shares and only rent them lightly, lean lower so they are less likely to go. And never forget the rule from Chapter 5. On a covered call, the strike must sit above your cost basis.

Decision three, the underlying

This is the dial we have not numbered yet, and it matters most.

Remember the three temperaments from Chapter 3. A calm broad index pays a small premium. A sector fund pays more. A single volatile name pays the most. Those six figures, from about a hundred and thirty dollars a cycle on the calm end to about twelve hundred on the

spicy end, are your benchmarks. When you look at a real premium, you can ask whether it lines up with what that kind of underlying should pay.

But choosing the underlying is not about chasing the biggest premium. It is about conviction. You only sell puts on what you would be happy to own, and you only sell calls on what you are happy to hold or sell. So the question never changes. Do I have a genuine view on this stock or fund, and am I comfortable with whatever happens if I am assigned or called. The premium follows the volatility. Your job is to make sure that volatility is attached to something you actually believe in.

Putting it together without guessing

Here is the whole decision, start to finish, with no prediction required.

First, pick an underlying you have a real thesis on and would be glad to own. Second, go out about forty-five days. Third, choose your delta based on how much you want the action to happen, twenty for gentler and thirty for bolder, and never above your cost basis on a call. Fourth, glance at the premium and check that it fits the temperament of what you are trading. Then sell, and let time do the work.

Notice what is missing from that list. Nowhere did you have to call the top, catch the bottom, or guess next week's headline. You set a probability you were comfortable with, on an asset you believed in, and you got paid for it. That is the entire edge, and it is exactly why this works for ordinary people with jobs and families, not just full-time traders staring at screens.

One thing to avoid, and where to go deeper

One guardrail for now. Try not to sell an option that expires right after a company reports its earnings, because a stock can lurch hard on that news. As a beginner, simply skip earnings week on single names. When the premium looks unusually fat, there is usually a reason.

And that points to the layer sitting beneath everything in this chapter. Delta is one of a handful of measures that traders call the Greeks. There is also the question of whether an option is richly or cheaply priced at this exact moment, which comes down to something called implied volatility. You do not need any of it to run the base plan in this book. But when you are ready to go deeper, to time your entries by volatility, to understand precisely why a premium is what it is, and to add more advanced tools to your kit, that is the entire subject of Book 2 in this series, Options Trading A to Z. This book gets you collecting. That one turns you into a craftsman.

Next, we leave strategy behind and start running this like a system, beginning with the one decision that protects everything else, how much to put on a single trade.

Chapter 9. Position Sizing for People Who Cannot Afford to Blow Up

Every chapter until now has been about the gas pedal, how to collect premium, how much each trade can pay. This chapter is about the brakes. It is the least exciting chapter in the book, and it is the most important one, because it is the chapter that keeps you in the game long enough for everything else to matter.

Here is the truth that should sit at the center of everything you do from here. At fifty or sixty, you are not playing the same game a twenty-five year old is playing. A young investor who loses half their money has decades to earn it back. You may not. And the math of losing is brutally lopsided. Lose fifty percent and you do not need a fifty percent gain to recover, you need a hundred percent gain just to get back to even. A pile that took thirty years to build can be wounded in a single reckless season. So the first rule of this entire strategy is not about making money. It is about not blowing up.

Good position sizing is how you make sure that no single trade, and no single bad week, can ever do real damage to the nest egg you spent a working life building.

Never let one position sink the ship

The first job is simple. Spread your money across several different positions, on several different underlyings, so that no single one of them can hurt you badly.

Picture two investors, each with two hundred thousand dollars. The first one sells puts on a single volatile company with almost all of it, chasing those twelve hundred dollar premiums. The second one spreads the same money across eight or ten different positions, mostly calm and broad, with only a small slice in the spicy names. When that one volatile company drops thirty percent on a bad earnings report, and someday one of them will, the first investor takes a devastating blow to the whole account. The second investor takes a small,

survivable dent in one position while everything else keeps humming. Same strategy. Completely different outcome. The only difference was sizing.

You are not trying to hit a home run on any single trade. You are trying to keep a lot of small, sensible bets working at once, so that no one of them can ruin you.

The contract math, so you can see the room

Remember that one option contract covers a hundred shares. On our hundred dollar stock, that is about ten thousand dollars of capital tied up per contract, whether it is ten thousand in shares you own for a covered call or ten thousand in cash backing a put.

So your account size tells you how many positions you can reasonably run. A two hundred thousand dollar account has room for perhaps twenty contracts if every dollar were deployed, but you will never deploy every dollar, and that is the point. A sensible shape might be to put a portion of the account to work across, say, six to ten positions in different underlyings, and deliberately leave the rest in reserve. The exact numbers are yours to settle, and they depend on your own comfort, but the principle holds for everyone. Many positions, none of them large enough to keep you awake at night.

Only sell what you can fully back

The base plan in this book has a safety brake built right into it, and you should never disable it. Every put you sell is cash-secured, meaning you hold the full cash to buy the shares. Every call you sell is covered, meaning you own the shares already.

That means you can never sell more puts than your cash can honor. If you have a hundred thousand dollars in cash, you can back ten contracts on a hundred dollar stock, and not one more. This is not a limitation to work around. It is the seatbelt. The investors who blow themselves up almost always do it by selling more than they can cover, betting on margin, promising to buy shares they have no cash to pay

for. You will not do that. If the cash is not there to back the trade, the trade does not happen.

Keep dry powder

Do not put every dollar to work, even within those limits. Keep a meaningful cushion of uncommitted cash at all times.

Two reasons. First, when the market drops and you get assigned on a few positions at once, you want cash on hand to handle it calmly rather than scrambling. Second, the best opportunities to sell puts show up exactly when markets are falling and fear is high, because that is when premiums are richest. An investor with dry powder can step in and collect those fat premiums. An investor who is fully committed can only watch. Cash in reserve is not idle money. It is optionality, and it is peace of mind.

Calm base, spicy topping

Bring back the three temperaments from Chapter 3. The calm broad index that pays a hundred and thirty dollars. The sector fund that pays three hundred. The single volatile name that can pay twelve hundred.

That twelve hundred dollar number is a magnet, and it is exactly the thing that gets people into trouble. The right way to hold it is as a topping, not the meal. Build the foundation of your account on the calm and the broad, where the premiums are smaller but the ground is steady. Add the sector funds you have a real view on. And keep the spicy single names as a small, deliberate slice, sized so that even if one of them goes badly against you, it is a bruise and not a break. The bigger the premium, the smaller the position. Burn that into your thinking.

Build slowly

You do not have to deploy your whole account this month, and you should not. Start with a single position on something calm. Sell it,

watch how it behaves, let it expire or get assigned, and feel what that is actually like. Then add a second. Then a third. Build the machine one piece at a time over a few months.

There is no prize for getting fully invested by Friday. The investors who rush in and put everything to work at once are the ones who panic at the first drawdown, because they never built the experience or the cushion to handle it. Slow is not only safer. Slow is how you learn.

The test that keeps you honest

Here is a single question to run before every trade, and it ties this whole chapter together. If this position went against me, and I ended up assigned and holding the shares, could I sleep that night?

If the answer is yes, the size is right. If the answer is no, the position is too big, and you cut it down until the answer becomes yes. That is the entire discipline. Not a formula, a feeling backed by common sense, and it will protect you better than any spreadsheet.

None of this is the exciting part. Nobody brags at dinner about the trade they sized down. But position sizing is the quiet difference between a strategy you run safely for the rest of your life and one that pays you beautifully right up until the day it wipes you out. We are building the first kind.

In the next chapter we look closely at the moment this all leads to sooner or later, the one most beginners fear without reason. The day you get assigned.

Chapter 10. What Happens When You Get Assigned

Assignment is the thing beginners fear most, and it is very nearly the least scary thing in this entire book. Most of that fear comes from not understanding what actually happens. So let us walk through it slowly, because once you see it clearly, the fear simply evaporates.

What assignment actually is

Assignment is just the moment your promise gets called in. Remember, every option you sell is a promise. When the stock ends up on the wrong side of your strike at expiration, the other party takes you up on that promise, and the trade you agreed to simply happens.

On a cash-secured put, if the stock finishes below your strike, you buy the hundred shares at the strike price you chose. The cash you had set aside turns into shares. You keep the premium.

On a covered call, if the stock finishes above your strike, your hundred shares are sold at the strike price you chose. Your shares turn into cash. You keep the premium.

That is the whole event. And here is the part that surprises people. It usually happens quietly and automatically at expiration. There is no phone call, no alarm, no decision to make in the moment. You go to bed with a put position, and you wake up owning a hundred shares and a little more cash. The machine simply turned.

Why this is the plan working, not breaking

Now the reframe that changes everything. You only ever sold that put on a stock you would be happy to own, at a price you would be glad to pay. And you only ever sold that call on shares you were happy to sell, at a strike above what you paid. So when assignment comes, it does not hand you a problem. It hands you exactly the thing you signed up for.

Get assigned on a put, and you now own a quality stock at a discount, with the premium making your real cost lower still. Get called away on a call, and you just sold your shares for a planned profit and kept the premium on top. Neither one is a loss. Both are a version of winning. Assignment is not the Wheel breaking down. Assignment is the Wheel turning to its next position.

The two emotional traps

The danger with assignment is never the mechanics. It is the feelings, and there are two traps.

The first is panic when a put gets assigned. The stock dropped, you got the shares, and your gut screams that you made a mistake. I watched one fellow I worked with stare at his first assignment convinced he had blown it, when in fact he had just bought a company he admired at a price he had been hoping for, and was about to start collecting call premium on it. The drop is what got you the discount. If the company is one you wanted, a lower price is not a wound. It is the sale you were waiting for.

The second trap is regret when a call gets assigned. Your shares got called away at ninety-seven, and then the stock ran to a hundred and ten, and now you are kicking yourself for the gains you missed. Stop. You made exactly the profit you agreed to make, plus the premium, on purpose. Chasing the gain above your strike is how people abandon a working system to gamble. You did not lose anything. You simply did not capture the maximum, which was never the goal. The goal was steady, repeatable income, and you got it.

Master those two feelings and assignment becomes what it truly is, a routine event you handle without emotion.

What to actually do next

Here is the simple playbook, and it is just the Wheel from Chapter 7 in motion.

If your put was assigned and you now own the shares, write down your cost basis, which is the strike you paid minus the premium you already collected. Then start selling covered calls against those shares, at a strike above that cost basis. You have rotated from collecting income on cash to collecting income on stock. Nothing has gone wrong. You have simply moved to the next station on the Wheel.

If your call was assigned and your shares became cash, you are back where you started, holding cash and ready to go. Pick your next underlying, one you would be glad to own, and sell a cash-secured put. The cycle begins again.

And remember the quiet gift of doing all of this inside your retirement account. Out in a taxable account, every one of these assignments could trigger a tax bill, and the constant turning of the Wheel would make tax season a headache. Inside your IRA or Roth, none of it does. Shares become cash, cash becomes shares, premiums pile up, and not a single one of these events generates a tax form. The wrapper lets you turn the Wheel as often as you like without ever looking over your shoulder at the tax man.

The one real risk, and how you already handled it

Let me be honest about the one version of assignment that can actually sting. You get assigned on a put, and then the stock keeps falling, well past your strike. Now you own a position that is underwater.

This is the stalled Wheel from Chapter 7, and here is why you are protected. First, because of Chapter 9, that position is only a small, sized slice of your account, not the whole thing, so an underwater holding is a bruise and not a break. Second, you keep doing what the Wheel does, at least while you can. You sell covered calls against the shares, at a strike above your cost basis, collecting premium that quietly lowers your real cost while you wait for the stock to recover.

There is one more honest wrinkle, and it shows up in a deep or prolonged downturn, the kind that can drag on for months or even

years. When a stock has fallen far enough, the calls you could sell above your cost basis sit so far out of the money that they pay almost nothing. Selling them stops being worth the bother. So you simply stop, and you hold the shares and wait, exactly like the ordinary long-term investor you were before you ever learned any of this. That is the reassurance worth holding onto. In the worst stretches, this strategy does not leave you worse off than plain buy-and-hold. It leaves you in the very same place, holding quality you wanted, waiting for the recovery that history says tends to come. Nothing is lost in that period except the extra income, and the extra income was always a bonus on top.

In fact you may come out ahead, thanks to the dry powder from Chapter 9. Downturns are exactly when premiums swell, because fear drives option buyers to pay up. An investor sitting on a cash reserve can step into that fear and sell fresh cash-secured puts at unusually rich premiums, on good companies now trading at a discount. So while your assigned position rests quietly, your cash works harder than ever. The same downturn that stalls one part of the Wheel supercharges another.

The only way this turns into genuine harm is if you put the Wheel on a weak company that keeps falling and never comes back. The premium softens that blow, but it does not erase it. Which is why, one more time, the rule that protects you above all others is to only ever turn this Wheel on stocks and funds you would be glad to own for years. Do that, and even the worst case stays survivable.

If you would rather not be assigned

For the base plan in this book, we let assignment happen, because it is fine and because the wrapper makes it tax-free. But you should know that there is a way to wriggle out of an assignment you do not want, by buying back the option and selling a new one further out in time, a move called rolling. It is genuinely useful in certain spots, and it is one of the main tools in the more advanced toolkit. We will look at it briefly in a later chapter, and the full mechanics live in Book 2 of

this series. For now, you do not need it. You can run this entire strategy beautifully by simply letting assignment happen and turning the Wheel.

So put the fear down. Assignment is not the moment it all goes wrong. It is the ordinary, expected heartbeat of a strategy that is working exactly as designed.

Next we turn all of this into a habit, a simple routine you can run in well under an hour a month.

Chapter 11. The Monthly Routine

A strategy only works if you actually run it, and you will only run it if it is simple enough to fit into a real life. So here is the promise of this chapter. Once it is set up, this whole system takes you well under an hour a month. No screens all day. No reacting to every headline. A short, calm, repeatable routine that you could do with your morning coffee.

Let me show you how to build it.

The ladder, or how forty-five days becomes a steady paycheck

We open positions about forty-five days out, which means a single position pays roughly every six weeks. On its own, that is not a monthly paycheck, and certainly not a weekly one. The trick that turns it into one is laddering.

Instead of putting all your positions on at the same moment, you stagger them. You open one this week, another next week, another the week after. Each runs its own forty-five day cycle, but because they started at different times, they finish at different times. Pretty soon you have positions expiring and premiums landing all through the month, a steady drip rather than one lump every six weeks.

Think of it like a row of fruit trees planted in different months. Each tree takes the same time to bear fruit, but because you planted them on a schedule, something is always ripening. That is your ladder. The more rungs you build, within your sizing rules from Chapter 9, the smoother and more regular your income becomes. This is how the weekly and monthly cash flow this book promises actually shows up in your account.

The sit-down

Here is the routine itself. Pick a regular time, say once a week or once every two weeks, and treat it like paying a bill. Same day, same

coffee, same fifteen to thirty minutes. When you sit down, you walk through a short list.

First, look at any position close to expiration, within a week or so. In the base plan you do nothing dramatic here. You simply let it run to expiration and see how it lands. Either it expires worthless and you keep the premium, or you are assigned, which as you now know is perfectly fine.

Second, handle anything that expired or got assigned since last time. If a put was assigned and you now own shares, sell a covered call against them at a strike above your cost basis. If a call was assigned and you are back to cash, you are ready for a new put. This is just the Wheel turning, and it takes a couple of minutes per position.

Third, top up the ladder. If you have room under your sizing rules and some dry powder waiting, open a fresh position on something you would be glad to own. This keeps the rungs full and the income flowing.

Fourth, glance ahead for earnings. On any single company you are trading, check whether it reports earnings before your next expiration. If it does, either skip it this cycle or expect a wilder ride. On broad funds you can mostly ignore this.

Fifth, jot down what you collected. We will build the simple log for this in the next chapter, but the habit starts here. A premium written down is a premium you can see adding up.

That is the entire routine. Read it back and notice there is nothing in it about predicting the market, watching prices intraday, or making a clever call. It is maintenance, not drama.

Why boring is the whole point

The investors who struggle with this strategy almost never fail because they picked the wrong strike. They fail because they could not leave it alone. They checked prices ten times a day, panicked at every

dip, closed winners early out of nerves, and abandoned the system the first time a position went against them.

Your routine is designed to make that impossible. By deciding in advance that you only touch your account on your scheduled day, you protect yourself from your own worst instincts. The market can do whatever it likes between your sit-downs. You will deal with it on your day, calmly, with a checklist, the same way every time.

This is also exactly why the strategy suits someone with a full life. You do not need to quit your job, watch a screen, or learn to read charts. You need to show up for thirty minutes on a schedule and run a short list. Consistency beats intensity every time, and a boring routine you actually keep will beat an exciting one you abandon.

Starting from scratch

If you are just beginning, do not try to build the whole ladder in week one. Open a single position. Run it through your first sit-down. Let it expire or get assigned and watch how the routine handles it. Then add a rung. Build the ladder over a couple of months, one position at a time, until you reach the number that fits your account and your comfort. By the time it is full, the routine will feel like second nature, and the income will be arriving on its own quiet schedule.

That steady arrival is the thing you have been working toward since the first page. Money landing in an account that used to do nothing but sit there. The next chapter shows you how to track it, so you can watch it grow and know exactly what your once-idle pile is now paying you.

Chapter 12. Tracking Your Income

You are collecting premiums now. This short chapter is about measuring them, because what you measure is what you improve, and because there is a quiet thrill in watching a number grow in an account that used to do nothing at all.

You do not need anything complicated. The paper journal from the last chapter, or a plain notebook, or a simple spreadsheet if you prefer, all work fine. What matters is that you actually do it.

What to write down

Your journal already has the right columns for this, so you just fit the income strategy into them. When you sell a covered call or a cash-secured put, you enter it as STO, sell to open. The symbol is your underlying. The strike column holds both the strike and the type, like 95P for a ninety-five dollar put or 105C for a hundred and five dollar call. The quantity is your number of contracts. The price is the premium per share, and since one contract covers a hundred shares, a price of two dollars means two hundred dollars of premium per contract.

Then you record how the trade ends, and in this strategy there are three ways.

If it expires worthless, which is the outcome you want most, there is no closing trade to make. You simply keep the full premium. On that same row, write Expired in the note and put the full premium in the P&L column. A two dollar premium on one contract is two hundred dollars of realized profit, free and clear.

If you choose to close it early to lock in a gain, you log a second row as BTC, buy to close, at the price you paid to buy it back. The final calculation is your opening price minus your closing price, times a hundred, times the number of contracts, exactly as your journal's example already shows. That result goes in the P&L column.

If you are assigned, write Assigned in the note on the option row, where the premium you collected stays as your profit on that option. Then you log the next leg of the Wheel. An assigned put becomes a hundred shares, which you record as a Buy at the strike. A called-away covered call becomes a Sell of your shares at the strike. From there the next trade is a fresh STO row, and the journal simply follows the Wheel around.

That is all you need. Resist the urge to add forty more columns. A record you keep simply is worth far more than an elaborate one you abandon after a month.

The one number that matters

The single most useful number is your return on the capital you put to work, and your journal nearly hands it to you. The P&L column gives you the dollars. To turn that into a return, divide it by the capital the trade tied up, which for a cash-secured put is roughly the strike times a hundred. Two hundred dollars of profit on a position that tied up about ten thousand dollars is a touch over two percent for the cycle. You can jot that percentage in the Note column if you like, so you can compare one trade against another at a glance.

To get a rough yearly figure, multiply a typical cycle return by about eight, since a forty-five day position turns roughly eight times a year. Two percent a cycle points toward something like sixteen percent a year. But here is the honest part, and you must hold onto it. That number is a ceiling, not a promise. It assumes every single cycle is a winner, and they will not all be. Some cycles you will be assigned and sit out. Some positions will go quiet for a while. Your real annual return will land below that naive figure, and that is normal. Treat the annualized number as the best case, measure your actual collected premium as the truth, and never let the ceiling tempt you into reaching for more risk than you decided on.

Even so, line it up against the baseline. The dividend on that same money was about two percent for the entire year. Your option income, even after the losing cycles and the quiet stretches, will very likely be

several times that. Seeing the multiple in your own numbers, on your own account, is what turns this from a promise in a book into something you believe.

The paycheck number

Once a month, add up the P&L column. That total is your paycheck number, and it is the one I want you to watch most. It is the answer to the question this whole book set out to solve. What is my once-idle pile actually paying me now?

Keep a running tally month by month, and a total for the year. Watch it climb as your ladder fills out. For a lot of readers, the month they realize their retirement account quietly paid them more than a part-time job would have is the month this all becomes real.

Track the misses too, honestly

Write down the trades that did not go your way with the same honesty as the winners. The puts that got assigned right before a slide. The calls that capped a big run. The position that went quiet and underwater for months.

This is not to make you feel bad. It is to keep you honest and to teach you. An honest log will quietly tell you things. Whether you are sizing well. Whether your spicy single names are causing more grief than they are worth. Whether you are wandering away from the rule about only trading what you would be glad to own. The numbers do not flatter and they do not panic. They just show you the truth, which is exactly what you need to keep improving.

The discipline hiding in the log

There is a reason writing it down works beyond the math. A trade you have to record is a trade you think about twice. The log slows you down, the same way the routine does, and it makes it much harder to fool yourself. You cannot pretend the spicy position is going fine when the page in front of you says otherwise.

It also protects your morale in the rough stretches. When a month feels discouraging, your running total reminds you how far the account has come since it was sitting idle. Progress you can see is progress you will stick with. That is the whole reason to keep the record at all.

One caution

Do not let the number become a game you try to win by force. It is tempting, once you can see your return, to chase a bigger one by selling closer to the money, reaching for the spicy names, or sizing up. That is how a calm income strategy turns into a stressful one. The log exists to keep you honest and steady, not to push you toward more risk. If your number is growing at a sensible pace and you are sleeping at night, the strategy is working exactly as it should. Slow and steady is not the consolation prize here. It is the goal.

Watch that paycheck number grow, cycle after cycle, and you will have all the proof you need that the idle pile has woken up. In the next chapter we look beyond the base plan at a few more advanced moves, for the reader who is ready to go further once all of this feels like second nature.

Chapter 13. Going Further: Advanced Moves

Everything you need is already behind you. The base plan in this book, sell forty-five day puts and calls on things you would be glad to own, let them expire or get assigned, and turn the Wheel, is complete. You could run exactly that and nothing else for the rest of your life and do beautifully. I want to say that plainly before this chapter begins, because this chapter is optional.

What follows is a short tour of the next horizon, the moves more experienced sellers add once the base feels like second nature. If you are just starting out, you have my blessing to skip this chapter entirely and come back to it in a year. If you are curious about what lies beyond, read on, but hold one idea in your mind the whole way. Advanced does not mean better.

Rolling

The most useful advanced move is called rolling. It is a way to wriggle out of an assignment you have decided you no longer want, or to keep a position alive and collecting.

Rolling is two trades done together. You buy back the option you sold, closing it, and at the same time you sell a new one further out in time, often at the same or a slightly different strike. Done well, the new premium more than covers the cost of buying back the old one, so you take in a net credit for the move and push the decision weeks down the road.

Why would you do it? Say you sold a put, the stock dropped, assignment is looming, but you have changed your mind and would rather not own the shares just yet. You can roll the put out in time, collect more premium, and give the stock room to climb back above your strike. Or say a covered call is about to have your shares called away and you would rather keep them. You roll the call up and out to hang on to them.

Rolling is genuinely useful. It is also where discipline quietly breaks down, because it lets you avoid ever taking a small loss, and dodging small losses forever is exactly how they grow into big ones. Rolling a position you should simply let go is a common trap. Use it as a tool, never as a way to refuse to be wrong.

Closing early to lock a win

In the base plan you let trades run to expiration. A more active approach is to buy a position back early, once most of the premium has already melted away in your favor.

The logic is simple. If you sold a put for two dollars and a few weeks later you could buy it back for forty cents, you have already captured the lion's share of the gain. Closing it locks that profit, frees your capital, and lets you sell a fresh position rather than waiting around to squeeze out the last few cents while still carrying the risk. Many active sellers close somewhere around half to two thirds of maximum profit for exactly this reason. It is a sensible habit, and a clear step up in activity from the base plan.

Sidestepping the final week

You will also hear experienced traders talk about not holding short options into the last several days before expiration, often using a seven day mark. The final week is when an option's price turns jumpiest, when small moves in the stock cause the biggest swings in what you owe. More active sellers roll or close before they reach that zone to keep things calm.

In our base plan, on quality you are happy to own, you do not need this rule. You let things expire or get assigned and it is fine. But it is a real technique, and it is one of the signatures of the more active style taught in my earlier books.

The wider toolkit

Beyond those, there is a whole craft waiting whenever you want it. A few of the tools on that horizon. Rolling down and out, to repair a position that has moved against you. The Poor Man's Covered Call, which lets you run a covered call style trade with far less capital by owning a long dated option instead of a hundred shares, handy for a smaller account. Credit spreads, which generate income with a defined, capped risk. Reading implied volatility, so you sell when premiums are richest rather than at random moments. And the Greeks, the handful of measures that explain exactly why an option is priced the way it is.

None of that is needed to collect income from your retirement account. All of it can make you sharper once the basics are second nature.

Advanced does not mean better

Let me close this short chapter with the warning I opened it with, because it matters more than any technique on the page. Complexity has a cost. Every extra move is one more thing to manage, one more chance to second guess yourself, one more way to drift from the simple discipline that was working. Plenty of people have taken a calm, profitable base plan and tinkered it into a stressful, worse one.

Most readers of this book will do wonderfully running the base plan and nothing more, for years. If that is you, be at peace with it. Simplicity that you actually keep beats sophistication that you abandon.

But if you find that you genuinely love this craft and want to go deeper, the full curriculum, rolling, the Greeks, implied volatility timing, credit spreads, the Poor Man's Covered Call, and how to weave them into a portfolio that scales, is the whole subject of Book 2 in this series, Options Trading A to Z. This book taught you to collect. That one teaches you the craft.

With the strategy now complete, the base plan and the horizon beyond it, the last thing standing between you and years of steady

income is not knowledge. It is you. That is what the final part of this book is about.

Chapter 14. The Five Ways People Hurt Themselves

In all my years of doing this and watching others do it, I have learned something that should give you comfort. Almost nobody who fails at this strategy fails because of the market. They fail because of themselves. The damage is nearly always self-inflicted, and that is good news, because a mistake you make is a mistake you can choose not to make.

Here are the five that hurt people most. Learn to spot them in yourself, because the rule that prevents each one is already in your hands.

One. Selling on something you would not want to own

This is the cardinal sin, the one that does the most damage. A volatile stock is offering a fat premium, the kind of number that makes your eyes widen, and you sell a put on it even though you have no real interest in the company. Then it drops, you are assigned, and now you own a business you never believed in, watching it fall with no conviction to hold it and no reason to wait.

Every other rule flows from this one. You sell puts only on what you would be glad to own, and calls only on what you are happy to sell. The premium is never reason enough on its own. If you would not want the shares at that strike, the trade does not exist, no matter how rich the premium looks.

Two. Selling a covered call below your cost basis

This one is quieter, and it sneaks up on people who feel clever. You own shares that have dipped, the stock sits below what you paid, and you sell a covered call at a strike that is above today's price but below your cost basis, just to collect a little premium. Then the stock rallies, your shares are called away, and you have been forced to sell at

a loss for the sake of a small premium that never came close to covering the gap.

The fix is the rule from Chapter 5. Know your cost basis before you write a single call, and never set the strike below it. The small premium is never worth locking in a loss on the shares. When a holding is underwater, you wait, or you sell so far out that the strike clears your cost, even if the premium is thin.

Three. Betting too big on one position

Greed has a way of arriving dressed as opportunity. One position looks so good, or one premium so fat, that you pour a huge slice of the account into it. Then that single name has a bad week, and because it was too large, a normal, survivable move becomes real damage to the whole account.

The fix is Chapter 9. Spread across many positions, keep each one small enough that its worst case is a bruise and not a break, and remember that the bigger the premium, the smaller the position should be. No single trade should ever be able to hurt you badly. If one can, it is too big, and you cut it down until it cannot.

Four. Chasing the fattest premium

This is the subtle cousin of the first three, and it tempts even careful people. You start reaching for the highest numbers, selling closer and closer to the money, leaning on the most volatile names, pushing your delta higher because the premium is so tempting. For a while it works, and the extra income feels like skill. Then the volatility that was paying you so well turns against you, and the same dial that fattened your premium hands you a string of bad assignments all at once.

The fix is to remember what the premium is. It is payment for risk, not a free gift, and a bigger premium always means bigger risk underneath it. You choose your delta and your underlying on purpose,

ted to your conviction and your comfort, not to whichever number is biggest on the screen. Steady beats spectacular, every time.

Five. Refusing to leave it alone

The last one is the most human. You check the account ten times a day. You panic and close a position the moment it dips. You abandon the whole plan the first time a stock gets assigned against you. You tinker, you second guess, you let every headline talk you into doing something. None of these come from the strategy. They come from nerves, and they quietly bleed away the returns the strategy was handing you.

The fix is the routine from Chapter 11. You touch the account on your scheduled day, you run your short list, and you leave it alone in between. The market can do whatever it likes between your sit-downs. A boring, mechanical hand will beat an anxious, busy one over and over. Your job is mostly to not get in the way.

The thread running through all five

Look back at the five and notice what they share. Not one of them is a market event. Not one is bad luck. Every single one is a choice, a moment where you let greed or fear or impatience talk you out of a rule you already knew.

That is the strange truth at the center of this whole strategy. The market is not your biggest risk. You are. The mechanics are simple and you have already learned them. What is left is the harder and more interesting work of managing the person running them. That is exactly what the rest of this part of the book is about, starting with the question of when the smartest move is not to sell at all.

Chapter 15. When Not to Sell

The hardest discipline in this whole strategy is not learning to sell. It is learning not to sell when you should not.

Once you see how premium works, a quiet pressure builds. Every day your cash sits idle feels like money left on the table. You start to feel that a good investor always has something working. That feeling is a trap, and it pushes people into the exact mistakes we just covered. So this short chapter is about the trades you do not make, and why the ability to sit on your hands is one of the most valuable skills you can build.

Start with the idea that frees you from the pressure. Cash is a position. Money waiting on the sidelines is not money wasted. It is money ready, holding its value, waiting for the right moment. Some of the best investors in history have spent long stretches doing almost nothing, and that patience was not laziness. It was the discipline that let them strike hard when it finally mattered.

Here are the moments when not selling is the smart move.

When you have nothing you would be glad to own

The whole strategy rests on selling only against quality you actually want. So what do you do when you look around and nothing fits? Nothing is at a price you like, no stock you trust is paying a premium worth the risk?

You wait. You do not manufacture conviction you do not feel, and you do not lower your standards just to put on a trade. Forcing a position on a stock you only half want is how the cardinal sin from the last chapter begins. No good trade today simply means no trade today. Tomorrow is coming.

When the cash is not truly free

A cash-secured put ties up your cash for the cycle, and that is fine, but only if it is cash you can genuinely leave alone. If there is any real

chance you will need that money soon, for a bill, a family need, a life event on the horizon, do not lock it into a trade. Income is not worth scrambling to unwind a position at a bad moment because you suddenly need the cash. Sell only what you can afford to leave working undisturbed.

When the only fat premiums are on things you do not want

On calm, quiet markets, the premiums on the steady, broad investments get thin. This is exactly when temptation whispers loudest, telling you to reach for the volatile names where the numbers are still juicy. Do not listen.

When premiums on quality are thin, you have two honest choices. Take the smaller premium on the calm thing you are happy to own, or wait. What you do not do is chase the fat premium onto a stock you have no business holding. The thin premium on the right asset always beats the fat premium on the wrong one.

Right before earnings, on a single company

We touched this in the strike chapter, and it belongs here too. A single company about to report earnings can lurch violently on the news, in either direction. As a rule, do not sell a new option on an individual name that will report before your trade expires. Let the earnings pass, see where the dust settles, and sell into the calmer water afterward. The premium looks unusually fat right before earnings for a reason, and that reason is risk you do not need to take.

When a holding is below your cost basis

If you own shares that have slipped below what you paid, this is a time not to sell covered calls, at least not at a strike that would lock in a loss. We covered why in Chapter 5, and it bears repeating because the small premium is so tempting. When a position is underwater, the patient move is to wait for it to recover above your cost, or to sell so

far out that the strike clears what you paid. Often the right answer is simply to hold the shares and do nothing until the picture improves.

When you are trading from emotion

This is the most important one, and the hardest to catch in yourself. If you just took a loss and you want to make it back, stop. If you are bored and itching to do something, stop. If the market is euphoric and you feel invincible, stop. If it is crashing and you are gripped by fear, slow down.

Almost every truly bad trade is born in an emotional moment. The cure is simple to say and hard to do. When you notice a strong feeling driving you toward a trade, that feeling is the signal to step away from the screen, not to act. Come back on your scheduled day, calm, and decide then.

Patience is paid

Here is the reframe that ties it together. In this strategy, patience is not just a virtue. It is paid. Remember the dry powder from Chapter 9 and the downturns from Chapter 10. The investor who sat patiently in cash while there was nothing good to do is the very same investor who can step in and sell rich premiums on quality names when fear finally puts them on sale. The waiting was not wasted. The waiting was the setup.

So make peace with doing nothing. There will be cycles where you sell very little, and that is not failure. Sometimes the best trade you make all month is the one you choose not to make. The ability to sit quietly in cash, unbothered by the itch to act, is exactly what separates the steady investor who does this for decades from the restless one who burns out or blows up.

You now have the entire strategy, when to sell and when to hold your fire. Everything that remains comes down to the person in the chair. In the next chapter we face that person directly, because the real

edge in all of this was never the mechanics. It was the mind running them.

Chapter 16. The Behavioral Edge

Hand this exact strategy to two people. Same rules, same accounts, same forty-five day cycles, same simple checklist. A year later, one has built a steady, growing stream of income and feels calmer about money than they have in decades. The other has quit, or blown up a position, or tinkered the whole thing into a stressful mess.

Same method. Completely different result. So what was the difference?

It was not the mechanics. By now you know the mechanics, and they are not hard. The difference was behavior. It was temperament, patience, and the willingness to follow simple rules on the days when following them felt boring or frightening. That is the real edge in this entire book, and it is worth understanding clearly, because it is the part almost nobody talks about.

Why behavior is the whole game

In a strategy this mechanical, everybody is dealt nearly the same hand. The steps are written down. The rules are plain. There is no secret indicator, no special knowledge that one reader has and another lacks. When the method is this simple and this shared, the only thing left to explain the wildly different outcomes is the person running it.

This is not unique to options. It is the truth about money in general. Two people earn the same salary their whole lives, and one retires free at fifty-five while the other works until seventy with nothing saved. The gap between them was almost never intelligence or income. It was behavior, repeated over years. The same is true here, just compressed into something you can watch unfold cycle by cycle.

The traits that quietly win

The investors who do well with this share a handful of unglamorous traits.

They are consistent. They show up on their scheduled day and run the list, in good markets and bad, the way you brush your teeth. They are patient, comfortable sitting in cash with nothing to do, unbothered by the itch to act. They are emotionally steady, neither panicking when a position goes against them nor turning reckless when a few go well. They are humble enough to follow the rules instead of deciding they are smarter than the system. And they are detached from the score, content to collect steady income without needing to be right about every trade or to wring out the maximum from any of them.

Notice that not one of those is a skill you were born with or without. Every one of them is a habit, and habits can be built.

The gap between knowing and doing

Here is the hard truth at the center of it. Knowing what to do is easy. Doing it, consistently, when fear and greed and boredom are pulling at you, is the whole challenge.

You could finish this book understanding the strategy perfectly and still never build the income, because understanding was never the bottleneck. Most people who stay stuck financially are not stuck for lack of information. They are stuck because of what they believe about money, the inherited assumptions and emotional habits they have never examined, the quiet myths that feel like facts. Those beliefs run the show from underneath, and no amount of tactics can outrun them.

If you find that the hardest part of all this is not the options at all but the person in the mirror, the fear, the impatience, the old stories about money you cannot quite shake, then that is exactly the work waiting for you in Book 3 of this series, *Mindset That Shapes Real Financial Freedom*. It is the book about the inner game, the one that makes every tactic in the other books actually work. I wrote it because I learned, the expensive way, that the mind is where wealth is won or lost long before any trade is placed.

Why this strategy makes good behavior easier

Here is the encouraging part. You do not need to be a monk to succeed at this. The strategy is built, on purpose, to make good behavior easier and bad behavior harder.

The routine decides in advance when you act, so you are not making emotional decisions on the fly. The sizing rules make sure no single trade can frighten you into doing something rash. The plan to only trade what you would be glad to own means assignment is never a disaster. The whole structure is a kind of scaffolding for your own discipline. Lean on it. You are not relying on willpower alone, you are relying on a system designed to protect you from yourself, and that is a far more reliable thing to trust.

Behavior compounds, the same as money

You already understand how a reinvested dividend compounds, how small amounts repeated over years become large ones. Behavior compounds the same way. Each time you follow the rule, sit in cash patiently, refuse to chase the fat premium, leave the account alone between your sit-downs, you are not just avoiding one mistake. You are strengthening the habit a little more, making the next good decision easier than the last.

Over years, that compounding of small, steady, sensible choices is what separates the investor who quietly builds a paycheck for the rest of their life from the brilliant one who flames out in eighteen months. The boring investor who keeps showing up wins. Not always in any single month, but almost always in the end.

What this was really about

Let me tell you something that took me far too long to learn. This was never really about options.

The options are just the tool. What you are actually building, cycle by patient cycle, is a different relationship with money. One where a large bill arrives and you handle it calmly instead of lying awake. One

where you help a family member without wrecking your own footing. One where your money has finally stopped controlling your decisions, and you control it. That calm, that quiet confidence, is the true prize, and it comes not from the strategy itself but from the steady person you become by running it well.

You have the mechanics. You have the rules. You have the honest picture of the risks and the restraint. The only thing left is to become, trade by unremarkable trade, the kind of investor who sees it through. That person is entirely within your reach, and in the conclusion I want to show you what their life can look like a few years from now.

Conclusion. From Idle Pile to Paycheck

I began this book with four words. You already have the money.

By now I hope you believe something more. You already have everything else you need too. The mechanics are simple and they are yours. The rules that keep you safe are in your hands. You understand the two engines, the Wheel that joins them, the account that holds it all, and the honest risks along the way. Most of all, you understand that the real work was never the options. It was becoming the kind of steady, patient person who can run them. There is nothing left to wait for.

Look back at the path we walked. We started with the great American default, the millions of accounts sitting idle by design, growing or shrinking with the market but never paying their owners a thing. We gave dividends their due and saw why they are not enough on their own. We put the premium on the table and saw, in real dollars, how much had been going uncollected. We sorted out the accounts, freed the trapped ones, and learned how the tax-free wrapper makes all of this clean. Then we built the machine. Covered calls on what you own, cash-secured puts on what you want, the Wheel turning between them, sized carefully, run on a calm routine, tracked honestly, and protected by the discipline to know when not to act at all.

Now let me show you where that path leads.

A few years from now

Picture yourself three or four years out.

The account that used to sit there doing nothing now pays you. Not in one dramatic windfall, but in a steady rhythm, premiums landing through the month as your ladder of positions turns. Some cycles are quiet. A few stretches are rough, a downturn here, an assignment that goes underwater there, and you handle them the way this book taught you, calmly, holding quality you were glad to own, your dry powder ready for the fat premiums that fear puts on sale. The

paycheck number in your journal has climbed, year over year, into something real. Money that a few years ago earned you a thin trickle of dividends now earns you several times that, and you can see exactly how much, because you wrote it all down.

But the number is not even the best part. The best part is quieter. A large bill arrives and you handle it without lying awake. A family member needs help and you say I have got this, and mean it, without wrecking your own footing. The anxiety that used to sit in your chest whenever you thought about money has loosened its grip, because the money has finally stopped running your decisions and you have started running it.

And for some of you, something larger comes into view. You look at the calendar, and the retirement you had penciled in for sixty-five or seventy starts to look reachable years sooner, because your accounts are the biggest they have ever been and now they are working as hard as you once did. I will not promise you that, because no honest person could. But I have watched it happen, and it is not the fantasy most people assume.

Your first step

None of this begins with a perfect trade. It begins with a small, ordinary action, and you can take it this week.

Find out where your money stands. Email your benefits department or plan administrator and ask the two questions from Chapter 4. Does my plan offer a self-directed brokerage window with options trading, and does it allow in-service rollovers, and at what age. If your money is already in an IRA, make sure the account is approved for options.

Then start small. One position, on something calm that you would be glad to own. Sell it, run it through one sit-down, let it expire or get assigned, and feel what that is actually like. Then add a second. Build the ladder one rung at a time over a few months, the way we talked

about, in no hurry at all. There is no prize for rushing, and every reason to go slow enough to learn.

That is the whole beginning. Not a leap. A single, sensible step, followed by another.

Why this matters

I did not write this book to make a handful of people a little richer. I wrote it because I believe what I have believed through this entire series, that ordinary people, of any age, any background, any income, deserve the chance to be free of the quiet fear that money holds over so many lives. You do not need a finance degree, an inheritance, or perfect timing. You need a simple, honest method and the patience to run it. That is all this ever was.

If parts of this still feel shaky, you are not alone, and you are not stuck. The foundations and the full story of how I found my way here are in Book 1. The deeper craft, when you are ready for it, is in Book 2. And if you discover that the hardest part is not the strategy but your own mind and the beliefs you carry about money, Book 3 was written for exactly that. They were all built to fit together, each one widening the same path.

The last word

So here we are, back where we started, but you are not the same reader who opened to the first page. You came in with a pile of money that was fast asleep. You leave knowing exactly how to wake it up.

The accounts have been sitting there for years, patient, waiting. They will keep waiting as long as you let them. Or you can begin this week, with one small trade on one stock you believe in, and start the quiet, compounding work of turning a lifetime of saving into something that finally pays you back.

You already have the money. Now you know how to put it to work. The only thing left is to begin.

A Final Word of Thanks

First and foremost, thank you. Thank you for investing your valuable time in these pages, and for trusting me to guide you through strategies that can genuinely transform your financial trajectory. I know that many of you are driven by the same core values that define my own work: the pursuit of financial freedom, the security of family, and the ability to strengthen your community. Because we share these principles, your perspective and experience are deeply important to me.

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Thank you for reading. Thank you for implementing. Thank you for building wealth the right way: systematically, patiently, and with the discipline that separates consistent winners from perpetual strugglers.

BONUS: Backtests, Strategies & More

Your journey doesn't end with the last page. To support your ongoing mastery of investing and options trading, I invite you to access an exclusive suite of digital bonus materials. This resource hub is available to readers of all my books and is updated from time to time to ensure you have the most current insights and data at your fingertips.

Within the hub, you will find backtest results, strategy checklists, compounding charts, and additional tools designed to bridge the gap between theory and execution. Simply scan the QR code below to gain access.



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More in the Financial Freedom Books Series

This book is part of the Financial Freedom Books Series, built on a single belief. That ordinary people, of any age, any background, and any income, can reach financial freedom with the right knowledge and a little discipline. Each book stands on its own, and together they build a complete skillset. If this one helped you, here is where to go next.

Book 1. How the Stock Market and Options Trading Can Transform You From Poor to Rich

Timeless Investing Strategies for Beginners to Achieve Financial Freedom

The origin story, and the foundation. This is where the journey begins, my own thirty year climb from a salary-dependent executive who knew nothing about building wealth to a financially independent investor. It is an honest account, including the roughly one hundred and fifty thousand dollars I lost learning what does not work, and it lays the groundwork the whole series is built on. Compounding, the Wheel, cash-secured puts, and covered calls, all explained from the ground up. If you want the basics with the full story behind them, start here.

Book 2. Options Trading A to Z

In-Depth Guide For Beginners to Scale From \$50K to \$500K: Mastering Greeks, IV Timing, LEAPS, Credit Spreads, Poor Man's Covered Calls and Multi-Strategy Portfolios

The deep dive, for when the basics feel easy. Book 2 picks up where the simple covered call and cash-secured put leave off and takes you into the real craft. The Greeks, timing your entries with implied volatility, LEAPS, credit spreads, the Poor Man's Covered Call that

needs far less capital, and how to build a multi-strategy portfolio that scales from fifty thousand dollars toward five hundred thousand. If you finish this book hungry for more tools, this is your next step.

Book 3. Mindset That Shapes Real Financial Freedom

How Breaking 9 Money Myths Creates Peace of Mind Decades Before Retirement

The inner game, and maybe the most important book of the four. Strategy is the easy part. Doing what you already know, month after month, when fear and old habits pull the other way, is the hard part. Book 3 takes apart the nine money myths that quietly keep people stuck and rebuilds the mindset that lets you actually execute. As I say in its pages, the tactics live in the other books. This is the book that makes those tactics work.

Book 4. Cash-Secured Puts and Covered Calls

Sarah's Journey From \$500 to Financial Freedom in Less Than Five Years

The story, and the proof. This is the series at its most human, the journey of one ordinary investor named Sarah who began with five hundred dollars and reached real financial freedom in under five years, told as a story rather than a manual. You follow every step, the early mistakes, the first eighteen dollars of premium, the slow compounding that eventually takes over, as cash-secured puts and covered calls turn a tiny account into a life-changing one. If you learn best by watching the strategy lived out by someone real, this is the one to read.

Book 5. Turn Your Retirement Accounts Into a Paycheck

How Investors 50 and Above Generate Weekly and Monthly Cash Flow From an Idle 401(k), IRA, or Roth IRA by Selling Options

The income engine, and the book you are holding now. Turning the retirement accounts you already own into a steady paycheck, using the shares you already hold.

You can find every book in the series on Amazon. Read them in any order, or read them all. They were written to fit together, each one widening the path to the same destination, your own financial freedom.