

[How I'm Making \\$500 An Hour With Binary Options Trading!](#)

Scott A. T.: Broadcasting from One Dallas Tower. Welcome to the Financial Rock Star Show. I'm your host, Scott Alan Turner. Let me help you get out of bed, save more money and retire early. In studio with me, producer Katie. On the show today, as usual, I'll be answering your questions on money, business and life. If you have a question I can answer on the show, visit GoAskScott.com.

10001000100010011100011000111. That's how computers talk to each other. I have a red alert warning for you. It's football season or maybe it's baseball when you listen to this, hockey, soccer, basketball, pick your favorite sport. Mine is NFL football so I'm going to use that as my example. The Green Bay Packers, they are playing the Dallas Cowboys at some point, maybe not this season. Maybe the Eagles are playing the Cowboys or maybe the Jacksonville Jaguars are playing the cowboys. Heck, let's say my high school football team is playing the Dallas Cowboys. I'm going to bet a hundred bucks that my high school football team wins the game because I think Romo is going to throw another interception in the last 30 seconds of the game.

If my high school football team wins, I'll make seventy bucks plus get my original \$100 back or my principal back. If the Cowboys win, probably not, I lose my \$100. In terms of how the investment works from a money standpoint, something called binary options are quite similar, 10010001110001 binary. Binary means 1 or 0 in computer language, or yes or no. In the case of binary options, it's all or none. Lets say the stock market as measured by the S&P 500, the number you see on the nightly news every day, it starts today in the morning at two thousand points.

You are driving on the way into work, and you hear on the news, "Dow opens at 2,000." Maybe you heard on the news last night Apple is releasing this amazing new product. It's going to allow us to speak to cats. It's called the iMeow. I know with 100% certainty the stock market is going to go up in the next 30 seconds. Stock market opens at 9, Eastern Time. I know at 9:01 or 9:15, 9:30am, the S&P 500, which started at 2,000 points, is going to be higher because of the iMeow. It's going to go to 2,001, 2,050, 2100, forgetting for a second how they figure out the number of points and what points are.

I don't know much, but I know it's going up, because all cats are going to want to be buying the iMeow. I can buy what's called a binary option that lets me speculate, not invest, I'm speculating, gambling really. I can buy a \$100 binary option that says 30 minutes from now, at 9:30, the stock market is going to be up. If, in 30 minutes from now, the stock market is up because the iMeow, I'm going to get \$70. Plus I get to keep my other 100 bucks, so I have \$170, I've made 70. Pretty good return, right? 70% return. If I'm wrong, maybe General Electric declares bankruptcy at 9:05 and they drag the whole market down with them, because General Electric is a big company. The whole market gets dragged down below 2,000 points. In that case, I lose my \$100.

That example, though very rudimentary, is a typical example of what's called a high/low binary option, the most common type of binary option that you can find. On the Internet, there are all sorts of pop-up ads ... Just ads in general touting binary options. Make money fast. Make money from home in just a few seconds. Get a 70% return on your "investment." The name binary comes from 0 or 1, again, yes or no, win or lose. Make it all or lose it all. It's not investing. It's not watching your money grow. It's not watching your money compound. It is making a bet that the stock market, or a particular stock, or a particular mutual index fund, a particular index fund, a particular commodity fund, some type of investment that's out there is going to be higher or lower in a particular period of time, often as little as 60 seconds or up to 24 hours. Usually not much longer than that, and that time period is when you are guessing what the price is going to do. You guess right, you make money. You guess wrong, you lose it all.

This is from the Securities and Exchange Commission, SEC, and this is from 2011: "SEC today warned investors about the potential risks of investing in binary options, and has charged a cyberspace company with selling them illegally to US investors. Binary options are securities in the form of options contracts whose payout depends on whether the underlying asset, for instance a company's stock, increase or decreases in value. In such an all or nothing payout structure, investors betting on a stock price increase face two possible outcomes when the contract expires. They either receive a pre-determined amount of money if the value of the asset increased over the fixed period or no money at all if it decreased."

It goes on. This particular charge was from Banc De Binary, who were selling options to investors across the US without registering the securities as required by federal law. Used YouTube videos, spam emails, other Internet-based advertising. Goes on: ""Investors should be aware of the potential for fraud in this area, as well as the reality that they could lose their entire investment," said Laurie Schock, director of the SEC's office of investor education and advocacy."

Binary options, with them you never own anything. You don't own the mutual fund. You don't own the company's stock. You don't own the underlying asset. If it's gold commodities that you're binary optioning on, you don't own the gold underlying it. Which on one hand is kind of a plus, because it's very liquid. You never have anything to hold or sell. If there's an upside, it is a liquid thing. I'm not going to call it investment because it's not. You also know ahead what the risk and return are. The return is what you'll make, which you know in advance. That early example I gave of the football bet. You can make 70%. Typical range is 65 to 80% if you win, but if you lose, you lose 100%, so you know the spread.

What are the downsides? Given that spread, and I'm not getting into the math behind it, you can go Google that if you want, the house always has the edge. If your upside is only 65 to 85%, but your downside is always 100%, the downside is always greater than the upside. There are only two outcomes. You make a fixed amount, you lose a fixed amount. Losing costs you more than you make on winning. We don't know what the market is going to do a week, a month, a year from now. There is no way to know what it's going to do in the next 60 seconds or the next hour or the next 24 hours, but there's certainly a bunch of people out there trying to sell you stuff to convince that they know how to do it, and that's how they're making their money.

The duration of a binary option, it's pretty short. 60 seconds. 24 hours. Because of that short time period, assets move what is essentially random directions. Random. You can't predict whether they're going to go up or down. The odds are just stacked against you. It's human weakness, our greed, our jealousy, our overconfidence in our ability to think "I've got these charts here, I've read these things, let me beat the system." It is the latest get rich quick scheme. Remember, if something's too good to be true, it's probably too good to be true. When you see these pop-up ads on the Internet, No Investing Knowledge Required, it's not investing. Make Money From Home. Earning Thousands of Dollars in Just a Few Hours. Then they get the fake testimonials, the paid actors saying "Oh." They're standing in front of a Rolls-Royce, talking about how well they did.

No one with any amount of knowledge, infinite knowledge, can consistently predict what a stock commodity, mutual fund, index fund is going to do within that short period of time. 60 seconds, a day, whatever. How do you know if Apple's going to go up in the next 10 minutes? You don't. I don't. The only people that do are a small core of group of Apple executives who know the financials and what they're going to do as a next announcement, and they are barred from making those type of trades, because that's called insider trading. That's why Martha Stewart went to jail. She took action on investments prior to that information being released to the public. It's called insider

trading. While there is a handful of people who have that knowledge, they're not allowed to use it. Everybody else doesn't have the knowledge until it's released, and by the time it's released, it's too late to act upon it, because everybody's already acted upon it.

Final thought: if binary options were a good investment, if they worked, if they made the claims that they claim to make, or they were based in some type of reality, based on the claims that they're making, wouldn't somebody like Warren Buffett be doing it? Greatest academic of our time. Wouldn't the academics, the Nobel Prize winners, the certified financial planners, wouldn't they all be jumping all over it? It's like this is amazing, it's the best thing ever. Let's just get out of the stock market and get out of all our mutual funds. We're going to shift it all over here to binary options right now. Not happening. Never going to happen. Stay away from it.

Kyle asks,

Kyle: "If I were to leave my money in a 401(k) with my former employer and then start a brand new one with a new employer, does this somehow affect the incremental distribution I'm supposed to take starting at age 70 and a half?" In other words, at age 70 and half, will I need to take out twice as much money if I have two 401(k)s? Is it usually best to roll the old 401(k) into the new 401(k)?" Two questions. Let's get into the required minimum distributions first.

Scott A. T.: According to the IRS, how should I take my required minimum distributions? RMDs, going forward. RMDs via multiple accounts. The answer is, if you have more than one IRA, you must calculate the RMD for each IRA separately each year. However, you may aggregate your RMD amounts for all of your IRAs and withdraw the total amount from one IRA or a portion from each of your IRAs. You do not have to take a separate RMD for each IRA. Lot of acronyms there. I'm going to break it down in a second. Then, for employer retirement plans, 401(k), 403(b), you've got more than one of those plans. You calculate and satisfy your RMDs separately for each plan, and withdraw that amount from that plan, and there's exceptions for 403(b)s.

As usual, with all government literature, clear as mud. Let's say you have got several retirement accounts, getting into your question. Can you take the RMD from just one of those? It depends. It depends. If I have, say, a 401(k) and an IRA, two different accounts. I can't take the RMD out of the IRA for what I owe on the 401(k). Can't do that. Same thing vice versa. I can't pull the RMD out of the 401(k) if I've got an IRA sitting over there. The 401(k), 403(b), for each one of those ... Let's pretend you've got two 401(k)s and maybe you've got a 403(b) as well. You have to take the RMDs out of each of those accounts. If you've got two 401(k)s, an RMD is going to come out of one 401(k) and then an RMD's going to come out of a second 401(k). If you've got a 403(b), RMD's going to come out of a third thing as well, the 403(b). There's exceptions. With 403(b)s, you can aggregate those all together. If you have two 403(b)s, three 403(b)s, you can just take an RMD out of one of those after you aggregate them all.

Just on the IRA side, if you've got two, three, four IRAs, you can aggregate them all together and pull the RMD out of just one of those accounts. There is a calculator on investor.gov, link will be in the show notes. You can run through it with your year end balances and see what it comes out at. Getting back to your example, let's pretend you're age 71. You've got two 401(k)s. Each of them have half a million dollars in them, because we like round numbers. Your requirement minimum distribution would be \$18,867 that you could have pulled out of each account. You gotta pull that out in two different spots.

What if you had one 401(k) with a million dollars in it? Same amount. You're age 71. Your required minimum distribution would be \$37,735. The exact same amount. The exact same amount. You're not pulling out twice as

much. The amount is going to be the same, but you're just going to pull it out from different places. If you don't pull out the required minimum distribution, big tax hit. 50% of the required amount is the penalty on that. The penalty, not the tax hit.

Should you roll or not? Most 401(k) plans suck, and you've got few choices in them as far as what you can pick, and they also typically have very high fees. Until you know what your choices are, what the expenses are, I can't say whether you should roll or not. Most of the time, most of the time, most of the time it makes sense to roll to an IRA because you've got the sky as a limit on your choices. You've got much better investment options, much better choices. The downside, people don't think about this, you have less protection against lawsuits and less protection against bankruptcy. IRAs, they're a different beast compared to a 401(k).

Another one of the benefits with the IRA, you have got a no-income year, a low-income year because something happens. You can convert some of that IRA money where you haven't paid taxes, convert it to a Roth IRA and you pay less taxes on it. What should you do? It just depends. Usually the answer's going to be not roll it into a new employer, but put it in a IRA. Are you going to get sued? Are you going to go bankrupt? Probably no, statistically. It's kind of a safe bet. Will you make more money in IRA because of the better choices and lower expenses? Probable yes. Statistically, based on most 401(k) plans, and the limiting choices and expenses in them, so dig into your options, Kyle, first, and see what those numbers look like before you make a decision. Thanks for the question.

Lucas says

Lucas: "I read an article on how to reduce your debt by paying the lowest first." Lowest debt first. "Why is it the lowest and not the highest first? For example, in my case, not including student loans or car loans, credit cards, I've got \$3,000 combined. Phone bill, \$800. A loan for \$1200. I'm in a pickle and no matter how much I pay, it seems either I'm not paying enough or it just keeps getting higher. 23 years old and make about \$400-500 every 2 weeks. Just wondering if you knew of anything I could do to reduce the stress, reduce the debt, or etc. Thanks for taking the time to read this. I really want to build my credit, and my bank told me to get a car loan, and it would increase drastically."

Scott A. T.: When you've got debt or debts, no matter how you got into them, getting out of them is all about behavior. Behavior. Doesn't matter which school of thought that you have chosen to attend. There is the school of thought called the Debt Snowball Method of getting out of debt, and that's paying debts off in the smallest debt to the largest debt that you've got. Say, Sears card for 300 bucks, all the way up to your car loan for 15 grand, whatever it would be. Or, in your case, your phone bill, then your \$1200 loan, and your credit cards finally. You just ignore the interest rates.

Then you've got the other school you may choose to attend called the Debt Avalanche, which is looking at the most expensive debts that you have based on the interest rates, because those are the ones that are costing you more money each month. If you had a car loan at 10% interest, we'll say, and then you had a Sears credit card at 5% interest for \$300, you would pay off the car loan first, even though it would be much quicker to pay off the Sears card. You'd save money by paying off the car loan first. It's got the higher interest rate.

Both of those schools of thought, they're very good schools, got a lot of graduates. Got a lot of dropouts too. Lot of dropouts from both of those schools. Which one is better? The one that is going to work for you. Again, it's the behavior that's going to get you out of debt. If you cannot spend less than you earn, if you don't have that extra

money, if you can't make those extra more than the minimum payments, it doesn't matter which route you go. You're not going to knock out the debt in a reasonable amount of time. You may just live with it for years and years and years.

The school of the Debt Snowball, smallest debt to largest, what they teach and preach is, you've got these small little wins right off the bat. You're paying off a debt within a week or maybe a couple weeks. Yeah, we celebrate. We paid off that debt. It's gone. We're moving on to the next one. Then we take our minimum payments from that first one, and we apply it to the second one, and as we do that over and over and over, month after month, year after year, if you've got that many debts, it's like a snowball rolling down the hill. It gets bigger and bigger and bigger. It gives you little quick wins and impacts your behavior in a positive manner so that you get out of debt quicker than you would if you're just paying minimum payments.

What about Debt Avalanche? The other school over here. That says we're going to ignore the small bills. We're just going after the interest rate because that's going to save us money. When you start plugging these into spreadsheets, you'll see that the Debt Avalanche does save you more money if you go that route, but if you start with this massive loan with the highest interest rate, let's say it happens to be a car loan of 20 grand, it's hard to get momentum going because that's a huge amount of money to pay off. It can take a long time. If you got \$50,000 in student loans, that can take a long time. It's not very motivating. It's hard to change your behavior. It'd be like if you had to lose 250 pounds. You were severely overweight. Hard to modify your behavior, see the light at the end of the tunnel.

If you go back to the episode I did on how to get of debt quickest, it compares the Debt Snowball and the Debt Avalanche in detail with examples, and you can listen to that as a resource in that show as well. You can pick the one that's going to be more motivating and going to change your behavior based on your personality, because one may work better for you compared to the other. Here is what I do know, based on ... Doesn't matter which plan you pick. This works for both of them. You've got to get on a written spending plan, you're going to plan where your money's going before it comes in, figure out where it goes, see if there's any trimming you can do on things that you might be spending on unnecessarily.

23, I'm going to assume you're single. You've got a low income-to-debt ratio. You've got a small shovel. The hole, it's not a huge hole, but it's a hole. Pick up some part time work. 20, 40 hours a week. You're single. I'm sorry. You're 23. I don't know if you're single, but you're young. 20, 40 hours a week for the next 5 to 6 months. Wipe out all those debts. That's it. 5 to 6 months. Is it worth the sacrifice short term? I would do it. You want to be stress free, you got to be debt free. How do you get there? You get there as fast as you can run, and that's why making a short term sacrifice of some of your free time for the long term gains of years of not having these debts over your head. You've got to get some more income.

You will build your credit and your credit score by paying your bills on time. The person at the bank, the person is an idiot, plain and simple. Absolute idiot. You don't tell somebody with a bunch of debt to go take out more debt because it'll improve your credit. They should be fired for being irresponsible and giving out stupid advice. You've already got credit cards and loans. All you gotta do is pay those on time and your credit score is going to come up. You don't need a car loan. Thanks for the question, Lucas.

Quick break to pay the bills. You're listening to Scott Alan Turner.

Hey nation, Scott Alan Turner here. For those are you that are my longtime listeners, you know I'm not one of

those guys on the radio who promotes every product that shows up on their desk. You're never going to hear me trying to get you to buy a Fender amplifier because only Marshalls go up to 11, or recommending you buy endorsed legal services from Dewey, Cheatem & Howe. No, I have a name to uphold to you, my wonderful listeners. If I were to recommend something to you, I would tell you about gold.

Golden honey, that is, from the Bad Bee Honey Company. 100% raw, natural, unfiltered Texas wildflower honey, harvested from only the finest Italian bees. Maybe the Russian, I don't recall. You can't buy it in stores. You can only win Bad Bee Honey by being in the Rock Star Nation, which you are, because you're listening to me right now. Bad Bee Honey. It's stickier than the rest.

We've got a Red Alert Warning. New scam going around. I got this letter from my home security company the other day in the mail. This is kind of scary stuff. Says, "With your protection in mind, we are alerting you to some unscrupulous door to door sales tactics happening in your area. In these sales scams, people claiming to be with ..." And they name their security company. "Knock on your door and attempt to gain access to your home and security system by telling you they need to inspect your system or change the batteries, or offer you an upgrade or other incentive. These people may even wear apparel with our name or logo. Some may claim they are with the manufacturer of your security equipment. They'll lie to get you to sign a new contract with their company or replace your equipment. Before you know it, you've been scammed."

Letter continues, "Unless you have a scheduled appointment with one of our sales reps, we urge you to ask for identification for anyone claiming they are with our company. A legitimate representative will be glad to show proper credentials. If you encounter suspicious activity, here are some other tips: ask for ID. This company states we will never show up unannounced for installation or service, including equipment upgrades. Never give away your personal or financial information without validating the salesperson from the company they say they're with. Some impostors may even wear clothing with the security name or logo on it. Even so, be sure to ask for ID. Our sales people are happy to verify who they are, and do not sign any contracts presented to you. If you're offered a better deal contract, we will match or beat the offer."

That's from my security company. That could be with any type of service that you use around your house. Could be electricity, gas, probably not water. Usually limited on your choices for water. Security system, what else? Internet. Door to door sales people, be careful out there, and spread the word too. Family, friends, aging parents especially. You get a family member who's a little too trustworthy for somebody comes knocking on the door, saying they're with a stated company and they happen not to be. Easy to get scammed out of money.

Brian from Pittsburgh, Pennsylvania asks:

Brian: "What's a reasonable amount to spend on groceries each month for a family of three, one baby and two adults? While we try to stick to \$500 to 7 dollars a month on groceries, we often go over. Restaurants are their own category and are not included in our grocery budget. Feels like this is the largest single item in our budget, and the only item in which we have to re-evaluate halfway through the month and redo our numbers. In a few searches online, it seems that some families of four might be able to get their bill down to below \$250 a month. This seems crazy. Are these people eating dirt and sawdust?" Mmm ... Sawdust.

Scott A. T.: Let's take a look at what these people might be doing to get that number down to \$250. I did some Google searching as well, but I couldn't find anything online where people are actually giving specific spreadsheets of every item they bought over the course of the month to prove or show how they're doing \$250 a month. Not prove.

They're probably being honest, but what are they spending the money on? First thing, I can almost guarantee that they are carving out toiletries, household items, hair care, and putting that into a separate category. The groceries is the food. It's the produce. It's what's going in our mouths.

We don't do that in our household, and here's why. Because if I have my toiletries, my personal care stuff, and I run out of money in that category, what am I going to do? Am I not going to brush my teeth if I'm out of toothpaste? Am I not going to wash my care? I don't do that. I just roll it into groceries, which is going to pump up the grocery bill or budget. In our house, it's going to be way higher than \$250. Then, if I'm starting to run out of money, I'm going to trim the food that we're eating. I'm going to go from not buying the fish to having a pasta dish, but I'm still going to go out and buy my toothpaste. Or maybe we have breakfast for dinner. That's a cheap meal.

Couple of other things these people are probably doing, and this is generally good ideas anyway to reduce your grocery budget. Not buying store brands. Store brands are typically more expensive than the generics. Shopping around, that's a big thing. Not being committed to a single grocery store. We got to Walmart, we go to Costco, and I have to get my ice cream at Kroger, because Walmart doesn't have Ben & Jerry's Phish Food. Planning is huge if you want to stay under budget. Planning once a week, beginning of the week, what are we going to eat every meal this week? Get it planned in advance. We know what we're going to eat, when we're going to eat it, what we need to buy, and then we get that list ready so that when you do go to the store, you buy only what's on the list, and you do get tempted to buy all this other stuff, which will certainly have usually a negative impact on the budget.

Reducing the proteins in your diet and eating habits. That's something people do to get that bill down. Not eating lean ground beef for whatever it costs. \$7 a pound or whatever it is now. We're going for cheap cuts of chicken or whatever, or having a pasta dish or a rice dish, or something that doesn't have an expensive piece of fish. Or just reducing the quantity of proteins you have. Proteins are generally more expensive, so if you can take a piece of chicken and cut it in half and get two meals out of it instead of one, you're saving money.

Cooking from scratch is certainly a huge one. It is a huge one. It is for us, and it doesn't have to be tough. You don't have to cook everything from scratch. You can cook a few things from scratch, or a few easy things from scratch. I can buy a bag of bulk oatmeal for five bucks. Cinnamon, \$1.50, and a container of raisins for \$3. I will eat that for breakfast 7 days a week. Kids get it 3 to 4 times a week because you give them a little variety because they're kids, so they get used to other stuff. I will eat oatmeal two times a day. If I were eating cereal from a box, I can eat a \$4 box of cereal in three days by myself, because I love cereal. That's \$8 compared to \$40 worth of cereal, just by throwing ingredients into my rice cooker, which takes 30 seconds making my own oatmeal.

That's just one thing. Bulk grains, bulk carbs, they are super cheap. Rice, beans, quinoa, oats, granola. If you like any of that stuff, even granola, you can get snacks in bulk for cereal. Not at Walmart. Not the pre-packaged stuff. You have to go to one of these specialty shops, the fresh stores, the whole foods stores where you can buy some of this stuff in bulk. Not Whole Paycheck, but maybe some of the fancier supermarkets. Another one is Aldi. Aldi. If there's an Aldi near you, there's a lot Aldis in the States now. Typically, from what I've read, and we used to have one of these in Atlanta. We would go there. No choices. You get one type of peanut butter, but the prices for what you buy at Aldi, 25% less than what you can get at, say, Walmart. I haven't been to Aldi in a number of years, since we were back in Atlanta. I know there's one pretty close by to us. I'm going to make a note to check that out.

What else? Making your own bread. Making your own bread. Bread, it's expensive for a loaf of bread. You make

you own, it's pennies for flour, sugar, yeast, whatever goes in it. All comes down to planning. Plan your meals once a week. Plan your groceries. Make your list before you go, and stick to the plan. Don't shop when you're hungry. That is a killer.

You should be able to make this work by going to the grocery store once a week, maybe twice. Is 250 realistic? Only if you carve out your non-food items from your budget, cook a lot from scratch, eat a lot of cheap carbs instead of your proteins. Fats too. Fats are a good options. They're filling. Fats are filling. Remember that. Butter, olive oil, nuts, peanut butter, eggs. Scratch the alcohol. scratch the soft drinks. Scratch the juices. Those are all budget busters, especially something pricey like orange juice. Buy what's in season. That'll help trim your bill. You have to eat the cheap fruits. Banana, always cheap. Pineapple, always expensive. Pineapple's 4 bucks apiece. Banana's 80 cents for a half dozen.

Then finally, just looking at your grocery receipt when you get home and being like, "Whoa, \$140? What the heck did we buy here? I've only got three bags in my hand," and just start keeping track, analyzing it after the fact, and that'll help you make more conscious spending decisions the next time around. Thanks, Brian, for the question.

Shout out to Colleen, Oklahoma City. Thanks for listening, and Evan in Colorado. Thank you so much for listening. Brian M. had the following to say about Powerball: "It amazes me how much time, money, energy, and resources we spend on lottery tickets, but refuse to put in a couple hours a day or a couple hundred bucks to guarantee our success. You cannot afford to gamble with your relationships. You cannot afford to gamble with your wealth. You cannot afford to gamble with your health. You cannot afford to gamble with your success. That said, there's a price for success. Big vision, massive execution, and relentless work. Now go take what's yours."

Those are the words. That's it for this episode. I'm your host, Scott Alan Turner. Rock star Katie is my producer. I would like to mention to end the show, read all the show notes on ScottAlanTurner.com. If you have a question you would like answered on the show, visit GoAskScott.com. Thanks for listening.