Time decay is the buyer's carry

> **DECAY AS CARRY**
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> The option buyer's standing cost, priced: time value decays every day the position is held, so a long option carries a running cost like the futures roll or crypto's funding - except it accelerates toward expiry. A bought option is not just paying the spread and commission once; it is bleeding time value continuously, and pricing that carry is essential because a slow-moving correct view can lose entirely to it.

The other tracks priced standing costs - the futures roll, crypto's funding. The option buyer's standing cost is time decay, and this lesson prices it as the carry it is: a continuous bleed that accelerates, and the reason a bought option is a race.

Decay as a running cost

Continuous: a long option loses time value every day, whether the underlying moves or not - the standing cost of holding possibility, running against the buyer daily like the roll ran against the futures holder.Accelerating: unlike the roll's steady rate, decay speeds up toward expiry (module 1), so the carry is cheap when expiry is distant and dear in the final weeks - a standing cost that worsens as it runs.The seller's income: the mirror - a short option collects the decay, earning the carry the buyer pays, which is the entire logic of premium-selling and the reason module 4 examines the seller's side so carefully.

Pricing the carry into a view

A bought option's true cost is the entry frictions plus the decay it will bleed over the holding period - and the decay can dwarf the spread and commission for a position held more than briefly. A view that will take weeks to play out pays weeks of accelerating decay, so the honest cost of a slow directional view expressed through options is large, and often larger than the view's edge. This is why buying long-dated options to 'give the view time' has its own cost: more time is more decay, paid for in a higher premium and bled continuously. The carry must be priced into the view, because a correct-but-slow view loses to it.

The carry and the instrument choice

Decay-as-carry reframes when options are an expensive way to express a view: a directional view with no timing precision pays heavy decay through options, where the underlying itself (the equities track's cash position) carries no such cost - so the option's leverage and limited risk are bought with a carry the share position does not pay. The honest comparison, which module 6 makes fully, is the option's carry against its advantages: sometimes the limited risk and leverage are worth the decay, often they are not, and a view that could be expressed in the underlying without paying decay frequently should be. The buyer's carry is the cost that makes this comparison necessary.

Check your understanding

1. How is time decay like the futures roll or crypto funding?

a. It is charged by the broker

b. It is a standing cost of holding: a long option bleeds time value every day whether the underlying moves or not - except decay accelerates toward expiry, unlike the roll's steady rate

c. It is paid only at expiry

Answer: b. The option buyer's carry, running daily and accelerating. A slow-moving correct view can lose entirely to it - which is why the carry must be priced into the view.

2. What does decay-as-carry reframe?

a. The choice of broker

b. When options are an expensive way to express a view: a directional view with no timing precision pays heavy decay, where the underlying itself carries none - the comparison module 6 makes fully

c. The strike selection

Answer: b. The option's leverage and limited risk are bought with a carry the share position does not pay. A view expressible in the underlying without decay frequently should be.