

January 2015 - Detailed Financial Report #1

Last week I announced after I created the new [Financial Stats](#) page that I would also be publishing a detailed financial report on a monthly basis. In these monthly reports the plan is to give you all a month over month update on Gross Income, Assets, Liabilities, Net Worth. There is also a detailed break-down on Expenses, Investment Contributions, and progress towards my [mortgage pay down goal](#).

One more note before we get into the financial report for January. I just want to point out that I am publishing this report at 8:22 am on 1/31/15, and as you can imagine we could spend a few more dollars today. However, I was so excited and anxious to get my first report out that I decided not to wait. Today's activity will not make a material difference.

Summary of January 2015

Gross Income	JOB	Side Biz	Rental Income	Total
January-2015	\$ 21,112	\$ 2,322	\$ 1,650	\$ 25,083
Previous Month	\$ 11,823	\$ 354	\$ 1,650	\$ 13,827
Change vs. Last Month	↑ 9,288	↑ 1,967	→ -	↑ 11,256
% Change	↑ 78.6%	↑ 555.4%	→ 0.0%	↑ 81.4%

Assets	Pre-Tax Investments	Liquid Cash	Real Estate	Total
January-2015	\$ 95,402	\$ 42,090	\$ 573,022	\$ 710,514
Previous Month	\$ 87,074	\$ 40,498	\$ 571,000	\$ 698,572
Change vs. Last Month	↑ 8,329	↑ 1,592	↑ 2,022	↑ 11,943
% Change	↑ 9.6%	↑ 3.9%	↑ 0.4%	↑ 1.7%

Liabilities	Condo Mortgage	House Mortgage	Other	Total
January-2015	\$ (165,804)	\$ (349,569)	\$ -	\$ (515,373)
Previous Month	\$ (166,293)	\$ (350,914)	\$ -	\$ (517,208)
Change vs. Last Month	↓ (489)	↓ (1,345)	→ -	↓ (1,835)
% Change	↑ 0.3%	↑ 0.4%	→ 0.0%	↑ 0.4%

Net Worth	Assets - Liabilities
January-2015	\$ 195,141
Previous Month	\$ 181,364
Change vs. Last Month	↑ 13,777
% Change	↑ 7.6%

Goal: Pay off Mortgage on Primary Residence by January 31, 2022

1.5% Paid Off

We set a goal to pay off the mortgage on our house before we were 35 years old. The original mortgage was for \$355,000 and we started the goal on January 1st, 2015.

Note: Above chart was updated on 4/1/15 due to a formula error on the month over

month change. Thanks goes out to Wisdom Junkie for pointing it out to me in order to fix it. Need you guys to keep my honest ☐

What went down in January

The first thing I would point out is that the gross income for the month is a bit misleading. I would be very foolish to think my income was going to continue at this rate throughout the rest of the year. However, I will take a few seconds to enjoy a record month for income. The reality is that my income will actually not only fall from January, it will likely fall by about \$30,000 to \$40,000 vs. what was realized in 2014 (\$214,000).

So let's take a look under the hood to see what is driving the huge \$11,254 (or 45% increase) in income vs. last month.

1. I get paid bi-weekly and January happens to be one of the two months in the year that has 3 pay periods. This accounts for **an extra \$3,500 in income for the month**. This will not be realized next month.
2. January is review time at my company. And during my review I found out that I was receiving a raise of \$5,000/year and an additional \$5,000 in bonus. **This accounts for another \$5,600 of the increase vs. last month.**
3. And the last piece of **income that I won't be able to count on next month is about \$2,150 in business income**. This was income for a client that I was managing online marketing and analytics for. I invoice them quarterly, so this was the 4th quarter payment for 2014. Unfortunately this contract expires this month and I will receive my last payment from this client in February.

A quick history lesson on my side business and why I am choosing not to renew any contracts. In December of 2013 I decided to start a business in the online marketing and analytics space. It was a project that would allow me to get to earn and learn at the same time. The ultimate goal was to prove to myself that it could be done and prepare myself for this blog. I ended up acquiring 3 clients and earning about \$18,000 for 2014. Although the extra income was nice, it was really a means to an end. And I had to face the reality that I only have the same 24 hours in the day as everybody else. So in order to give this blog a real chance, I made the decision to let all contracts expire without an option for renewal. Needless to say my clients were bummed, since we had made some really nice gains last year. In fact I helped grow one e-commerce sites revenue by \$60,000 or 30%.

I honestly think that with enough time, effort, consistency, and valuable content, this blog will far out-earn this side business. Five years from now I will look back on this decision with no regrets regardless of the outcome. I wake up so excited at the prospects of helping other on their own journey to financial independence.

Now where did all that money go?

Home Mortgage \$3,015 the normal payment is \$2,215/month, however as a part of our 7-year mortgage pay off plan we started adding an extra \$800/month towards principle

Condo Mortgage & HOA \$1,138 This is the payment on our rental condo that is just 10 miles from our house. We currently rent this place out for \$1,350/month, so we have a small, but nice, positive cash flow of \$117/month after our \$95/month property management fee

Note: Both mortgage payments are inclusive of property taxes.

Food & Dining \$1,130 This amount accounts for both the money we spend at the grocery store and eating out. In the month of January we spent \$500 on groceries and \$630 on eating out restaurants. This is an expense that tends to get a little out of control for us. Last year we spent \$14,000 on eating out, or almost \$1,200/month on average. The goal for 2015 is to keep this combined expense below \$1,200/month.

Shopping & Other \$907 We did spend about \$300 to buy supplies to pain the interior of our 3,300 sq ft house as well as paint to put a chalkboard up in our workout room in our garage. This is one of those areas like dining that can have a tendency to cause financial leakage. Will be looking much closer at this in future reports.

Travel & Hotel \$722 This past weekend my wife and I spent the weekend in Vegas at the Wynn hotel. This was our Christmas present to each other. This will not be a recurring expense.

Deposit Reimbursement \$500 We gave our friend who is renting a bedroom in our house his deposit back to go towards buying his motorcycle, see below. This is not included in the \$3,100 that we loaned him

Auto and Transport \$438 This includes fuel, car insurance on two cars, and toll roads

Medical & Dental \$452 My wife had to get her remaining wisdom teeth pulled. It is what it is

Bills & Utilities \$409 This includes our monthly utilities like gas, electric, water, internet, and our cell phones

Health & Fitness \$315 This is for [Shakeology](#), which is a daily shake we take as a part of our fitness plan. We also order a recovery drink. Between the two of us, it runs us about \$165/month. Also in here is money spent on a 90 minute massage and some workout classes that my wife bought on Groupon. Typically this should only run about \$165/month).

Business Services \$154 This is for some expenses related to my ending side business.

Total Expenses \$9,180

In going through these expenses, I think there is plenty of room to cut expenses by about \$1,300 next month, just based on a few of the one-off expenses (Vegas Trip, Deposit Reimbursement, Business Services). I also think there is some room in both the food & dining category as well as the shopping category. Another \$500 or so would be my guess. So next month I will be targeting around \$7,500 before previously committed expenses for work around the house. We are having cabinets built and installed in the garage as well as a few other small additions. When all is said and done we will likely be spending about \$4,500. So the real number will be closer to \$12,000 (Yikes!!!).

What were Investments and Contributions?

I currently work for an employer that offers a 401K with matching. For years now I have taken advantage of maxing out my 401K (2014 max was \$17,500, and this increases to \$18,000 in 2015) for both the tax benefit and company match. This works out to be about 16% of my income off the top before I ever even see my paycheck. My wife happens to work in her family business and unfortunately they are not able to offer any retirement plan, let alone matching. So starting in 2014 we opened up an IRA for her that we plan to contribute the max \$5,500 every year

from here on out. I also have an IRA from 401K rollover from a previous employer. I personally wish I could have all my retirement in my TD Ameritrade IRA account because of the unlimited investment options and the ability to invest in many different asset classes including options. Additionally, late last year I opened up a SEP IRA to have the flexibility to contribute even more money pre-tax (income from my business activities). The SEP IRA has a contribution limit of \$55,000/year in addition to my normal \$18,000 as an employee in 2015. I don't currently have anything in this account yet, I just wanted to have it set up. I have several other investment account with no activity this month that we will talk about in future posts.

Now let's take a look at what activity went down this month:

1. **Contributed lump sum of \$5,500** to the wifey's IRA for the 2014 tax year. Side note, you have until the tax deadline in 2015 to make contributions for 2014. This gives us a nice tax savings and a nice boost to my wife's IRA account.
2. **Contributed about \$2,540** into my 401K. This is larger than what I anticipate to be the normal monthly contribution. The normal contribution depending on what % of my income I allocate to contributions. It will average 16% for the year, but I do play around with the percentage occasionally depending on anticipated expenditures or what not. For example, last year when we were in the process of buying our current house, I actually took my contributions down to 0% for about 4-5 months until we closed escrow. This left me with a lot of catching up to do in the back half of the year to still max it out. Needless to say I found myself increasing my contribution to something like 40% during the last 3 months of the year to ensure I would max out.
3. **Made a personal loan of \$3,100** to a friend. I will probably write about this in the near future. I typically would advise against doing this, but my wife and I felt compelled to help our friend out. The short story is that he travels a lot for work and rents a room out from us. He actually has a place in Baltimore, so when he is here is has to rent a car. This was putting him back almost \$500-\$600/month, so he decided to by a motorcycle and will have us paid back in 4-6 months. He is an honest guy and makes good money, so we are not concerned that we won't get paid back in a timely manner.
4. **Increases Savings \$1,592** in our regular savings account.

Total Investments & Contributions \$12,732

Summing it all up against the Gross Income

You know Benjamin Franklin famously said “that everything has a place and that everything should be put in its place.” With that let’s summarize where the Total Gross Income for the month of January went.

Gross Income \$25,083

(Less) **Expenses \$9,180**

(Less) **Investments & Contributions \$12,732**

Sub-Total \$3,171

(less) **Taxes \$3,171** (taxes seem low for several reasons. Contributions to pre-tax accounts, increased withholding on W-4, and 1099 and rental income with no taxes withheld...YET!!!)

Total = ZERO (all income accounted for)

Everything is accounted for (phew!). That took about 1800 words to break down for you. I promise we are almost done. First I want to point out that taxes and benefits are going to be different for everyone and I will not spend much time detailing those here. I will also point out that I play with my deductions on my w-4. January is a perfect example where I have set my exemptions to 10. I try to align income and expenses throughout the year while also balancing my tax liability. It is an iterative calculation that I do frequently, and since our tax situation will likely be very different I don’t see any value detailing this portion of my financial life here on the blog (at least not at this time).

Net Worth and Mortgage Pay Down Update

And now for the final piece of what has become a pretty lengthy and detailed report. As anyb0dy likely reading this blog knows, the ultimate goal is to reach financial independence. And one thing I have learned over the years is that your Net Worth plays a huge role in your ability to be financially independent. Because unless you have some sort of guaranteed annuity or income stream, you will need assets that can produce income for you. Although I have a very respectable income, I am still a slave to the man. Without my JOB I could not go more than a few years

without working for a paycheck to pay the bills.

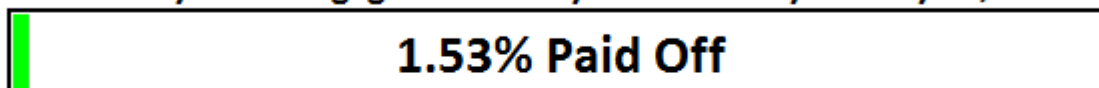
My ultimate goal is to build up a Net Worth of \$10M returning 6% a year or \$50,000/month in income. Ideally I would like to be able to be financially free by my 48th birthday, which is 20 years from now. This is not to say that I will stop working, but I would have the option to do whatever I wanted to for the rest of my life. Now that is a pretty powerful place to be. So with that in mind last week I worked like a mad man to pull together my numbers so that I could start tracking my progress towards the march to \$10M, which as you will see I am still very far away from. Not anywhere close to a 7 figure net worth yet. However it is growing at a very respectable rate.

January Net Worth \$195,141 (This represents a \$13, 771 or 7.1% increase since last month, I am very pleased with that)

One of the other big goals that I announced on the blog last week was the [strategy to pay off my mortgage in 7 years](#) (before I am 35). When you break it down and follow the 3 simple rules it's not as hard as it sounds. We bought our house in February of 2014 and then refinanced it into a 5/5 ARM in September to remove PMI and free up cash-flow to put towards the principal. Sometime later this year we may even consider refinancing one more time into a 5/1 ARM where we could save another 1.5%, which only expedites our time frame to be mortgage free on our house.

Year 1 of the plan has us adding an additional \$800/month to our payment. And as you can see from the summary above we were able to reduce our principal by \$1,345 in the month of January.

Goal: Pay off Mortgage on Primary Residence by January 31, 2022



We set a goal to pay off the mortgage on our house before we were 35 years old. The original mortgage was for \$355,000 and we started the goal on January 1st, 2015.

The above progress chart shows how much of our goal we have completed. So obviously when we completely pay off the mortgage this will be filled with a solid green bar and read 100% Paid Off. That will be a day to celebrate for sure.

The End

Well there you have the first Financial Report and a look behind the curtain. This was actually really fun to put together for both me and my readers. In all honesty I have never dove this deep into my finances. I am fired up to continue making solid progress so I can report back to you guys. I hope these are inspiring posts and move you to action. There is a famous Jim Rohn quote that I think everyone should keep top of mind and it goes like so:

“If you don’t plan your future, somebody else will. And you know what they have planned for you? NOT MUCH!”

You have to be intentional with your finances if you ever want a fighting chance to make it to financial independence. And I hope that as you read this posts and the many others that I share with you that you realize that it is not nearly as hard as they make it out to be in the financial media. It also doesn’t and shouldn’t take 40-50 years in the workforce before you have the option to retire. I personally thing that 20-25 years is really all you need, and for the folks that are more aggressive or very high earners you can probably reach financial independence in 10 years (but that will be a post for another day). We will just take one day at a time.

Please let me know what you think in the comments below. Is there anything you would like me to add to the report? Anything I should elaborate on? How can I write this in a way that will help you the reader? Also, if you have a blog, I encourage you to write a monthly financial report and come back here and share the link. I would love to be part of your support and accountability group.

Cheers!

- Gen Y Finance Guy

PS: Here are my favorite ways to track this stuff:

- The “Financial Stats” spreadsheet – a simple Excel template I created to provide the tables and charts you see in this post as well as on the [Financial Stats Page](#). If you would like a copy of this spreadsheet, sign up for my email list and email me at mrgenyfinanceguy@gmail.com and I will send you a copy.
- [Mint.com](#) (free) – Mint is great for setting up budgets and automating the tracking of your actual spending habits vs. the budgets you set.
- [PersonalCapital.com](#) (free) – This is like Mint, but is geared towards investments and net worth tracking.

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Gen Y Finance Guy

Hey, I'm Dom - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)

