

# Everyone Has a Number - Mine is \$10M. What's Yours?

“Most people fail in life not because they aim too high and miss, but because they aim too low and hit.”— Les Brown

Many of you reading this found me through my guest posts over at [Financial Samurai](#) and [1500 days](#). Ever since those posts went live, I have been getting a lot of questions about my \$10,000,000 net worth goal. Some people think I am nuts and question if I really need that much money. But even more than that, they want to know how I plan to get there by the time I am 48.

I have a tendency to set goals and then work backwards, or “reverse engineer.” When I set that goal I had no idea how I was going to get there other than through pure ambition and determination, and of course substantial increases in my income in order to fund enough investments to ultimately achieve that gargantuan number. One of the reasons this blog was born was to serve as a source of accountability to myself on the way to achieving my goals. A lot of pressure and motivation comes from publicly announcing goals and tracking progress online, hanging out in “public” for all to see. This is especially true in a socially “taboo” arena such as personal finances.

(It always surprises me how uncomfortable people are when talking about finances. Yet they feel comfortable airing and unloading so many other kinds of dirty laundry.)

So after putting this post off for a while so that I could think about how I would reach my goal of \$10M, I finally sat down and started crunching the numbers in Excel.

## What do the numbers look like on the road to \$10M?

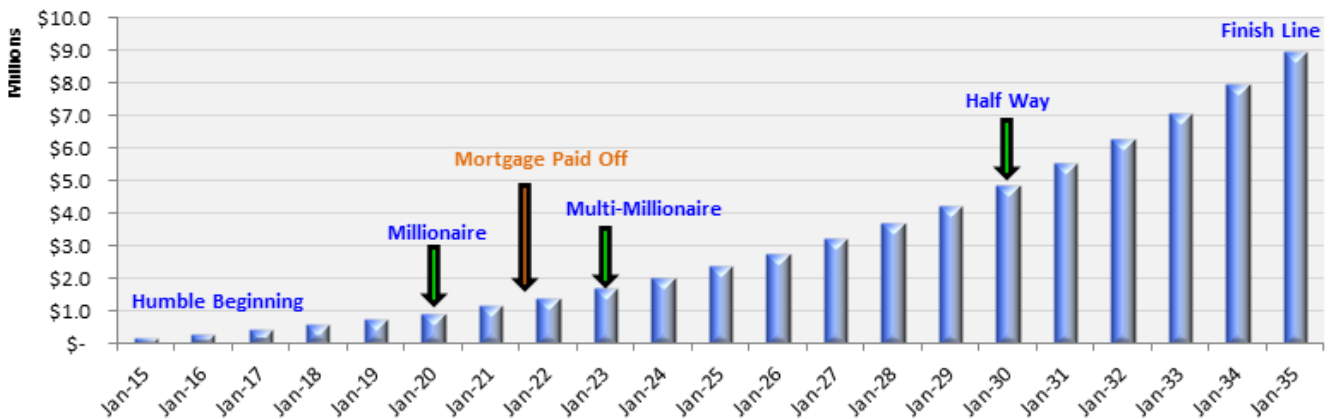
There is an old adage that says “a picture is worth a thousand words.” Below is a picture of the number crunching that I did in my handy-dandy Excel spreadsheet. Excel is probably my favorite tool in the entire world with the exception of the

internet. For me, the table and the chart below says it all. I clearly see the milestones I have to hit if I want a chance at achieving my goal of \$10M. But since you don't live in my head like I do, I probably need to expand on my assumptions and give a bit more narrative of how exactly I plan to get there.

Annual Income Increase	\$ 20,000
Savings Rate	50%
Annual Rate of Return	8.8%

Check Point	Age	Income	Contributions	Net Worth		YoY % Growth	
				Start	End		
Jan-15	28	178,800	89,400	195,141	301,688	54.6%	Humble Beginning
Jan-16	29	198,800	99,400	301,688	427,597	41.7%	
Jan-17	30	218,800	109,400	427,597	574,570	34.4%	
Jan-18	31	238,800	119,400	574,570	744,457	29.6%	
Jan-19	32	258,800	129,400	744,457	939,272	26.2%	
Jan-20	33	278,800	139,400	939,272	1,161,205	23.6%	Millionaire
Jan-21	34	298,800	149,400	1,161,205	1,412,639	21.7%	
Jan-22	35	318,800	159,400	1,412,639	1,696,166	20.1%	
Jan-23	36	338,800	169,400	1,696,166	2,014,607	18.8%	Multi-Millionaire
Jan-24	37	358,800	179,400	2,014,607	2,371,029	17.7%	
Jan-25	38	378,800	189,400	2,371,029	2,768,769	16.8%	
Jan-26	39	398,800	199,400	2,768,769	3,211,458	16.0%	
Jan-27	40	418,800	209,400	3,211,458	3,703,047	15.3%	
Jan-28	41	438,800	219,400	3,703,047	4,247,830	14.7%	
Jan-29	42	458,800	229,400	4,247,830	4,850,484	14.2%	
Jan-30	43	478,800	239,400	4,850,484	5,516,092	13.7%	Half Way
Jan-31	44	498,800	249,400	5,516,092	6,250,186	13.3%	
Jan-32	45	518,800	259,400	6,250,186	7,058,785	12.9%	
Jan-33	46	538,800	269,400	7,058,785	7,948,435	12.6%	
Jan-34	47	558,800	279,400	7,948,435	8,926,257	12.3%	
Jan-35	48	578,800	289,400	8,926,257	10,000,000	12.0%	Finish Line
<b>Totals</b>		<b>7,954,800</b>	<b>3,977,400</b>		<b>10,000,000</b>		

Net Worth: Journey to \$10M



Let's break down the Assumptions

After I explain the components and the plan I have in order to achieve \$10M in net worth, we will get to the income side of the equation (\$50,000/month). First things first: is my plan aggressive or conservative? In all honesty, I think it is conservative on the income side of the equation but aggressive on the assumption of an annualized rate of return of 8.8%. Taking those facts into consideration, I would tend to believe that my plan lies somewhere in the middle and lands at moderate. Only time will tell. What is great about putting a plan like this together is that it gives me milestones to hit along the way, and check both my assumptions and stretches.

OK, let's dive into the meat and potatoes of the assumptions of this plan and figure out how it all comes together to total \$10M.

**Starting Net Worth:** As of my [January financial report](#), you can see that my starting net worth is **\$195K**. I only recently started tracking this but will update this number on a monthly basis via my detailed financial reports. I have created a dedicated [Financial Stats](#) page that will summarize my progress and it will provide links to all of my detailed monthly reports. I think it's important to point out that I'm starting from very humble beginnings. I will say this though, **it doesn't really matter where you start as long as you get started!**

**Net Worth Growth Assumption:** I have factored in a growth rate of 8.8% which I mentioned above may be a bit aggressive. The stock market has returned around 8% historically and the real estate market around 5% (in California). Although this may be aggressive, I think it is offset by my conservative approach on my income assumption.

**Income:** This assumption represents total household income (for both Mrs. GYFG and myself). If you look on my [financial stats page](#) you may have noticed that in 2014 we brought in \$214K, yet **I am forecasting only \$178K for 2015**. This largely has to do with a 2014 windfall of about \$20K and income from my side business of \$18K that we don't expect in 2015. These two items not carrying into 2015 explains the drop in income.

**Income Growth Assumption:** In my model, I have assumed an **annual increase of \$20,000/year starting in 2016**. Now keep in mind that the income is actually a combined figure for both my wife and myself. Additionally, the income increase can and will come from various sources including jobs, rentals, online business, and other cash flowing investments in post-tax accounts. This may seem very

aggressive, but we are both in the sweet part of our careers, and the upside is looking really good. I alone have averaged increases of \$12,000/year and based on my career path, don't see that stopping or decreasing anytime soon.

If anything, that number is likely to increase over the next five years. Additionally, my wife made a strategic decision to take a pay cut of almost \$25,000 to join her parent's family escrow business two years ago (2013). She did this knowing that if she put in the time and the work her upside was much larger than at her old corporate job. In the coming year, we anticipate her income jumping substantially. There is also a ton of upside in the online business piece of the equation that could blow this current assumption out of the water by 2-3X. So I think this assumption over the next 5-7 years is conservative.

**Savings Rate:** A very large part of this 20-year plan to \$10M is heavily reliant on an after-tax savings rate of 50%. If you would like to see the formula I will be using, please visit [Mr. Money's Mustache's post here](#). He details it very well and I would rather let him lay it out for you, since that's where I got it. You will notice that based on the formula Mr. Money Mustache presents, that my savings rate will be calculated on after-tax income (I do deviate slightly by including healthcare insurance expenses as a tax, as they are required by law).

### **What will the asset mix of the \$10M look like?**

Great question. As many of you know from reading my posts on paying down my mortgage in seven years [here](#) and [here](#), a large chunk of my net worth will be tied up in my primary residence. I factor in 20 years of compounding for the value of my home at a 5% rate of value appreciation. Pretty conservative for where I live. Also, from the table above you can see that almost 40% of the net worth comes from savings alone. But let's break it down.

As I write this, I see the \$10M net worth being comprised of 5 major categories:

1. Real Estate
2. Business
3. Stocks
4. Peer to Peer Lending
5. Cash and Equivalents (things like CDs and money market accounts)

Over time, as my net worth grows, I realize that there will likely be new doors that

open up that are typically only open to accredited investors and high net worth individuals. But we will cross that bridge when we get there. For now, this is where I see the mix.

Before I can give you percentages, let's work backwards...

### **Real Estate Valuation**

We currently own our primary residence as well as one investment property. In my model, I assume a 5% annual growth rate of these over that 20 year period. Also based on the [accelerated mortgage pay down strategy](#) on our primary residence, we will have this completely paid off in seven years instead of the 30 year term. We are also ten years into a 30-year mortgage on our investment condo and will have this paid in full by the time we turn 48. We have no current plans of paying it off early.

*Update: we actually sold our condo as of October 2017!*

**Real Estate**

Growth Rate	5%
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Age	Primary Residence	Investment Condo	Total
28	381,599	191,000	572,599
29	400,679	200,550	601,229
30	420,713	210,578	631,290
31	441,749	221,106	662,855
32	463,836	232,162	695,998
33	487,028	243,770	730,798
34	511,379	255,958	767,337
35	536,948	268,756	805,704
36	563,796	282,194	845,990
37	591,985	296,304	888,289
38	621,585	311,119	932,703
39	652,664	326,675	979,339
40	685,297	343,009	1,028,306
41	719,562	360,159	1,079,721
42	755,540	378,167	1,133,707
43	793,317	397,075	1,190,392
44	832,983	416,929	1,249,912
45	874,632	437,775	1,312,407
46	918,363	459,664	1,378,028
47	964,282	482,647	1,446,929
48	1,012,496	506,780	1,519,276
<b>Total</b>	<b>1,012,496</b>	<b>506,780</b>	<b>1,519,276</b>

Our current holdings bring us to a net worth valuation of about \$1.5M. We do have plans to add another investment property sometime in the next 6-12 months. We will assume a \$300K purchase price while financing 80% of that (or \$240K). Let's also assume a 4.5% interest rate and that by the time we are 48, we are 19 years into the loan. This would leave us with a mortgage balance of approximately \$125K.

## Real Estate

Growth Rate	5%
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Age	Primary Residence	Investment Condo	Future Investment	Total
28	381,599	191,000	-	572,627
29	400,679	200,550	300,000	901,258
30	420,713	210,578	315,000	946,320
31	441,749	221,106	330,750	993,636
32	463,836	232,162	347,288	1,043,317
33	487,028	243,770	364,652	1,095,482
34	511,379	255,958	382,884	1,150,256
35	536,948	268,756	402,029	1,207,768
36	563,796	282,194	422,130	1,268,156
37	591,985	296,304	443,237	1,331,563
38	621,585	311,119	465,398	1,398,140
39	652,664	326,675	488,668	1,468,046
40	685,297	343,009	513,102	1,541,447
41	719,562	360,159	538,757	1,618,519
42	755,540	378,167	565,695	1,699,444
43	793,317	397,075	593,979	1,784,415
44	832,983	416,929	623,678	1,873,634
45	874,632	437,775	654,862	1,967,315
46	918,363	459,664	687,605	2,065,679
47	964,282	482,647	721,986	2,168,962
48	1,012,496	506,780	758,085	2,277,409
<b>Total</b>	<b>1,012,496</b>	<b>506,780</b>	<b>758,085</b>	<b>2,277,361</b>

This now gives us a total valuation of \$2,277,361. We have to deduct the mortgage balance to get the net worth portion of our real estate holdings (\$2,277,361 - 125,000), which gives us a total real estate net worth of...

**Real Estate Net Worth = \$2,151,361 or 22% of total net worth.**

### **Business Valuation**

One of my goals is to turn my passion for personal finance and financial freedom into a business. To see examples of others who have monetized blogging and podcasting, look no further than [John Lee Dumas of Entrepreneur On Fire](#) and [Pat](#)

[Flynn of Smart Passive Income](#). These two really show what is possible with a completely online business.

I have big plans for this blog as a platform and a business. The best part is, I plan on doing this while still giving away 99% of what I do for free. You will see some affiliate links embedded in posts and a few product links and recommendations in the sidebar, but I promise to do this in the most tactful and unobtrusive way possible (the last thing I want to do is distract you from the content). I will only recommend products that I use myself or have used in the past. They will always be from companies/people that I know, like, and trust. In many cases, the products/services will be FREE to you.

A perfect example of this is the [Personal Capital](#) banner you see in the sidebar to the right of this post. Personal Capital is a wonderful technological tool to manage all of your financial accounts in one place. It fits my vetting criteria as something I use myself, something that will definitely help you out on your journey to Financial Freedom, and best of all, is absolutely free to you.

Now let's talk dollars and cents. I believe that I can grow GYFG into a business that can produce \$25,000/month in gross revenue. I know it is not going to happen overnight and could take years (and still may never reach the potential I see). But if I am successful, revenue will come from various sources that may include, but are not limited to: affiliate links, ads, digital products, sponsorships for a podcast, online financial summits, coaching, and other ideas I have.

If you look at Pat Flynn and John Lee Dumas (who are absolutely crushing it online, making between \$100,000 and \$300,000 a month from their online business), you can see I am talking peanuts compared to their success. If I do better than this plan calls for, it will just be gravy. The guys over at [Empire Flippers](#) say that an online business can estimate its valuation by multiplying monthly net profit by 20 (representing 20 months). Let's assume I can keep expenses at 20% of gross revenue. This would produce net profits of \$20,000/month.

**Business Net Worth = \$400,000 or 4% of Net Worth.** (20,000 x 20 months)

### **Peer to Peer Lending**

Although P2P lending is a rapidly growing market, I really don't know how scalable this is. Meaning, how hard would it be to put \$500,000 to \$1M to work? But I will

assume that it will only grow in scalability with time. So I am going to assume that I grow this to about **\$500,000**. June will be the first month that we start allocating money to this piece of our portfolio at an initial rate of \$500/month.

**P2P Lending Net Worth = \$500,000 or 5% of Net Worth.**

Update: Since writing this several years ago, [I have since pivoted and moved into hard money lending](#) for this piece of the pie.

### **Cash and Equivalents**

The goal here is keeping about 10% of our total net worth liquid in order to be ready and able to take advantage of opportunities that come up in the market. I call this “dry powder.” We don’t know what these opportunities will be, but they happen more often than you might think. It could be someone selling a business at a fire sale price because they need the money. Or maybe it will be an opportunity to invest in a start-up. Whatever the case might be, I have always believed it is a good idea to have cash (or something quickly turned into cash like CDs or money market accounts) readily available to take advantage of such opportunities. Hopefully, interest rates will rise a bit in the future so that, properly held, this idle cash can earn something better than 0%.

Obviously, this will be something that is built up over time. But I do plan to have this component set by the time we are 48.

**Total Cash and Equivalents = \$1,000,000 or 10% of Net Worth.**

### **Stocks Valuation**

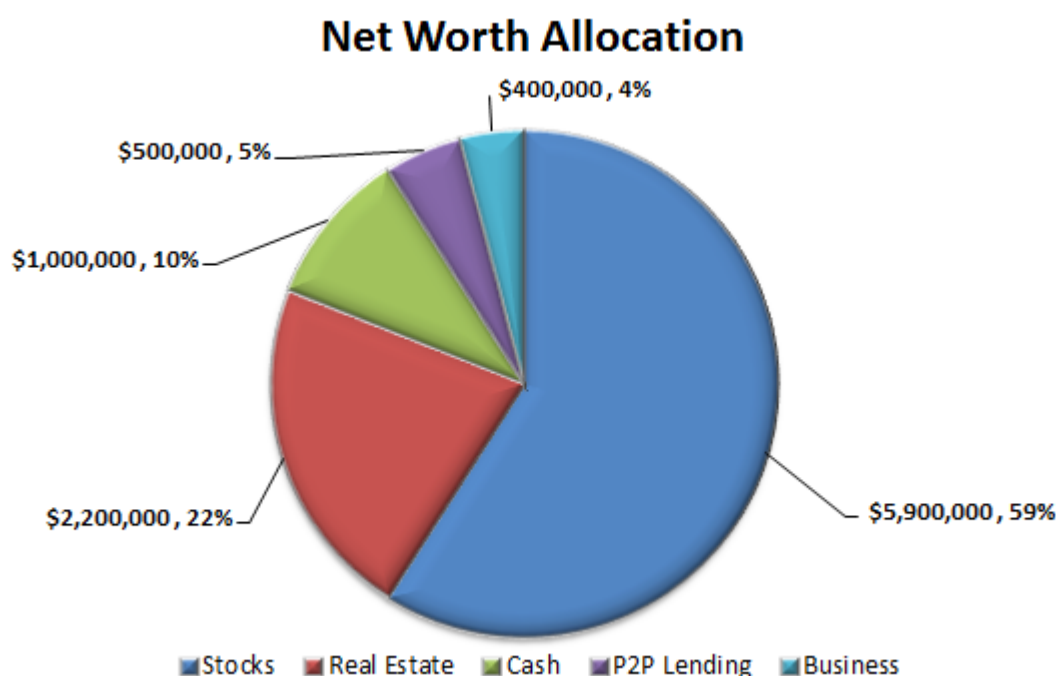
I envision the majority of my wealth tied up in equities. After figuring out the other four categories, this leaves the remaining 59% of my Net Worth in stocks. You will notice that I don’t have an allocation for bonds, and that is by design. I anticipate rates to stay low for an extended period of time, but I just don’t know how low or for how long. At this point, I am not interested in allocating capital for 30 years for a 3% gain. If rates rise substantially I may reconsider this allocation, but for now, this is the planned allocation. Additionally, I may choose to sell some equities to pay off the remaining debt on the projected third investment property of \$125K, if we didn’t decide to do it at an earlier date.

As you saw from the table above, I have planned to contribute almost \$4M into

investments. As you can probably guess from what I just stated, this will almost entirely go into equities (my favorite asset class to invest in). In doing this, I will be employing options which I use to enhance returns and mitigate risk. I use two main strategies: [Covered Calls](#) and [Short Puts](#).

**Total Stock Valuation = \$5,900,000 or 59% of Net Worth.**

## The Big Picture



I promised to also touch on the other side of the goal which is a monthly income of \$50,000. In the business valuation section above I stated that I plan for GYFG to be eventually contributing \$25,000/month in income. The remaining income will come from rental income, dividends, interest, day job (assuming I still have one by then), and any freelance work I might do.

The only other thing I would point out is that I am not planning for this to happen overnight. I have given myself an aggressive timeline of 20 years, but also plenty of runway so that it seems achievable and maybe even beatable. This is something only time will tell. Many people reading this may ask why I want to accumulate so much. The simple answer is because it's a game and a challenge. Since it's my game, I get to set the rules of winning, and \$10 million is a number that I believe

represents enough winning to afford me a lifestyle to do as I please. Personal finance is....well...personal. I don't expect you to have my same goals, and your motivations may very well be different than mine.

So what will I do with all this money? I don't know exactly just yet. But that will be a part of the journey. It will be fun figuring that out along the way.

Laying this all out, and having to reverse-engineer it to make the numbers support my vision was actually a very interesting and valuable exercise to go through. Do you think I am a crackpot? Maybe you see places to poke holes through my overall plan. I welcome either of those reactions with open arms. The GYFG blog has many purposes, one of which is providing a place for me to get my ideas, goals, successes, failures, and learned lessons out of my head and out to the world and I appreciate all interaction as I do that. This plan could change entirely in a year or two, but it's my starting point and something to hold me accountable. Most of all it gives me milestones to hit.

I have always believed that it is better to move forward with a *good* plan than wait for a *perfect* plan. If you wait for a perfect plan you may never actually take any action: analysis paralysis. Version one is better than version none! Will this plan change? No doubt in my mind that it will (and has - see "updates"). But it gives me a very high-level roadmap as to what it is going to take to get to my \$10M in 20 years goal.

### **Now it's your turn**

This post has gotten pretty lengthy. But before we go I want to ask you: what is YOUR number? Do you have one? In the comment section below let me know what your number is and at a high level what you envision the asset allocation to be as well as how many years you anticipate it will take you to achieve.

- Gen Y Finance Guy

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**Still reading? Right on!**

**Do you want to help keep the GYFG lights on? You're under no obligation, but your participation would be very appreciated! By accessing the following resources via the links provided, GYFG gets a small commission**

**and it doesn't cost you one penny more. You'll actually save money on #3!**

1. **Personal Capital** - You know how big I am on tracking my finances: "You can't improve what you don't measure." -Peter Drucker. Personal Capital's FREE software helps you see all your financial accounts in one secure and convenient place (checking, savings, investments, and retirement accounts). I use Personal Capital myself, daily, and recommend that you do, too. Without a tool like Personal Capital, these reports would take 2-3 times as long to complete. You want to track your income? Your expenses? How about your Net Worth (everyone likes watching that bad boy climb upward and rightward). Just sign up and link your accounts today. **Absolutely free to you!**
2. **Amazon** - I order just about everything from Amazon. Not only does Amazon have the **lowest price**, but with Amazon prime I get **FREE two-day shipping** as well as the following: One Million ad-FREE songs, FREE instant streaming of thousands of TV shows and movies, FREE unlimited photo storage in the cloud, and FREE books for Kindle. At some point we all actually need to spend money, but we might as well get the best price, and some freebies. Anytime you use this link and make any sort of purchase on Amazon within 24 hours, GYFG gets a very small commission at **no additional cost to you**.
3. **Blue Host** - Has GYFG inspired you to create your own blog? Everyone has something unique to add to the world of information, whether in the financial sphere or another. Let me save you some money in doing it. I use Blue Host to host GYFG, and recommend it to you. It is stupid cheap and the customer service is amazing. The normal price is \$5.99/month, but if you use this link you will get a 34% discount (only \$3.99/month). It took me less than five minutes to buy my domain, install WordPress, and get the first version of this site up and running.

**Also** check out our [Recommended Products and Resources page](#) for more things I use and recommend. I firmly believe in sharing what works for me so these proven shortcuts can save you time and resources. Who doesn't like that? Others have shared with me, and I am happy to pass along any help I can offer to you.



## 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](#)