

July 2018 - Detailed Financial Report #43 - Net Worth \$850,450 | Income \$50,327

Here we are again!

In [last months report](#), I shared that I was fighting a case of burnout from pushing too hard for too long. This isn't a new phenomenon, in fact, this is something I personally cycle through a few times a year. These periods of burnout usually rear their heads mid-year and year-end...hence my annual 7-10 day planned vacations in both August and January.

As I write this we are 22 days out from starting our ten day trip in Maui. This trip's gravitational pull is getting stronger the closer we get to it. And the closer we get, the better I feel. In the meantime, I have had to rely on discipline to get me through the dip and keep the flywheel of momentum turning.

RELATED: [When Motivation Wanes Discipline Reigns!](#)

I've slowly regained some of my mojo over the course of July. It helped that my work travel schedule was much lighter, with only a three-day turnaround trip to New York (a pilgrimage I make every month). The month of July also always provides a moral boost because it's when my hard work over the previous seven months is rewarded with a mid-year bonus payout. Additionally, I stepped way out of my comfort zone and spent time in the shop to help build our custom desk and bookshelves we're planning to install in our home office in August.

The surprising part of the build was that I actually enjoyed myself!

RELATED: [THURSDAY RANT #4 - DIY HOME IMPROVEMENT](#)

You will notice from the photos below that we are building a massive u-shaped desk with floor to ceiling bookshelves (to be installed in the previous closet space). We have been in the house for four years, and although I've always wanted a really nice home office, it was lower on our priority list of projects than the others we had to

complete first. We try to be disciplined by only tackling one big home improvement project per year. Can't wait to get this installed.







Financially, it was another GREAT month, as you will read below.

If you're a regular reader and only want to read the new content, feel free to just skip the intro below (no harm, no foul). If you are new or haven't read many of these reports, I encourage you to take two minutes to read the intro below, which will change periodically.

Intro

Mission Statement: To Humanize Finance, Build Wealth, and Reach Financial Freedom.

For those of you new around this corner of the internet, these monthly reports are about full transparency. They are just as much for me as they are for you. It was a hard decision to make all of my financial details public, but it has proved to be a very motivating one. The process I go through every month to produce these reports has been enlightening and life-changing. I published [my first “income and net worth report” for January of 2015](#) when our net worth was only \$195,141, and our gross income was on pace to hit \$178,000 that year.

Less than four years later, our net worth currently clocks in at \$850,450 with a gross income over the trailing twelve months of \$430,467.

- That’s a **4.4X increase in net worth** due to a **compound annual growth rate of nearly 50%** for the past four years.
- At the same time, income has increased 2.4X, which translates to a compound annual growth rate of 28%.

Honestly, I don’t think the GYFG household would have experienced these kinds of results without the existence of this blog and the accountability it brings. Knowing that I will share our results with my readers every month keeps me very focused and intentional with all things related to our financial well being. For that, I **THANK YOU** for taking the time to read and interact with me on this blog.

Above and beyond this benefit to my own household, my sincere hope is that my policy of full transparency will inspire you to take the helm of your own financial ship and be intentional with its direction. I truly believe that anyone can reach financial freedom if he or she is willing to do things differently than the pack. If you’re after average results, then you’ve landed on the wrong site. There’s nothing wrong with average, but the kind of results I preach are **EXTRAORDINARY**. Sure, the “get rich slow” method is proven, but there is an alternative, which is to “*get rich fast.*” Look, I have no interest in living like a starving college student until I am old and brittle to only then have the means to check off bucket-list items when my body might no longer be physically capable of doing them. And I don’t want that for you either!

Here at GYFG, we approach the pursuit of **FINANCIAL FREEDOM** with an

abundance mindset, so you won't hear me telling you to cut out those \$5 lattes. Choose to spend on what is meaningful to you. [I spend a lot, but I also strategically earn a lot, save a lot and invest a lot.](#)

I hope these reports inspire and move you to action. Don't take a passive role in your finances and hope for the best. Keep this famous Jim Rohn quote in mind:

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

You must be intentional with your finances if you ever want a fighting chance to make it to financial freedom. But it does not have to take 40-50 years of slaving away for The Man before you have the option to retire. I think that 10-20 years is all you need, with the most aggressive folks probably able to reach financial freedom in 10 years or less. A high income paired with a high savings rate are two vital components of a good recipe for the 10-year track.

I know I don't have to publish my juicy details every month, but it's important to me that you know that I put my money where my mouth is (not so many people giving financial advice actually do this). I publish all of my financial details not to brag, but instead to show you what is working as well as what's not working. Sometimes finance can get pretty dense, and I think real life examples and numbers can help slice through the complexities (and BS). Personally, I have always enjoyed the financial reports put out by other bloggers around the blogosphere, so I have always intended to share my own.

You can find all my previous reports on the [Financial Stats](#) page.

Net Worth

Our net worth was up \$43,532 in July vs. June. Compared to last July, our net worth is up \$250,342 year-over-year (or +42%).

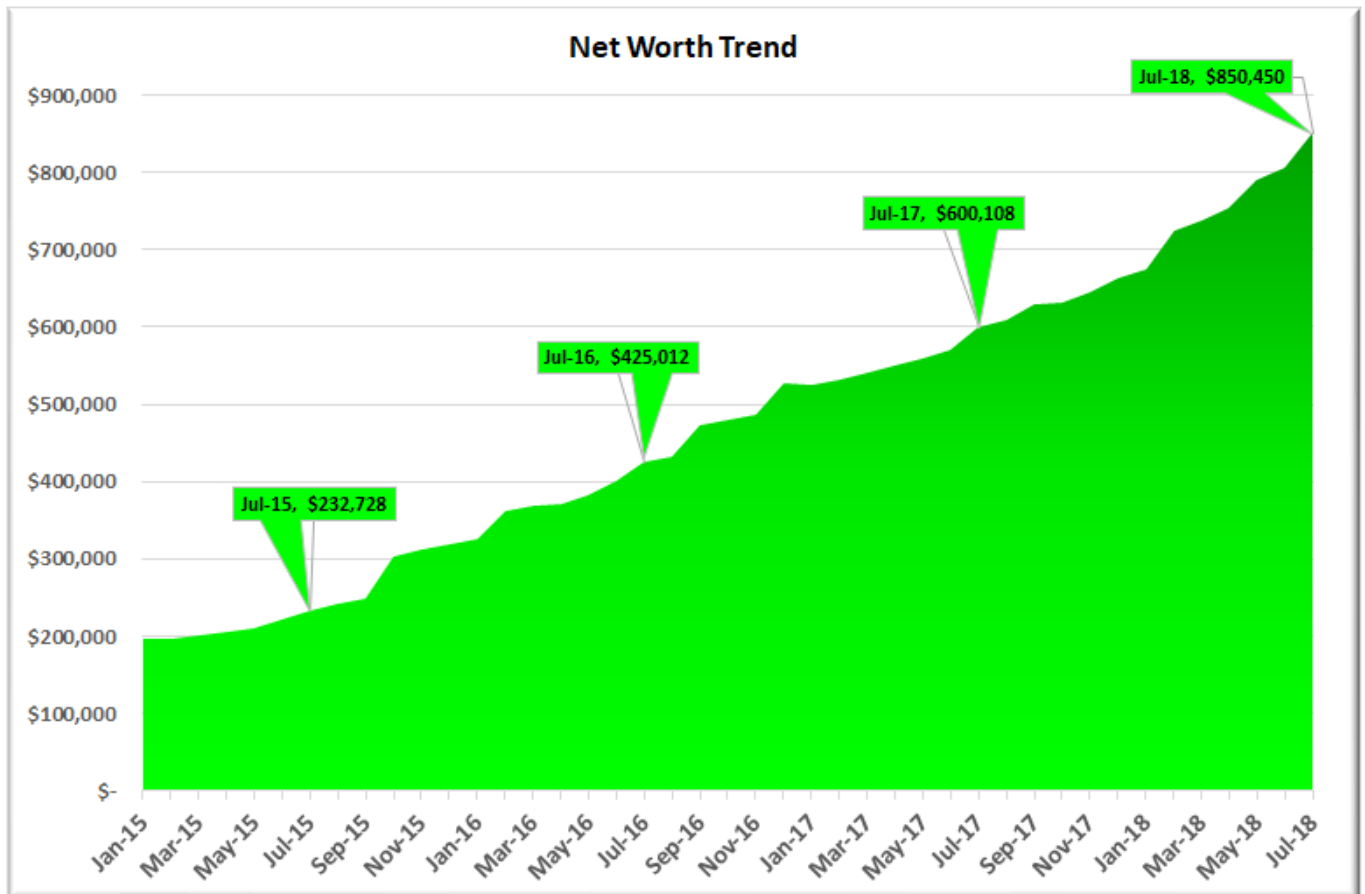
Last three year-over-year increases:

July 2016 - \$192,284 (+83%)

July 2017 - \$175,096 (+41%)

July 2018 - \$250,342 (+42%)

As I look forward to the end of 2018, I'm currently projecting our net worth to finish at around \$910,000 before any gains (appreciation, dividends, or interest). There are two variables that will make or break whether we have a serious shot at making a run towards a \$1,000,000 net worth by the end of the year: 1. how the market performs during 2nd half of 2018; and 2. how the company that I work for and own stock in performs (I only re-value that position once per year and last year it was flat - boo!).



July Net Worth \$850,450 (up +28% for 2018)

- Previous month: \$806,918
- Difference: +\$43,532

Net Worth Break Down:

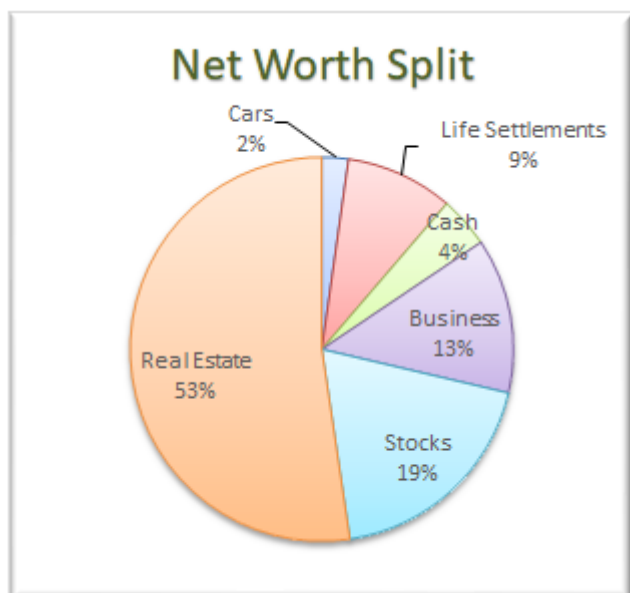
This month I am bringing back a table that I used to share every month. I think this will shed a little better light on where the gains are coming from this month.

Assets	Stocks	Liquid Cash	Real Estate	CARS	Life Settlements	Company Stock	Total
July-2018	\$ 161,639	\$ 46,696	\$ 610,632	\$ 19,000	\$ 77,146	\$ 323,045	\$ 1,238,158
Previous Month	\$ 154,171	\$ 65,971	\$ 608,968	\$ 10,000	\$ 73,178	\$ 323,045	\$ 1,235,332
Change vs. Last Month	↑ 7,468	↓ (19,275)	↑ 1,664	↑ 9,000	↑ 3,968	⇒ -	↑ 2,826
% Change	↑ 4.8%	↓ -29.2%	↑ 0.3%	↑ 90.0%	↑ 5.4%	⇒ 0.0%	↑ 0.2%

Liabilities	House Mortgage	Credit Float	Company Stock Loan	Total
July-2018	\$ (165,535)	\$ (10,173)	\$ (212,000)	\$ (387,708)
Previous Month	\$ (206,314)	\$ (10,100)	\$ (212,000)	\$ (428,414)
Change vs. Last Month	↓ (40,779)	↑ 73	⇒ -	↓ (40,706)
% Change	↑ 19.8%	↓ -0.7%	⇒ 0.0%	↑ 10.5%

Net Worth	Assets - Liabilities
July-2018	\$ 850,450
Previous Month	\$ 806,918
Change vs. Last Month	↑ 43,532
% Change	↑ 5.4%

Fun Fact: I was curious to know what percentage of our net worth was after-tax vs. pre-tax. I did the math and found that about 30% of our net worth is tied up in pre-tax (or tax-favored retirement accounts) and that the remaining 70% is all after-tax.



The **Real Estate** category increased from 50% to 53%. Keep in mind that this category includes the equity in our primary residence (\$284,465), our investment in the [Rich Uncles commercial REIT](#) (\$56,696), and our hard money loans through the [PeerStreet](#) (\$103,936) platform. The big driver for the continued increase here is [our plan to pay off the mortgage on our primary residence over the next 12 months \(by July 2019\)](#).

Cash decreased from 7% to 4%. We are currently holding \$36,523 in cash. This is net of our credit card balances of \$10,173, which we pay in full every month based on the statement due date. I suspect the credit card balances will decrease significantly next month. The high balances the last few months are really a function of timing between large transactions and when our statement balance is due.

As a clarification for newer readers, the **Business** category (at 13%) represents the [ownership I have in the private company that I work for](#).

Life Settlements remained flat at 9%. We currently have investments in seven policies at \$10,000 each. I only revalue these once per quarter, but they are accreting in value by about \$1,000 per month. For anyone that is familiar with options, I liken the fixed return of life settlements to the theta of a short option. In this case, the accreted value is like the theta decay of an option you've sold. In more simple terms, with a fixed return, you are amortizing (realizing) that value with the passing of time.

The **Stocks** category remained flat at 19% and represents the cumulative value of our brokerage accounts (retirement accounts and after-tax account) that are invested in stocks. However, it is not all of our retirement money, as the majority of our [PeerStreet](#) investments are made through a self-directed IRA (worth about \$75,000 and are counted in the Real Estate category of the pie chart).

The **Cars** category increased from 1% to 2%. We purchased my mother-in-law's five-year-old Kia Optima due to the killer deal. We paid \$3,500 for a car that is worth \$11,000 if sold private party. The plan is to sell my seven-year-old Hyundai Sonata to my brother for \$5,000 in October. This allowed me to buy a car that was newer, had less mileage, and was worth way more than I paid (very rare). At the same time, I'm able to sell my car for about what it's worth to my brother and put a little extra money in my pocket all at the same time. **There was lots of arbitrage built into this deal!**

Note: I include our cars because the goal is to keep the value of our cars as a percentage of the overall net worth pie as small as possible. By including them, it keeps me conscious of the opportunity cost of sinking too much capital into the machines that are only meant to get us from point A to point B.

Total Capital Deployed in 2018 (YTD):

I am actually borrowing this idea from Sam over at [Financial Samurai](#), who started sharing his own capital deployments in a similar form last year. One item not captured in the table below is the capital deployed due to automatic reinvestment of dividends and interest, but I do plan to include that total at the end of the year. I had originally estimated that we would deploy somewhere between \$250,000 and \$300,000 in capital this year. This month we have blown past the high end of that estimate and I now project it will be closer to \$350,000 by the end of the year.

About \$80,000 of the 2018 total anticipated deployments is [from idle cash that was sitting in my 401K](#) (for way too long).

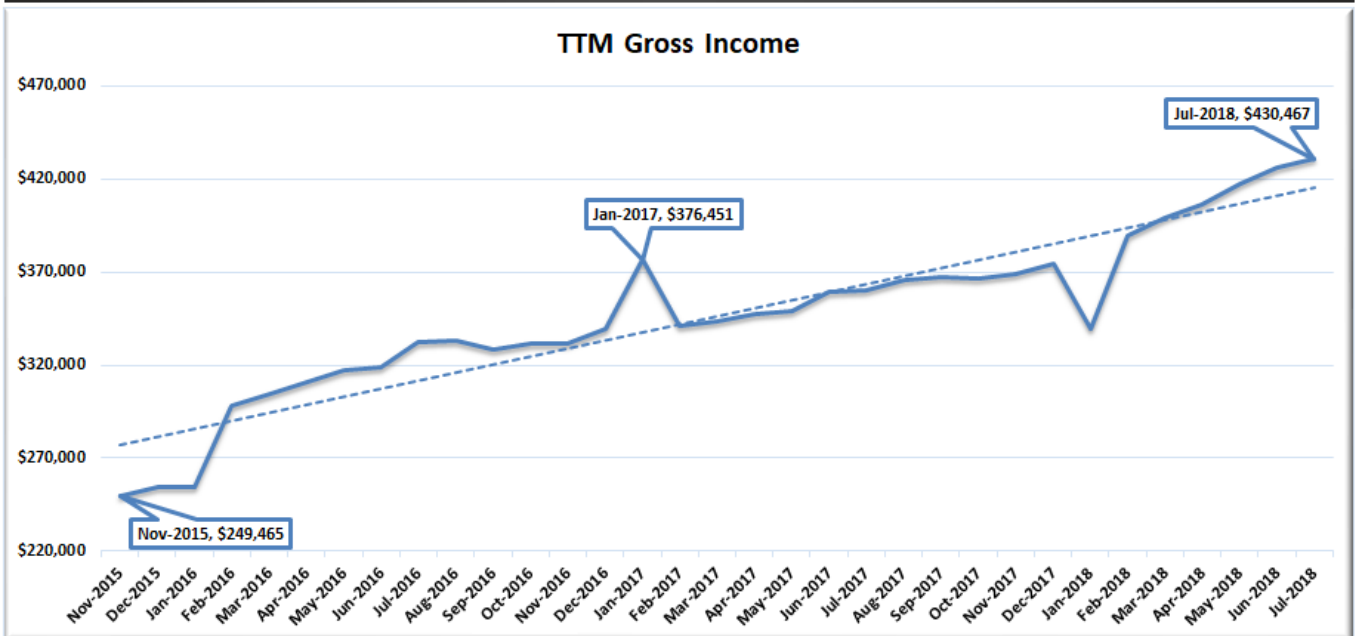
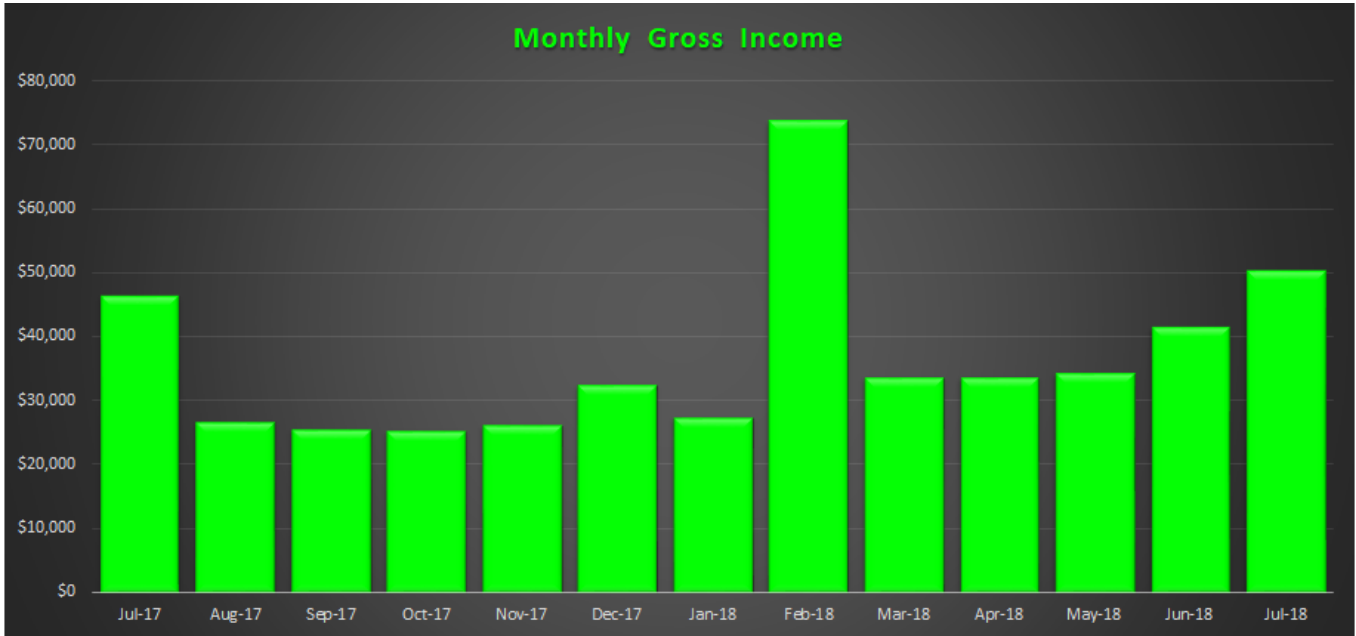
Investment	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2018
Peer Street	\$ 18,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						\$ 18,000
Rich Uncles	\$ 36,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000						\$ 42,000
Mortgage	\$ 661	\$ 39,662	\$ 736	\$ 665	\$ 812	\$ 20,741	\$ 40,000						\$ 103,276
Stocks (401K)	\$ 22,176	\$ 16,361	\$ 11,378	\$ 9,657	\$ 11,632	\$ 10,398	\$ 6,820						\$ 88,421
Private Business	\$ 17,045	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						\$ 17,045
Life Settlements	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -						\$ 40,000
Total	\$ 113,881	\$ 57,024	\$ 13,114	\$ 31,322	\$ 13,444	\$ 32,138	\$ 47,820	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 308,742

I can't believe that we have already deployed \$308,742 in the first seven months of the year. I officially maxed out my 401K in April and my wife maxed hers out in July. Through the end of the year I anticipate the following deployments on a monthly basis:

- \$5,000 to Stocks (still have \$30,000 of \$80,000 of cash in 401K to deploy)
- \$1,000 to Rich Uncles (working towards a \$100,000 balance)
- \$5,000 to \$10,000 towards paying down the mortgage

Gross Income

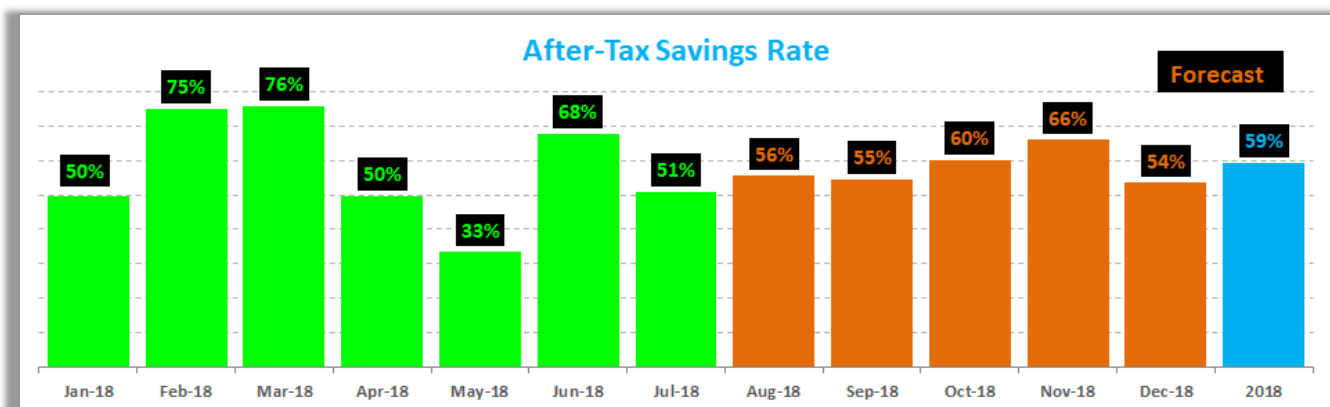
July income was up 21.4% at \$50,327 vs. June of \$41,466. Income should drop to around \$30,000 for the remainder of the year. We actually might see slightly less than this in November/December when Mrs. GYFG goes on maternity leave.



In the second chart above, I also track our income on a trailing twelve months, and we set another record in July at \$430,467. I currently have our income projected to finish 2018 at \$452,094 – it **still** doesn't seem possible!

Savings Rate

Below is how we actually did vs. our goal of [saving 50% of our after-tax income.](#)



We managed to save 51% in July. Most of the year we had been tracking to a 61% after-tax savings rate until now. I've updated the forecast through the end of the year and we are now tracking to a 59% savings rate - still not too shabby.

Speaking of savings rate, go check out [my post](#) where I mathematically prove the importance of your savings rate as a higher priority in achieving financial independence than your compound return! If you're trying to build wealth quickly, then you have to read this post.

Mortgage Early Payoff Goal

After [several refinances](#) we currently have a 3/1 ARM at 2.25% and we currently owe \$165,535. [We had originally set a goal to pay it off in seven years and three months](#) but recently accelerated that timeline by a few years. In the progress bar below you will notice that we were originally working towards a goal completion date of 1/31/2022, but are now aiming [to have this goal completed by 7/31/19](#).

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

53.4% 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.

For the past few years, I have been writing about the desire to avoid concentration risk and ensure diversification, and therefore *not* rush to pay off our mortgage. But in June we decided to go after this goal hard and fast. Why the change of heart? The first major driver is the fact that our income has grown far faster than we had ever

imagined in our wildest dreams. [Based on the 20-year plan](#) I shared on the blog back in 2015, our income wasn't projected to hit current levels until 2029 - that puts us 11 years ahead of schedule.

Prior to the 2018 tax reform, the tax benefit we received from being able to deduct the interest and property taxes was already minimal. Under the new reform, there is **zero** tax benefit (due to SALT limit and the increased standard deduction to \$24,000 for a married couple which is greater than our itemized deductions). I still don't understand why everyone is so dogmatic about keeping a mortgage for the tax deduction, which is far less valuable than they think it is and worthless under the new tax reform for most households across the USA (future post on this in the works).

Additionally, why would you spend a dollar on interest to get thirty cents back? Why not pay zero interest and keep 70 cents out of each dollar that you don't have to pay towards interest? Our lightbulb moment came when we realized that we could get this accomplished in about a year, which became very motivating in light of baby GYFG joining us later this year. We feel this gives us a very strong financial foundation from which to spring into our next phase of life and wealth building.

This acceleration means that the equity value in our home will be growing rapidly over the next 12 months, as will the percentage of our net worth concentration tied up in this asset. It currently makes up 33.4% of our net worth, and I anticipate it will make up as much as 40-50% of our net worth between now and July of 2019.

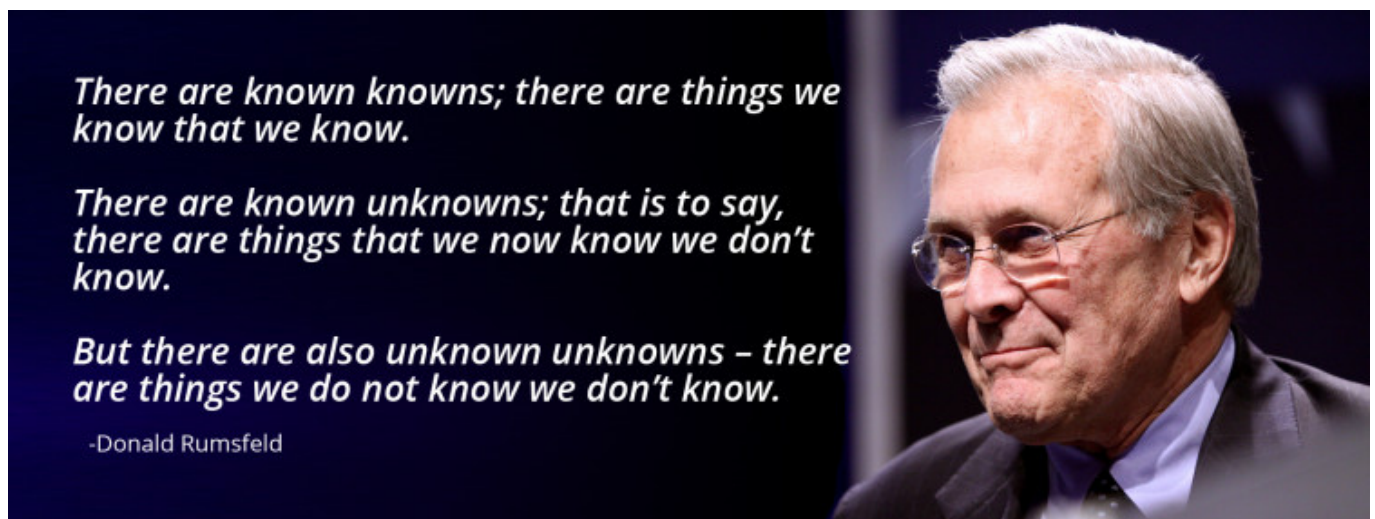
The original philosophy of this plan to pay off the mortgage was to accomplish this goal while avoiding any austerity to our lifestyle. I coined it the "pay more tomorrow" plan. In keeping with the GYFG emphasis on the income side of our financial equation, I decided that we could easily increase our income (after tax) by at least \$9,600/year and [dedicate that additional income to fund the goal effortlessly](#). This has not only proved to be true but it's proved to be very conservative. To date, we have paid down the mortgage by \$190,321 in less than four years.

This goal is now 53.4% complete (vs. 41.9% in June)!

RELATED: [Our Mortgage Will Be Gone In Four More Years](#)

Closing Thoughts

Although our priorities have evolved over time we have continued to stay true to our original plan. When you plan twenty years out, it's important to realize that you are really creating a blueprint and that there is no one right way to build what you have planned. Plus, no matter how detailed your plan is, you will never be able to account for all of the variables ahead (see the quote from Donald Rumsfeld below). Most of those variables that prove to be technically “wrong” will end up being directionally correct.



[Set a twenty-year plan to act as a compass to directionally guide you on your journey.](#) It's there to show you the way even during the darkest of times. Rely on that plan to act as your true north whenever you are off course. You won't account for any x-factors because by definition they are unknowable (the unknown unknowns). But take solace in the fact that that as humans we tend to overestimate what we can do in a year and significantly underestimate what we can do in five, ten, and twenty years.

The GYFG household has set a vision and continues working to manifest that vision into reality. It was slow to gain momentum at first and get that huge flywheel turning. That first million in net worth seemed so far out in time and now it's within arm's reach (and two years ahead of schedule)!

So, what about you? Have you created your own twenty-year plan? No? WHAT ARE YOU WAITING FOR??? Do it today and then go to work to manifest your plan into reality!

Cheers!

- Gen Y Finance Guy



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](#)