August 2018 – Detailed Financial Report #44 – Net Worth $854,696 | Income $30,839

My Mojo is BACK! I'm officially out of my slump. Note to self: don't wait so long to take a vacation next time!

However, we did get pitched a curveball 48 hours before we were to depart for our Maui vacation – just a little Category 5 hurricane, no big deal! We waited it out for 24 hours, but realized it would ultimately be best to cancel. So 24 hours before scheduled departure, I donned my Tom Cruise suit and whipped into action. Although I was on my monthly business trip in New York, I spent half the day canceling all of our reservations, many of which were prepaid. Thankfully, we got full refunds on everything due to the severe weather. Even if that were not the case, we were protected with travel insurance provided by our credit cards, which would have covered any amount not refunded up to $10,000.

Because Mrs. GYFG was very upset and sad that we had to cancel, and because we had both been looking forward to this much-needed break for months, I was determined to make a replacement trip happen, and ensure that is was equally as special. This trip was also meant to be our Babymoon, a very special trip for my beautiful wife and mom-to-be. Therefore, I told Mrs. GYFG to proceed as planned, and meet me in San Diego at the hotel I had already booked for the night before our previous flight. I promised I would find and book another vacation and that we would still be departing on Friday morning (8/24/18).

Tom Cruise mode in full force.

I had already spent four hours on the phone canceling all of our reservations and requesting refunds. The Costco Travel hold times (through which I had booked most of the reservations) were over two hours due to the severe weather but the customer service was first class.

By Thursday afternoon I had finished my last meeting in NY. With everything canceled and refunded, I now have about four hours before my flight home takes off to make new arrangements. I go to my trusted friend Google, who never lets me down. My search parameters: waterfront resorts with highly rated spas. No tropical destinations due to the Zika virus (hence our previous choice of Maui). No long flights, because seven months pregnant.

This meant a domestic trip somewhere between the Central US and the West Coast. Bam! Google delivered me a gem. I found the Lake Austin Spa and Resort right on Lake Austin in Texas. Direct flight out of San Diego close to our previous flight time? Check – not only were there flights, there were short flights! But was there resort availability for our ten-day window? Yes!

At this point, I'm at JFK, 45 minutes to take off with boarding about to start. But hey – I'm still GYFG, so I request a special deal I found online to be applied, which necessitates the resort call me back instead of me directly booking. I board. Five minutes to take off I get the call: deal confirmed, reservation confirmed, tall building leaped and Babymoon surprise trip in hand! Due to the last minute nature of the booking, I had to prepay for the entire trip, non-refundable.

Now for the final flourish: I pull up the 9:00 am flights on my phone (only 30 minutes later than our previous Maui flights) and upgrade our two seats to first class from coach for only $300 TOTAL extra. Not only does Mrs. GYFG have no idea where we are going, but she will be additionally thrilled to get there via first class. Extra leg room at seven months pregnant? Priceless! (Husband of the Year points to be banked for future credit.)

Before canceling, our original trip priced out at $7,500 for everything we had booked (hotel, airfare, rental car, and excursions) and we had planned to spend about $10,000 total by the time we paid for food and other fun activities. This new trip ended up costing us about 50% more at ~$15,000. But it was totally worth it! We both got the trip we needed (details in a future post). And…I got the Super Hero cape.

Financially, it was a below average month, but we still managed to deliver forward progress.

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), and head to **Net Worth**. 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 $854,696 with a gross income over the trailing twelve months of $434,636.

- 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 $4,246 in August vs. July. Compared to last August, our net worth is up $245,150 year-over-year (or +40%).

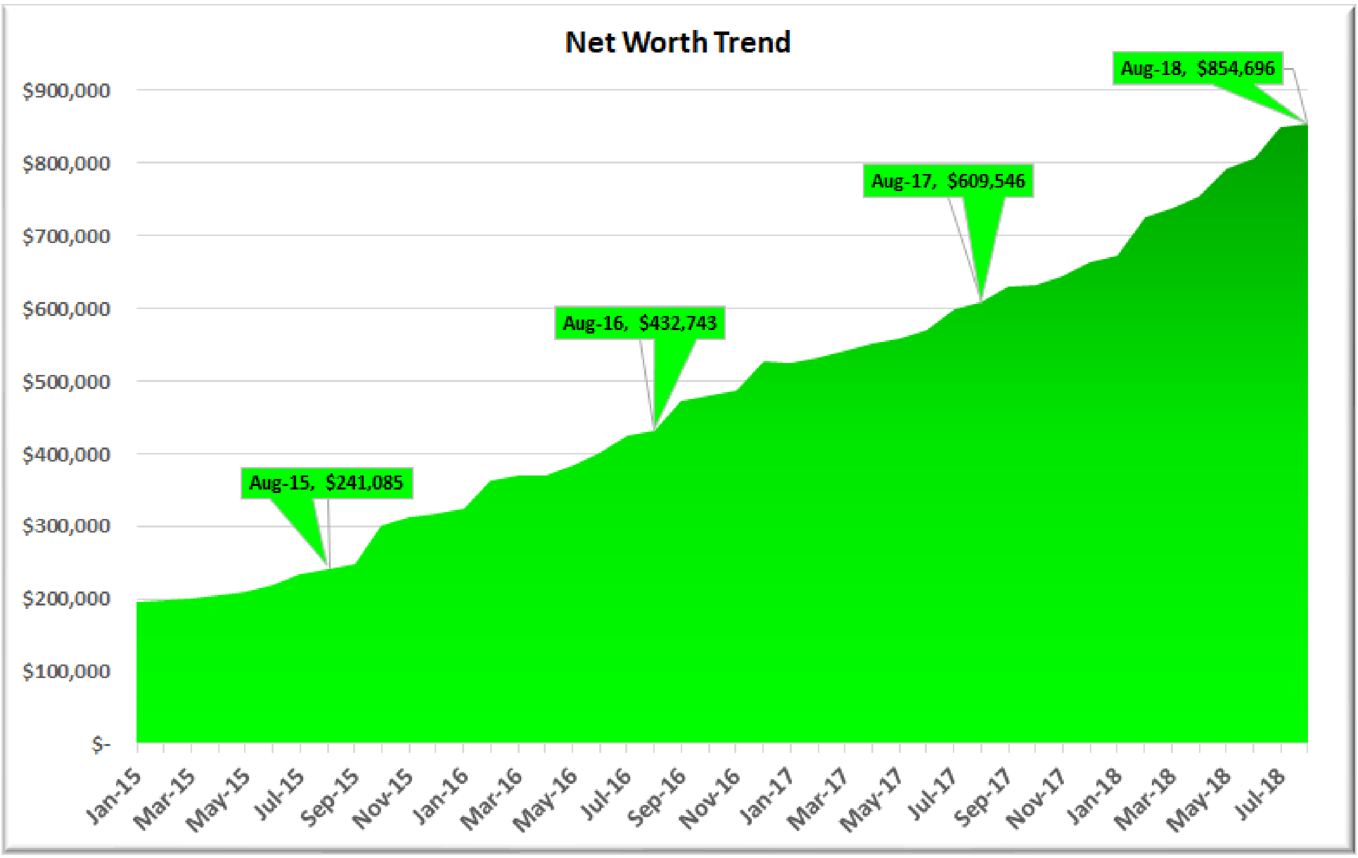
Last three year-over-year increases:

August 2016 – $191,658 (+80%)

August 2017 – $176,803 (+41%)

August 2018 – $245,150 (+40%)

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 the second 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!).

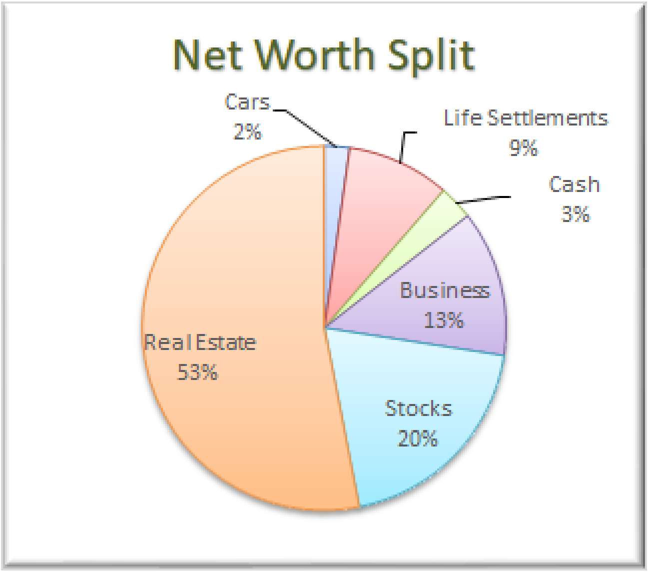


August Net Worth $854,696 (**up $190,305 or +29% for 2018**)

- Previous month: $850,450
- Difference: +$4,246

Net Worth Break Down:

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 remained flat 53%. Keep in mind that this category includes the equity in our primary residence ($290,321), our investment in the Rich Uncles commercial REIT ($58,021), and our hard money loans through the PeerStreet ($105,259) platform.

Cash decreased from 4% to 3%. We are currently holding $26,206 in cash. This is net of our credit card balances of $19,925, which we pay in full every month based on the statement due date. The high balances the last few months are really a function of timing between large transactions and when our statement balance is due. This is the lowest cash balance we have had in at least four years.

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 increased 19% to 20% 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 $78,000 and are counted in the Real Estate category of the pie chart).

The **Cars** category remained flat at 2%. The plan is to sell my seven-year-old Hyundai Sonata to my brother for $5,000 in October.

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 have actually borrowed 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	$ 1,000					**$ 43,000**
Mortgage	$ 661	$ 39,662	$ 736	$ 665	$ 812	$ 20,741	$ 40,000	$ 5,856					**$ 109,132**
Stocks (401K)	$ 22,176	$ 16,361	$ 11,378	$ 9,657	$ 11,632	$ 10,398	$ 6,820	$ 5,000					**$ 93,421**
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**	**$ 11,856**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 320,598**

We deployed an additional $11,856 in the month of August, bringing the YTD total to $320,598. Through the end of the year I anticipate the following deployments on a monthly basis:

– $5,000 to Stocks (still have $25,000 of $80,000 of cash in 401K to deploy)

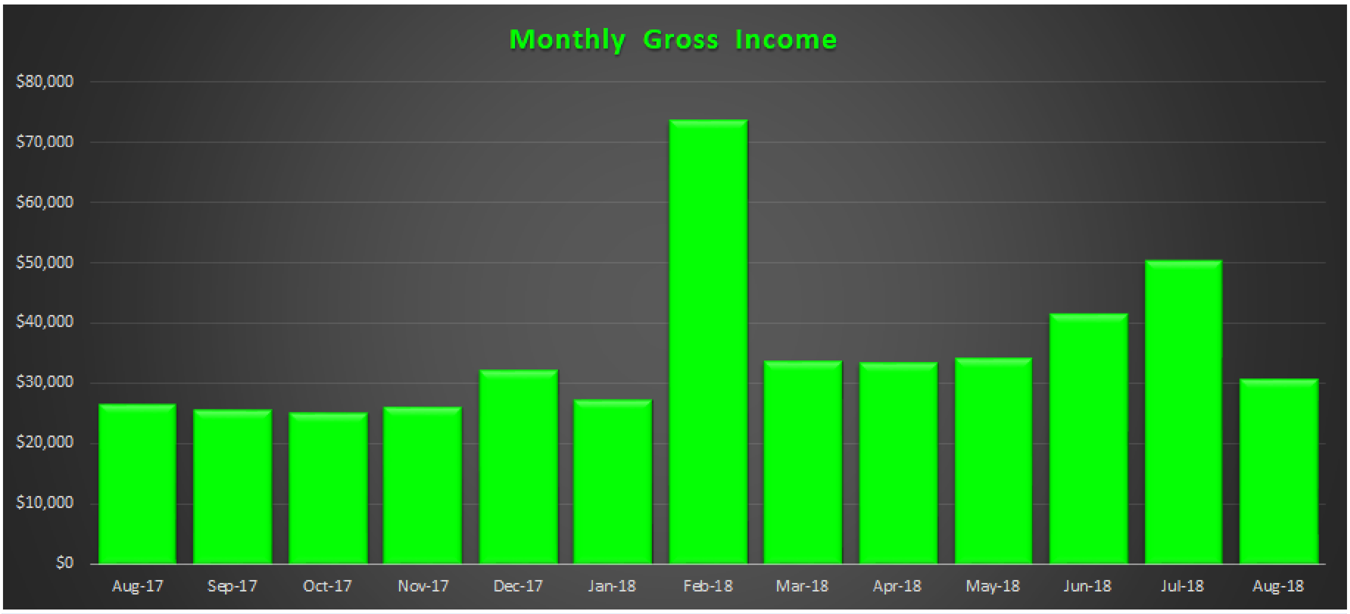
– $1,000 to Rich Uncles (working towards a $100,000 balance)

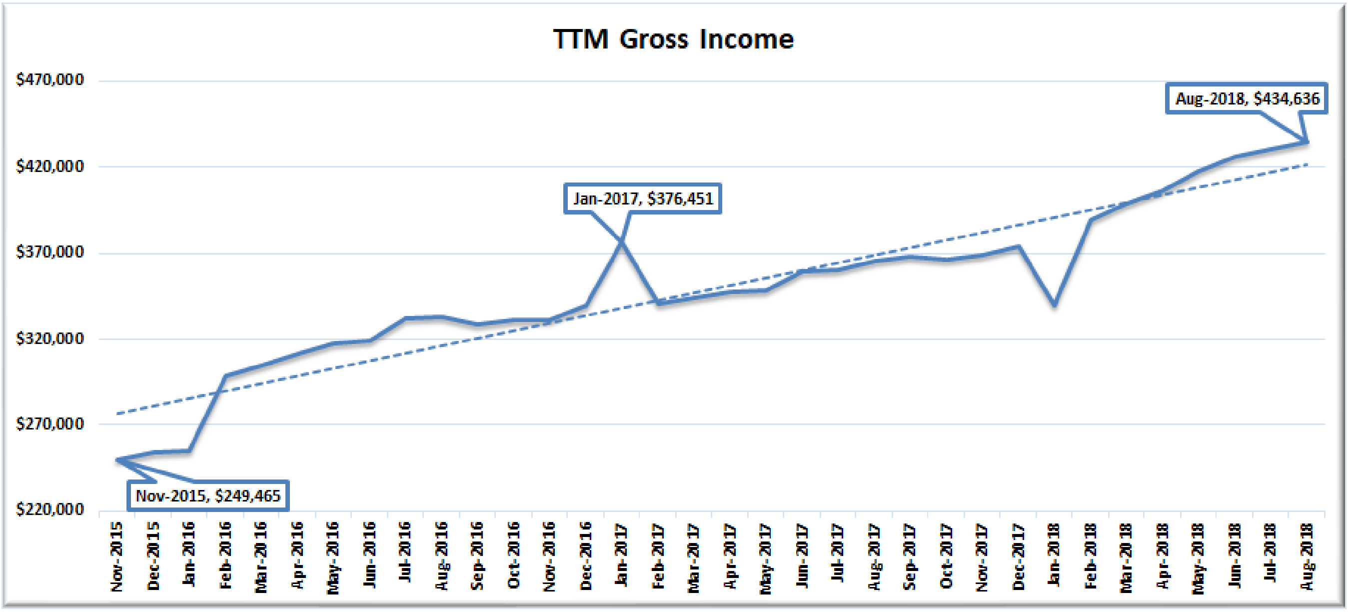
– $5,000 to $10,000 towards paying down the mortgage (we may defer this for a few months while we build up our cash for a few months)

So, we are looking at a minimum of $6,000 and a maximum of $16,000 of capital deployed for each of the remaining four months of the year. Mrs. GYFG goes on maternity leave in November, which will impact our cash flow through January. We will adjust as necessary.

Gross Income

August income was down 38.7% at $30,839 vs. July of $50,327. As expected, our income has dropped and will remain around $30,000 for the remainder of the year. We will likely see slightly less than this in November/December when Mrs. GYFG goes on maternity leave.

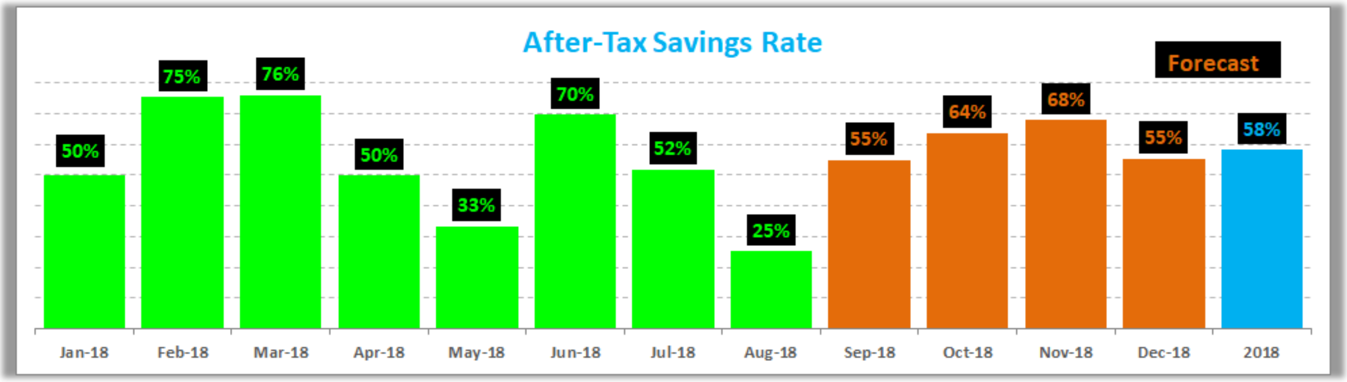




In the second chart above, I also track our income on a trailing twelve months, and we set another record in August at $434,636. I currently have our income projected to finish 2018 at $451,702.

Savings Rate

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

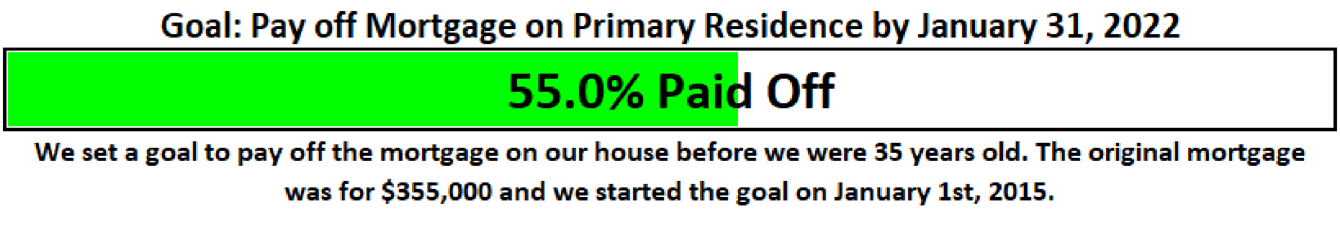


We splurged on a great vacation, and still managed to save 25% in August. I've updated the forecast through the end of the year and we are now tracking to a 58% savings rate – still above our 50% target.

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 $159,679. 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.



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 2018 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 actually worthless under the new tax reform for most households across the USA (future post on this going live at the end of the month).

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's imminent arrival. 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 11 months, as will the percentage of our net worth concentration tied up in this asset. It currently makes up 34% 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 $195,321 in less than four years.

This goal is now 55% complete (vs. 53.4% in July)!

RELATED: Our Mortgage Will Be Gone In Four More Years

Closing Thoughts

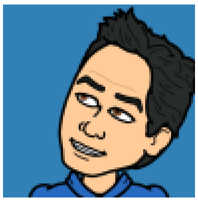
Not every month is a home run but it doesn't have to be. It's okay for the growth to be lumpy. The fact that we could spend almost $16,000 after taxes and still achieve a 25% savings rate is a win in my book. Not only that, we also increased net worth by $4,246. It's the cumulative effect of both the big gains **and** the small gains that have helped us increase our net worth by $190,305 (29%) so far this year.

A win is a win is a win. The goal for all of us is to [become a little wealthier every single day, week, month, and year]. That being said, sometimes you are going to take two steps forward and three steps back. It's inevitable. The most important thing to do is stay the course and stay disciplined. Wealth building is a long game.

How was your month? Vertical up, vertical down, horizontal? I'd love to hear about your progress or lack thereof towards your goals in August.

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