

# September 2018 - Detailed Financial Report #45 - Net Worth \$870,156 | Income \$35,981

We have officially put 75% of the year to bed with the close of September. That means there are only three months remaining to tie up loose ends and I've been doing just that. I don't know about you but this time of year fills me with an obsession to finish things. It also means I'm reluctant to start anything new.

- I just finished my last trip to New York for the year. I'm happy to be grounded for the next three months.
- We finished moving everything over to our newly created family trust. Essentially, this means we have put every eligible thing we own (retirement accounts cannot be put into a trust) under the name and "ownership" of our trust. We also had to change the beneficiary on our life insurance policies to the trust's name as it gives us more control of how the money is managed and distributed.
- I've finished reading a few books I started within the last few months. I'm still in the middle of two more that I need to finish.
- We are close to finishing our home office project. It's 99% there and will be completed before this post gets published (pictures to come with October's report).
- The baby's room should be finished before this post goes live (again, pictures to follow next month).

As you have probably picked up by now, the theme for October is **FINISH**, with the focus on getting all open items over the **finish** line - or at least as many things as we can. At this time of year, I even get obsessed with finishing different items in our freezer, pantry, and fridge. October is an important month for me because it allows me to free up a lot of mental bandwidth going into November, which is the time of year that I start thinking about my goals for the new year - in this case, 2019.

If you're a regular reader and only want to read the new content, feel free to just skip the intro below, 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

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

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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 \$870,156 with a gross income over the trailing twelve months of \$445,002.

- 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 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 of the vital components of a good recipe for the 10-year track.

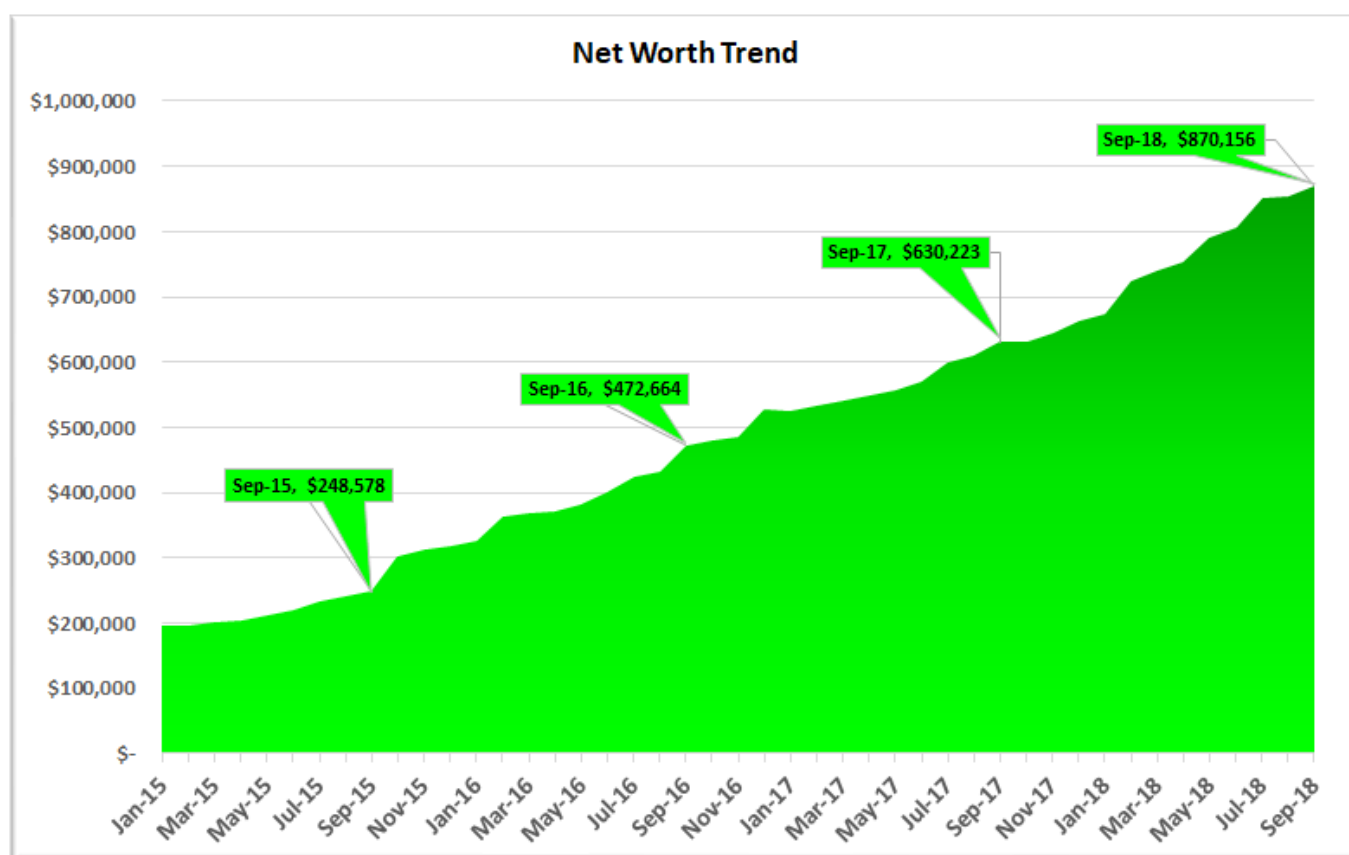
I know I don’t have to publish my juicy details every month, but it’s important to me that you know that I put my money where my mouth is (not so many people giving financial advice actually do this). I publish all of my financial details not to brag, but instead to show you what is working as well as 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 \$15,459 in September vs. August. Compared to last September, our net worth is up \$239,933 year-over-year (or +38%). In fact, if you look back over the past three years our net worth is up \$621,577. This represents an average annual increase of \$207,192.

As I look forward to the end of 2018, I'm currently projecting our net worth to finish at around \$924,000 before any gains (appreciation, dividends, or interest). Are we shooting for the double comma club? Two variables 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 last quarter of 2018; and 2. how the company that I work for and own stock in performs (I only revalue that position once per year and last year it was flat - boo!).

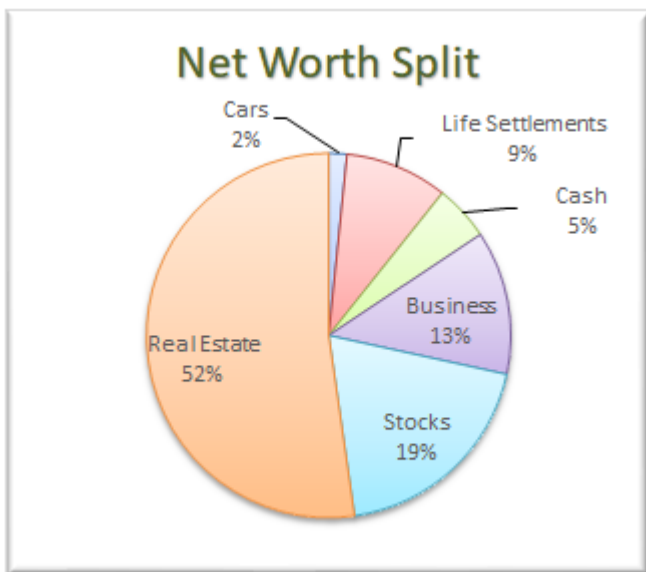


**September Net Worth \$870,156 (up \$205,765 or +31% for 2018)**

- Previous month: \$854,696
- Difference: +\$15,459

## 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 dropped to 52% from 53%. This category includes the equity in our primary residence (\$291,645), our investment in the [Rich Uncles commercial REIT \(\\$59,354\)](#), and our hard money loans through the [PeerStreet \(\\$103,761\)](#) platform. I have been taking capital freed up from our after-tax PeerStreet account and using it to fund Rich Uncles as we work the RU account value up to \$100,000.

**Cash** increased from 4% to 5%. We are currently holding \$42,966 in cash. This is net of our credit card balances of \$14,201, 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. I think we set a record high in August when our credit card balance was almost \$20,000. I suspect we will be well under \$10,000 by the end of October.

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 decreased from 20% to 19% and represents the cumulative value of our brokerage accounts (retirement accounts and after-tax account) that are invested in stocks. However, this 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%.

*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):

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 – I now project it will be closer to \$350,000 by the end of the year.

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	\$ 1,000				\$ 44,000
Mortgage	\$ 661	\$ 39,662	\$ 736	\$ 665	\$ 812	\$ 20,741	\$ 40,000	\$ 5,856	\$ 1,324				\$ 110,456
Stocks (401K)	\$ 22,176	\$ 16,361	\$ 11,378	\$ 9,657	\$ 11,632	\$ 10,398	\$ 6,820	\$ 5,000	\$ 5,000				\$ 98,421
Private Business	\$ 17,045	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				\$ 17,045
Life Settlements	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -				\$ 40,000
<b>Total</b>	<b>\$ 113,881</b>	<b>\$ 57,024</b>	<b>\$ 13,114</b>	<b>\$ 31,322</b>	<b>\$ 13,444</b>	<b>\$ 32,138</b>	<b>\$ 47,820</b>	<b>\$ 11,856</b>	<b>\$ 7,324</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 327,922</b>

We deployed an additional \$7,324 in the month of September, bringing the YTD total to \$327,922. Through the end of the year I anticipate the following deployments on a monthly basis:

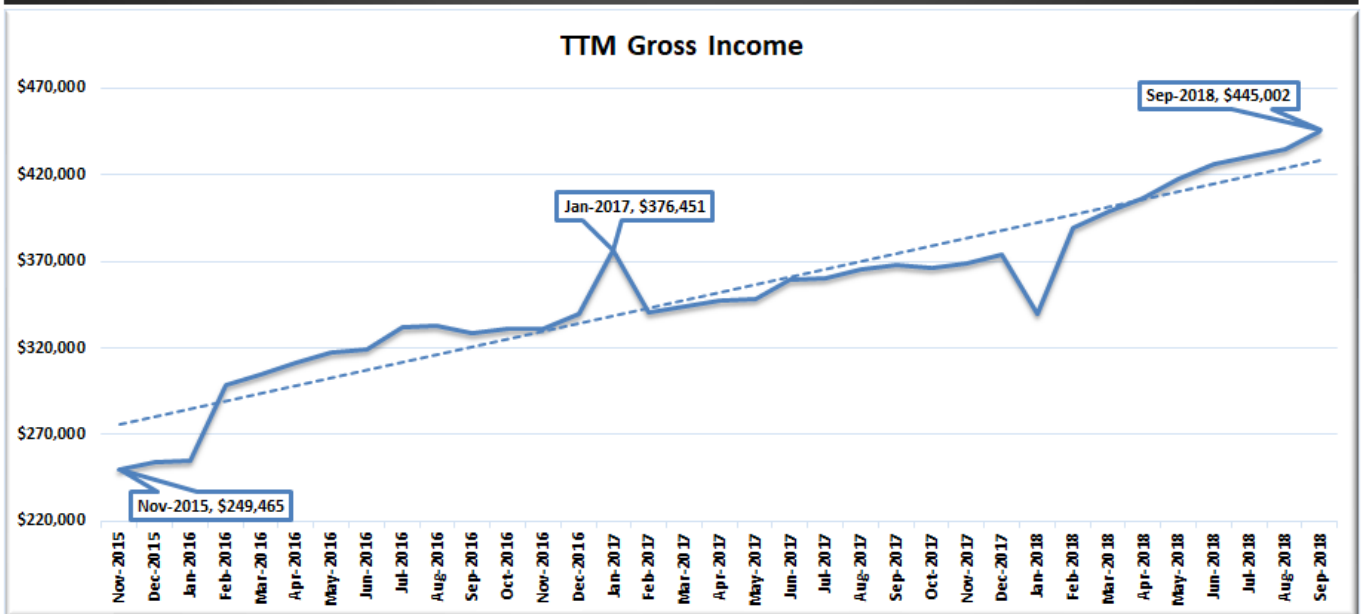
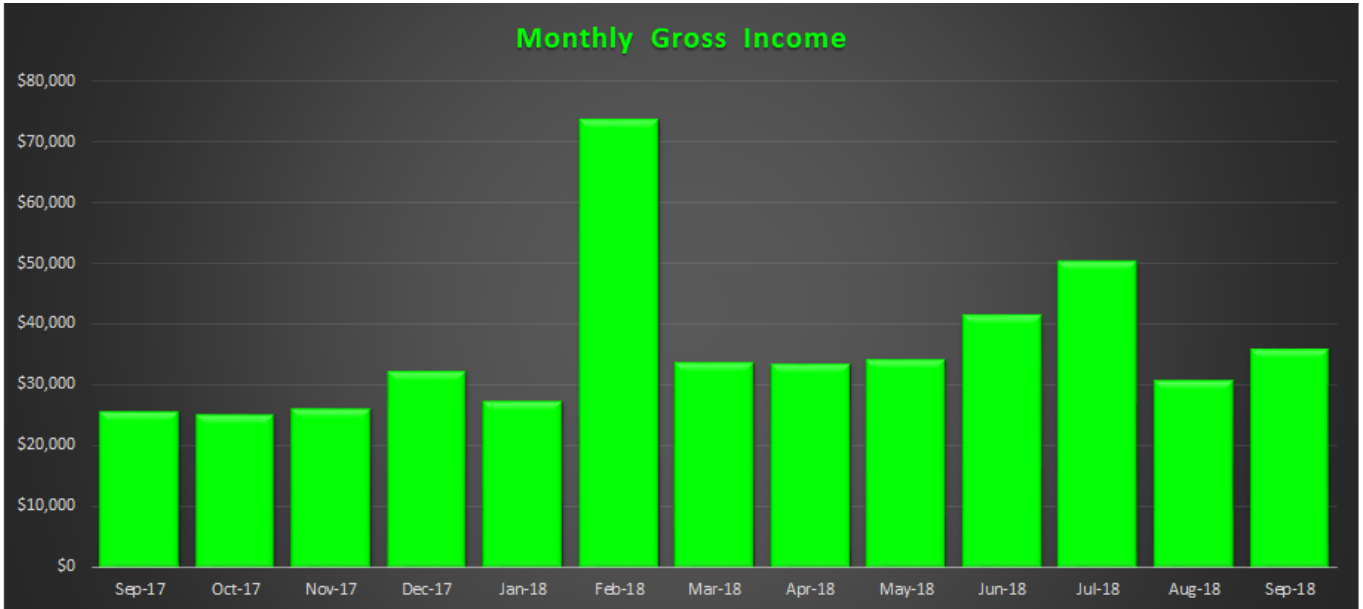
- \$5,000 to Stocks (still have \$20,000 of \$80,000 of cash in a 401K to deploy, which I do monthly)

- \$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 balance)

So, we are looking at a minimum of \$6,000 and a maximum of \$16,000 of capital deployed for each of the remaining three 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**

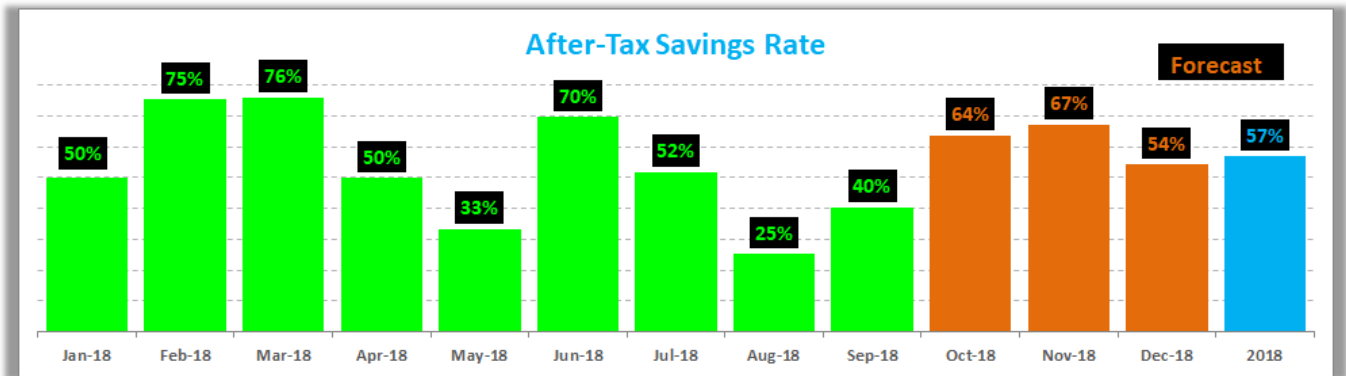
September income was up 16.7% at \$35,981 vs. August of \$30,839. Mrs. GYFG killed it with commissions and side hustle income, bringing in \$5,000 over our projection. We will likely see less than this in November/December when Mrs. GYFG goes on maternity leave.



In the second chart above, I also track our income on a trailing twelve months, and we set another record in September at \$445,002 (that's nine consecutive months of record highs). I think we can manage at least two more records this year but I do anticipate a dip in December. I currently have our income projected to finish 2018 at \$453,278 (up slightly from last month).

## Savings Rate

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



I've updated the forecast through the end of the year and we are now tracking to a 57% 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 \$158,355. [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**

**55.4% 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 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 worthless under the new tax reform for most households across the USA](#).

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 10 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.

### **ONLY TEN MONTHS TO GO!!!**

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 \$196,645 in less than four years.

This goal is now 55.4% complete (vs. 55% in August)!

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

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## Closing Thoughts

From a financial perspective, the rest of this year is going to be running on auto-pilot. I don't plan to make any new big money moves between now and the end of 2018. I plan to shift my focus to the imminent birth of our son and enjoying our first Thanksgiving, Christmas, and the New Year with him and Mrs. GYFG.

Keeping it short and sweet so I can go enjoy the beautiful transition outside from summer to fall.

*Ciao!*

- Gen Y Finance Guy

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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](#)