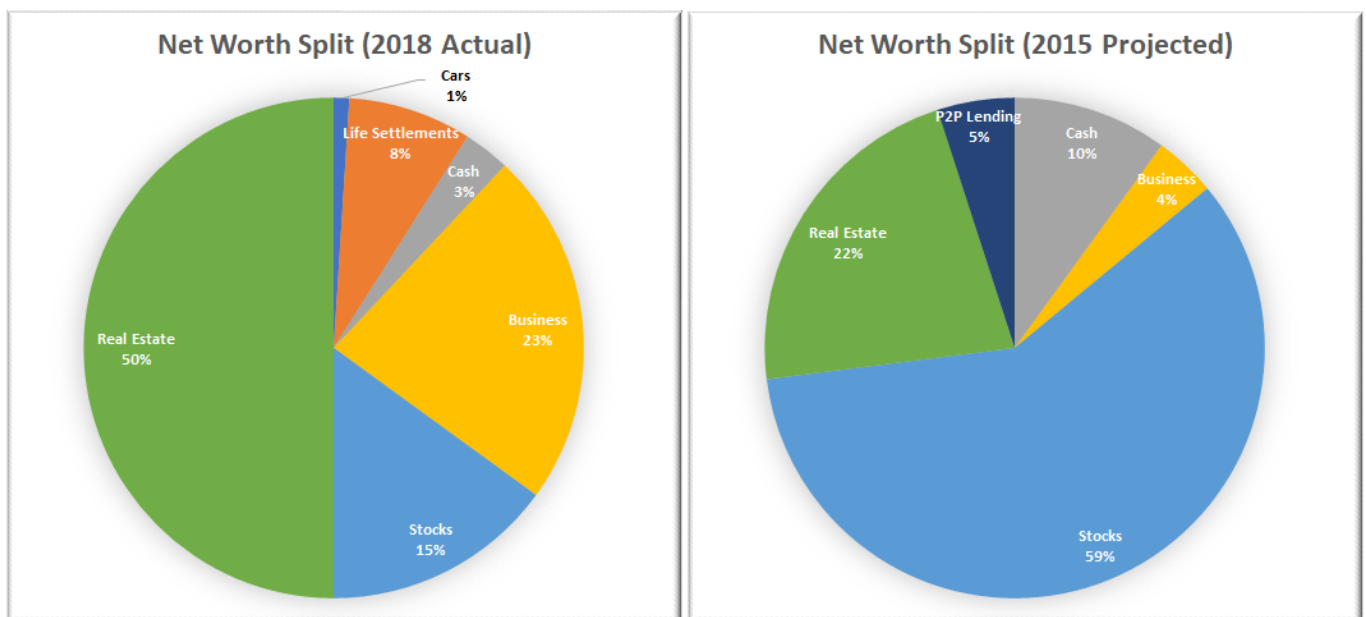


# My Commercial Real Estate Portfolio with Rich Uncles

Real Estate (RE) has become a much larger percentage of my overall net worth than I had anticipated when I put together my [blueprint to a \\$10M net worth](#). Back in early 2015, I estimated that RE would make up about 22% of the total net worth pie. Per my latest detailed financial report ([December 2018](#) - when I'm writing this post), RE currently accounts for 50% of net worth. Below is a chart of where I thought we would be from an allocation standpoint back in 2015 vs. what our actual allocation looks like today.



There are a couple of drivers that are responsible for this shift in allocation mix:

(1) The 2015 projection was my best guess as to the composition of our net worth **once we reached my \$10M goal by 2035**. Our 2018 net worth (right chart) ended at just over \$1M (10% of the way to the end goal). So, a lot can change when we add an additional \$9M to the mix.

(2) We have been aggressively paying down our mortgage in order to be [mortgage free by July of 2019](#). Our primary residence currently makes up 33%

of our total net worth as of December 31st, 2018. I view a paid off mortgage as [a synthetic bond position](#) with a phantom payment (i.e., no mortgage payment).

(3) The explosion in Crowdfunding has made RE investing so accessible. These platforms have also made it easy to diversify within the RE asset class itself. The GYFG household currently invests in Commercial Real Estate through [Rich Uncles](#) (equity portion of the capital stack) and Hard Money Lending with [PeerStreet](#) (debt portion of the capital stack).

It's number three that I would like to focus on in this post. Specifically, I would like to take a deeper dive into the investments we have in Commercial Real Estate through the [Rich Uncles](#) platform. But before I do I would like to state that although I will continue allocating capital to RE, I do expect our stock allocation to increase substantially in the coming years.

### **Our Rich Uncles Commercial Real Estate Portfolio**

I first dipped my toes in the water with [Rich Uncles](#) back in May 2015. The [last time I wrote about my investments with Rich Uncles](#) I outlined what I liked about their investment strategy, which I will quickly recap here:

(1) Tenants are typically recognizable creditworthy tenants. We're talking about big companies like Chase, Del Taco, Chevron, Dollar General, GAP, Williams Sonoma, Harley Davidson, Wyndham, etc.

(2) Tenants pay all property-related expenses due to the nature of the leases being triple net (NNN). This includes taxes, insurance, utilities, and maintenance. The leases tend to be long, with an average of ten-year lease terms.

(3) The properties are purchased with 50% or more cash down payment, so there is not an excessive amount of leverage used.

(4) The NNN REIT (the one we're discussing) pays an annual 7% dividend with monthly distributions.

(5) Although I tend to view illiquidity as a feature rather than a risk, most investors like to have some form of liquidity. Rich Uncles provides investors the ability to cash out through their monthly share repurchase program.

(6) About 1/3 of dividends are expected to be shielded from ordinary income taxes due to depreciation. This is actually something I previously thought was unavailable unless investing directly in physical real estate.

(7) The fees are lower due to no middleman trying to make a commission by selling shares. It's estimated that the fees are about 10% less than other REITs - 97% of the gross proceeds from the sale of shares will be used for investments.

(8) Rich Uncles REITs (they have three funds, but one is no longer open for investment) are public offerings registered with the U.S. Securities and Exchange Commission ensuring transparency through required financial audits and ongoing reporting. ([read about the new Student Housing REIT here](#))

(9) The minimum investment is very doable for almost anyone at \$500 ([the minimum is only \\$5 for the Student Housing REIT](#)).

(10) You don't have to be an accredited investor to participate.

My initial investment back in 2015 was for \$5,000 and as you can see I've since beefed that up through new investment and reinvested dividends to \$63,843 (see the screenshot of my account below). I'm currently working to increase this to a round \$100,000.



Although I've discussed Rich Uncles before on the blog, the one thing I have yet to do is shed light on the types of properties that I have exposure to by investing in the NNN fund. Investors don't have any say in the choice of properties; rather, you get exposure to the entire Commercial portfolio, which has been filtered and hand-selected by the seasoned Rich Uncles investment team (with a combined 100 years

of experience).

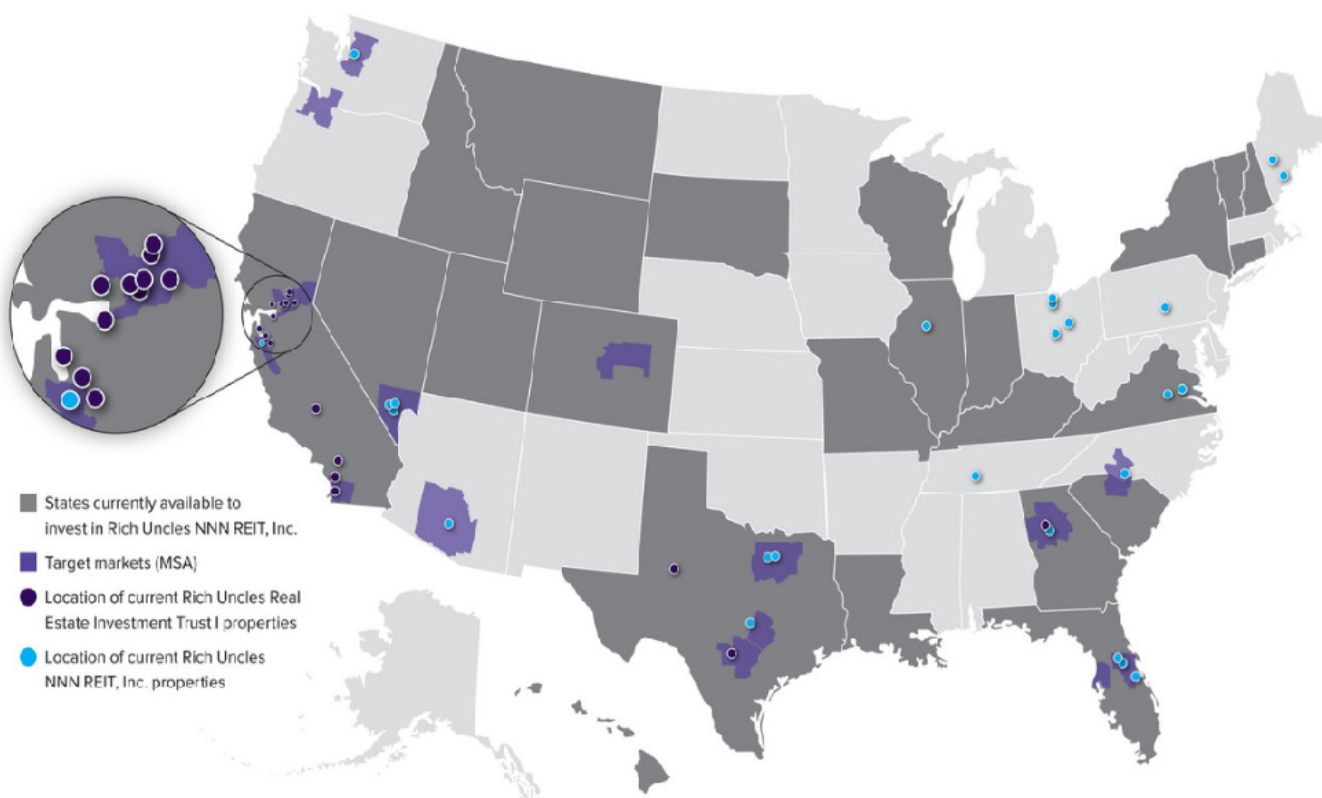
## **Properties in the NNN Fund**



The NNN portfolio currently consists of 43 properties located in 14 different states all purchased within the last couple of years. You can see from the above table that there were three properties whose total square footage I was unable to find, but in aggregate the portfolio consists of more than 2M square feet of commercial real estate.

40% (17) of the properties are concentrated in California (see map below).

## Existing Portfolio Map



Overall, I'm very happy with my exposure to Commercial Real Estate, and the performance to date has been as expected. Those monthly distributions have been hitting my account like clockwork for the past four years. At some point, there will be some sort of liquidity event, with the targeted compounded return over the holding period with dividends reinvested being 12-15% (includes anticipated appreciation).

We are currently receiving about \$370/month in dividends and are targeting

~\$600/month by the time we build the account up to \$100,000.

### **Bonus - why YOU should care!**

It's that time of year again - *Tax Season*. The good news is that it's not too late to reduce your 2018 tax bill by setting up an IRA. Maybe you don't owe anything. Great! An IRA deposit could increase that refund you're expecting. You have until April 15, 2019 to make a contribution for the 2018 tax year.

I share this with you because of a special offer available to GYFG readers. If a Rich Uncles allocation makes sense in your own portfolio, then you will want to take advantage of a special deal I have negotiated for YOU: [Open a self-directed IRA with Rich Uncles](#) and get \$100 (\$5,000 minimum investment) plus a 2% match on every additional dollar you contribute. That's free money, Freedom Fighters. All day! I personally have been invested with Rich Uncles since 2015 and by the end of this year (2019) will have almost \$70,000 invested there. Rich Uncles is a great allocation for your portfolio, and this special deal for GYFG readers makes it all the sweeter. Join me, and take advantage of this great offer!



**Rich Uncles**  
NNN REIT, Inc.

**Get \$100  
and 2%  
contribution  
matches!**

When you invest \$5,000  
with a self-directed IRA.

**LEARN MORE**

- 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](#)