

# **May 2019 - Detailed Financial Report #53 - Net Worth \$1,171,429 | Income \$91,688**

The GYFG household is officially mortgage-free. We made our last payment in person at the bank. To be honest, it was a bit of an anti-climatic moment. Don't get me wrong: it feels great to have removed the shackles of such a large debt - a feeling that sadly is never achieved by most. After discussing this with Mrs. GYFG, we believe that it is just going to take time to sink in that we are mortgage-free. Since accelerating this goal, we have paid an additional \$17,000/month against the principal of the mortgage for the past 17 months (yes, \$289,000 applied to the mortgage in 17 months).

I'm sure our excitement will build as our cash reserves are able to swell once more.

The other highlight this month was a \$57,000 dividend I received in May, related to the stock I own in the company I work for. The longer I play this whole money game the easier it seems to get. With enough time, consistency, and the power of compounding it's starting to feel like shooting fish in a barrel.



With that, let's dive into the nuts and bolts.

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 does change periodically.

### **Why I Share These Monthly Reports**

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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*. And, 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.

A little over four years later, our net worth currently clocks in at \$1,171,429 with a gross income over the trailing twelve months of \$504,902 (new all-time-high).

- That's a **6.0X 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 **2.6X**, which translates to a **compound annual growth rate of roughly 25%**.

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 you 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!"

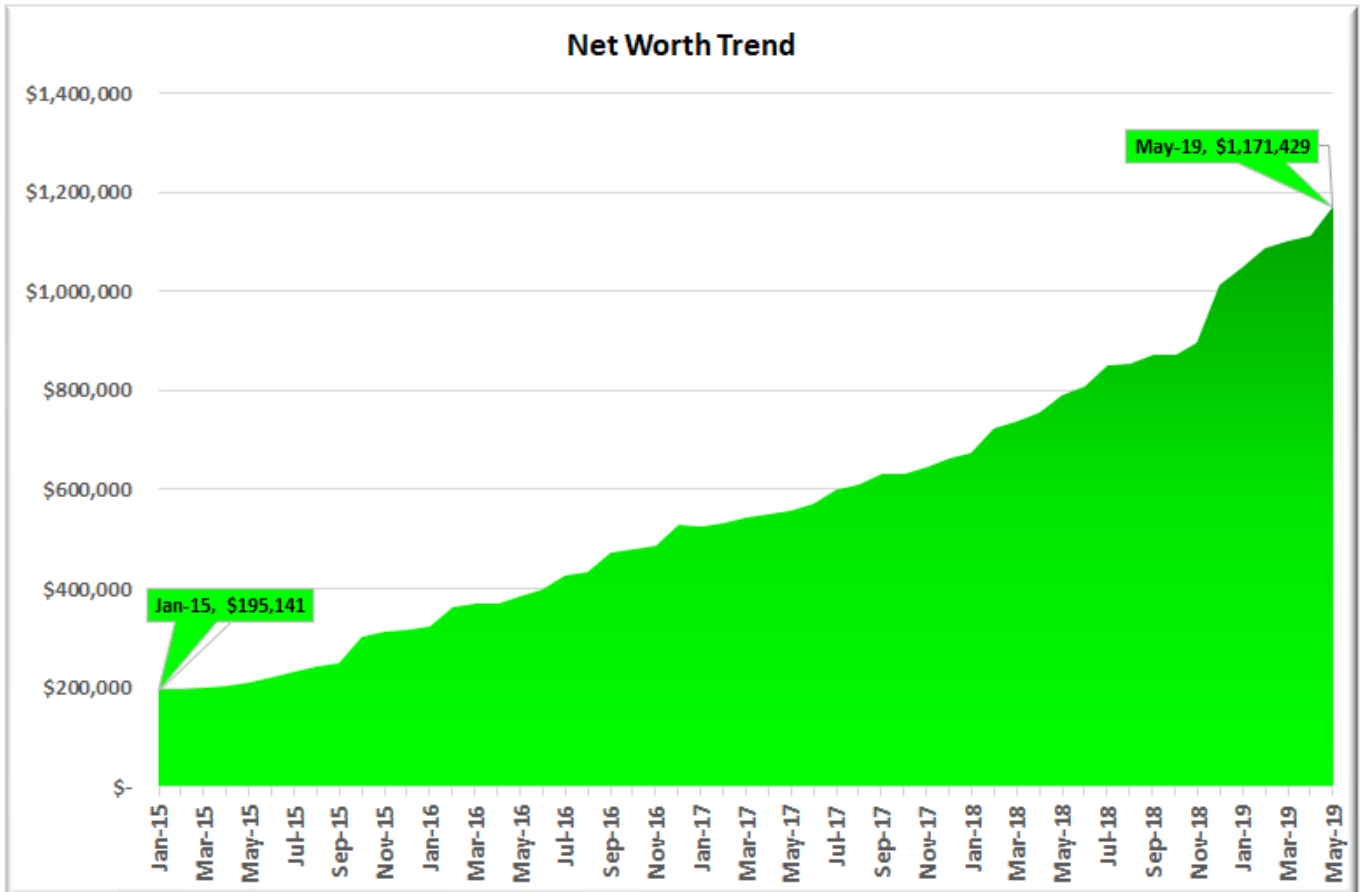
You must be intentional with your finances if you ever want a fighting chance to make it to financial freedom. But it does not have to take 40-50 years of slaving away for “The Man” before you have the option to retire. [I think 10-20 years is all you need](#), with the most aggressive folks probably 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 the BS). Personally, I have always enjoyed the financial reports put out by other bloggers around the blogosphere, so I always intended to share my own.

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

## **Net Worth**

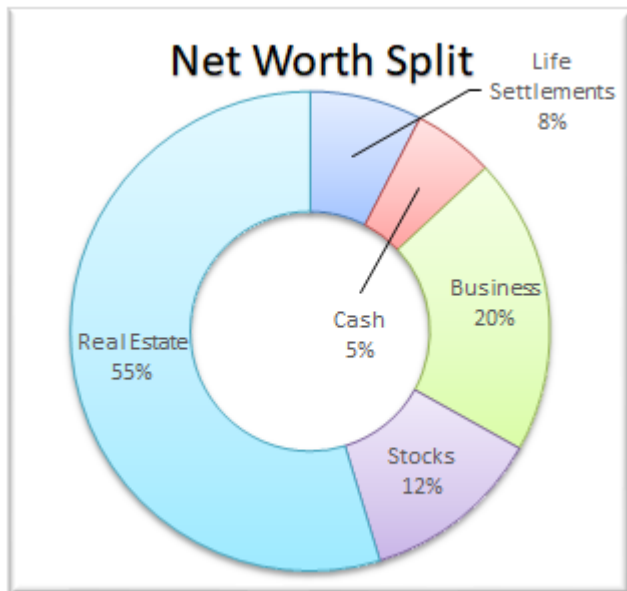
Our net worth increased this month by \$60,489, or 5.4% month over month. Over the prior four years and five months, we have grown our net worth by \$990,065, on a gross income of \$1,675,686. That means we are running a 59% [net worth conversion ratio](#). It's been a combination of a high savings rate combined with a relentless bull market (sprinkled with luck here and there). The ultimate goal is to reach a point where your net worth is greater than or equal to your lifetime earnings (a conversion ratio of 100% or greater - this is true financial nirvana).



**May Net Worth \$1,171,429 (up \$158,564 or +15.7% for 2019)**

- Previous month: \$1,110,940
- Difference: +\$60,489

**Net Worth Break Down (MoM):**



The **Real Estate (\$640,744)** category remained flat at 55%. This category includes the equity in our primary residence (\$463,896), our investment in the [Rich Uncles commercial REIT \(\\$70,615\)](#), and our hard money loans through the [PeerStreet \(\\$106,234\)](#) platform. I have been taking capital as it's 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 (which is why the PeerStreet value hasn't been changing much MoM).

**Net Cash (\$64,273)** increased from 3% to 5%. We actually have \$79,956 in cash but net cash is only \$64,273 after you adjust for our current credit card balance of \$15,682, which we pay in full every month based on the statement due date. I started traveling again in January, so this will fluctuate a lot more going forward (and is compounded with the new travel related to the consulting business I started back in March).

The **Business (\$234,962)** category decreased from 21% to 20%. This represents the [ownership I have in the private company that I work for](#). This is an illiquid investment that only gets an update to its value one time per year. I net the company stock asset value of \$446,962 against the company stock loan of -\$212,000 to arrive at the \$234,962.

**Life Settlements (\$88,693)** remained flat at 8%. We currently have investments in seven policies at \$10,000 each. 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 this fixed return you are amortizing (realizing) that value with the passing of time.

The **Stocks (\$142,757)** category decreased from 13% to 12% and represents the cumulative value of our brokerage accounts (retirement accounts) 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 \$81,000 and are counted in the Real Estate category of the pie chart).

### Total Capital Deployed in 2019:

Investment	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Dividends / Interest	401K Matches	2019	% Split
Peer Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Rich Uncles	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	4.4%
Mortgage	\$ 4,969	\$ 24,012	\$ 58,964	\$ 10,001	\$ 29,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,945	112.2%
Stocks (401K)	\$ 21,809	\$ 4,815	\$ (48,800)	\$ 1,200	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (19,975)	-17.5%
Private Business	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Life Settlements	\$ -	\$ -	\$ -	\$ -	\$ 1,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,037	0.9%
<b>Total</b>	<b>\$ 27,779</b>	<b>\$ 29,827</b>	<b>\$ 11,164</b>	<b>\$ 12,201</b>	<b>\$ 33,036</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 114,007</b>	<b>100.0%</b>

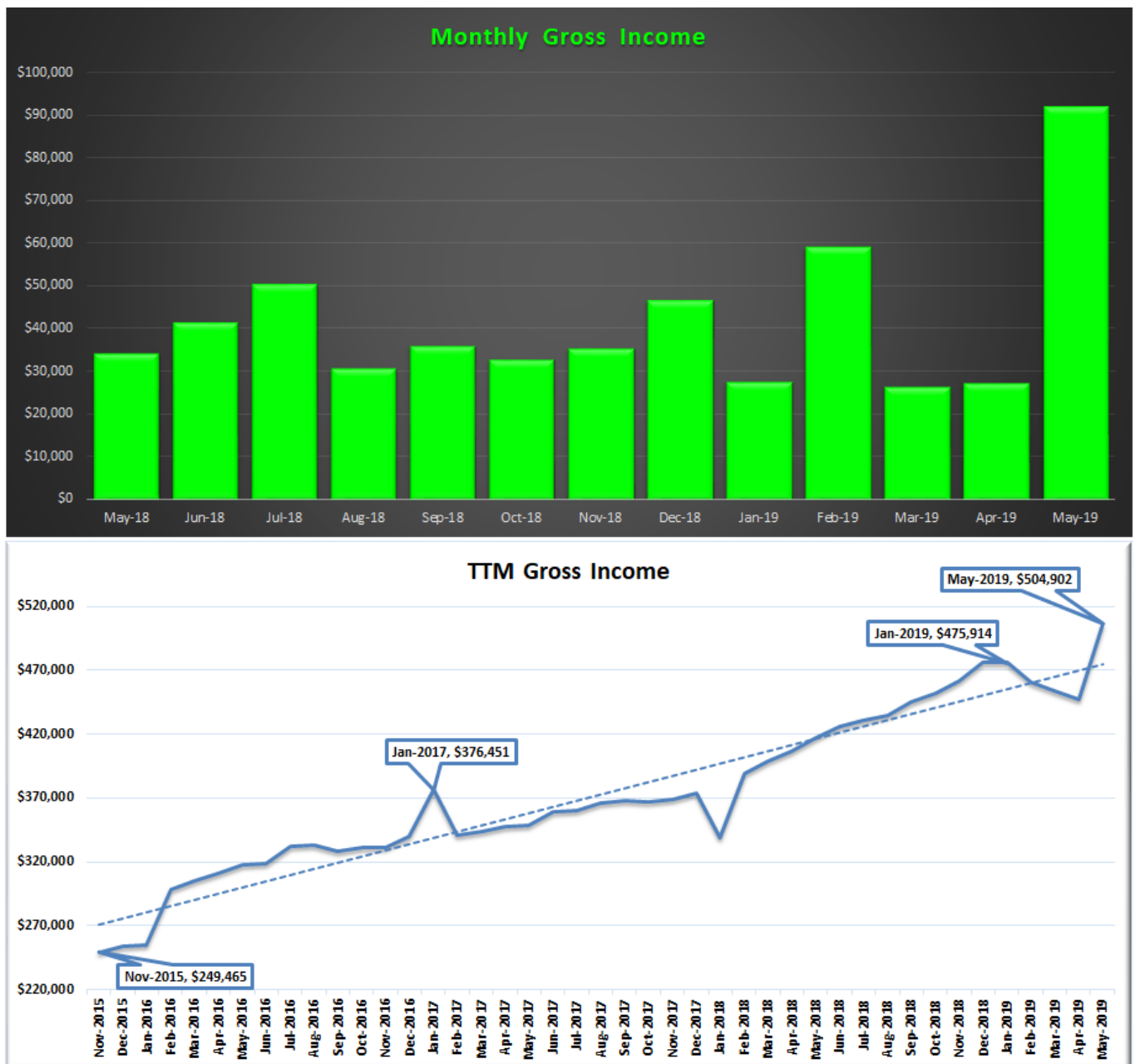
I anticipate deploying about \$182,000 in new capital this year (of which 62.6% has already been deployed). Although a healthy sum, [this is down significantly from the \\$414,692 that we were able to deploy in 2018](#). Going forward I expect there to be a lot more month-to-month variability in the capital deployed. About 65% of the total deployed this year will go towards [putting the mortgage to bed](#) (which officially happened this month).

You can see that I deducted the \$50,000 from the stocks category due to the 401K loan that I took to apply against the mortgage. I know that may not be a popular move but it makes sense to us given our goal of paying off the mortgage and our opinion of the current market environment. This way, we locked in current gains and paid off debt, without inciting a large tax event. Based on our cash flow we can have the 401K loan paid back by the end of 2019, but the speed at which we pay it back will depend on what the market does and if/when I leave my current employer. It's technically a five-year loan but I seriously doubt we will take that long to pay it off. In the meantime, we will be paying ourselves interest at a rate of 6.5% (the mortgage debt we paid off was at 2.25% so the net interest rate is 4.25%).

### Gross Income

Income for the month of May was \$91,688 vs. \$27,134 in April. On a cumulative basis, we have earned \$231,688 through May of 2019. Last month I mentioned the

possibility of our first six-figure income month. Unfortunately, we fell short of six-figures due to the timing of collecting cash from invoices related to the new business. That income will now fall into June. That's the challenge of owning your own business vs. collecting a steady paycheck every two weeks. It was still a new all-time high in terms of income in a single month. We are currently on track to earn about \$520,000 for all of 2019.



In the second chart above, I also track our income on a trailing twelve months, and as expected the TTM rose to a new all-time high over \$500K.

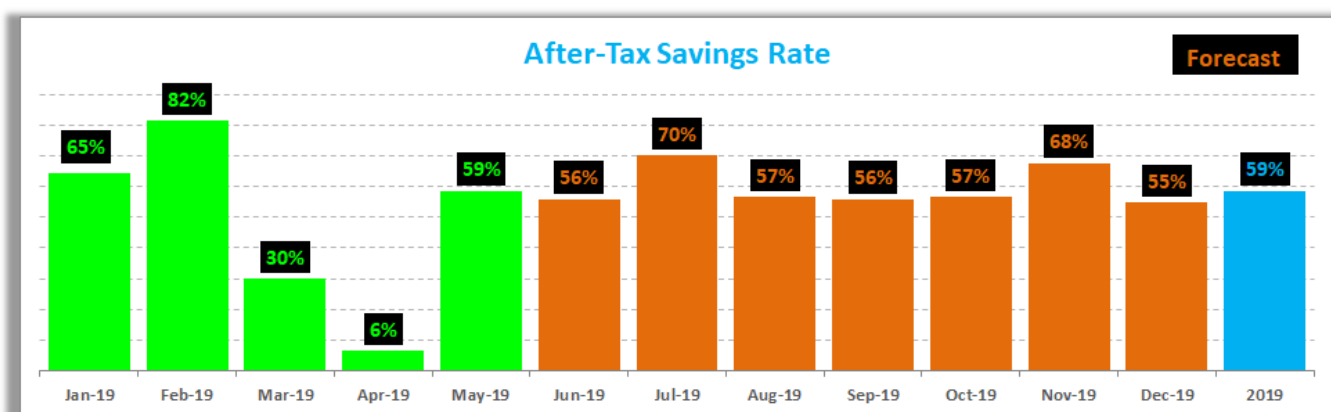
## Savings Rate

Below is how we actually did vs. our goal of [saving 50% of our after-tax income](#). In the chart below, the green bars represent our actual savings rate for the month, the orange bars are what we anticipate based on our 2019 budget, and the blue bar is the projected savings rate for all of 2019.

Last month I said:

“May should be a blowout month, and should more than offset the miss in April (anticipated in the range of 80-90%).”

Oops! I was wrong for the second month in a row. My wife and I decided to take care of a few off-balance sheet items (some 0% financing deals of which we availed ourselves) and pre-paid our October family vacation to Maui. Nonetheless, we were still able to save 59%, which is very robust! The only remaining off-balance sheet item that we have is the new Suburban that we financed. We do plan to eventually pay the Suburban off, but in order to not lose the additional \$3,500 price break we received, we need to keep it financed for six months (through October). Therefore, we will just let our cash pile up over the next five months and re-evaluate then.



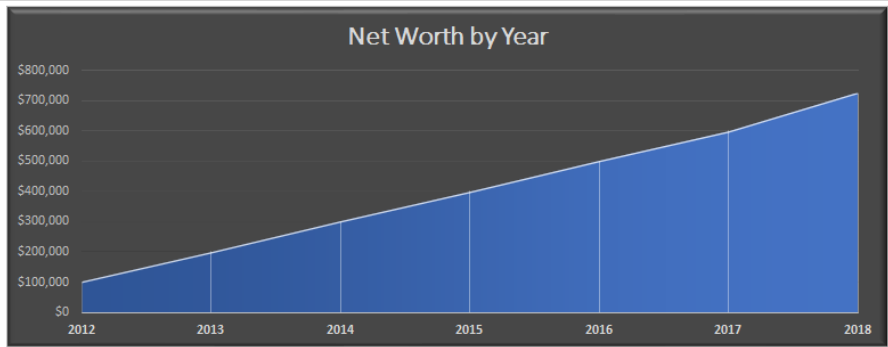
**Do you want to calculate your own savings rate?** I've made it super easy for you with the savings rate calculator included in the free GYFG FI Toolkit that you





**NET WORTH TREND**

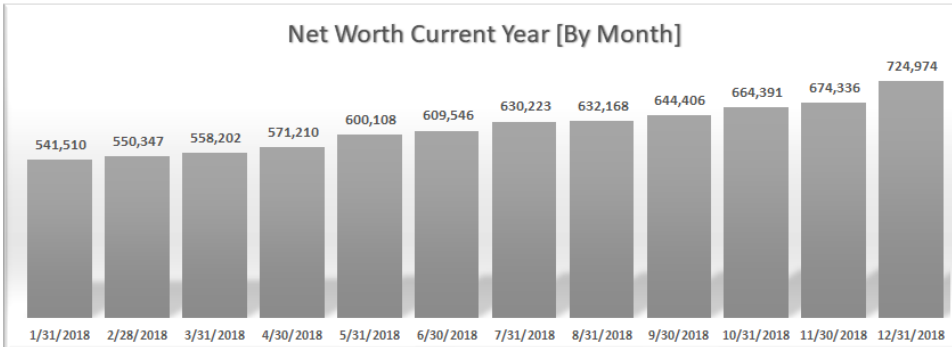
Year	Actual Net Worth	YoY % Change
2012	\$ 100,000	
2013	\$ 200,000	100%
2014	\$ 300,000	50%
2015	\$ 400,000	33%
2016	\$ 500,000	25%
2017	\$ 600,000	20%
2018	\$ 724,974	21%
2019		
2020		
2021		
2022		
2023		
2024		
2025		



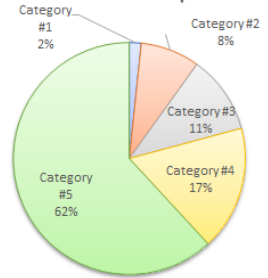
**7.2% Of Net Worth Goal**

Goal: \$10,000,000 by January 31, 2035

**Net Worth Current Year [By Month]**

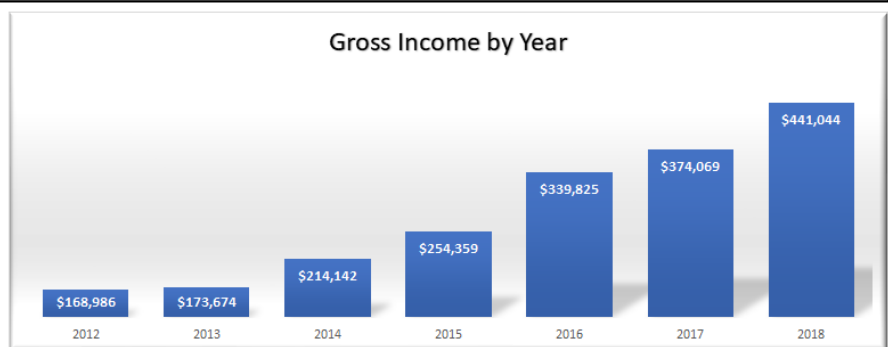


**Net Worth Split**



**GROSS INCOME TREND**

Year	Gross Income	YoY % Change
2012	\$ 168,986	
2013	\$ 173,674	3%
2014	\$ 214,142	23%
2015	\$ 254,359	19%
2016	\$ 339,825	34%
2017	\$ 374,069	10%
2018	\$ 441,044	18%
2019		
2020		
2021		
2022		
2023		
2024		
2025		



**MORTGAGE PAYOFF (PRIMARY RESIDENCE)**

Goal: Pay off Mortgage on Primary Residence by December 31, 2021

**43.7% Paid Off**



## Savings Rate Calculator

### Gross Income

Total Gross Income	10,000
Total Pre-Tax Contributions	1,500
Total Benefit Expenses	190
Total Taxes	1,135
<b>Net Take Home Pay</b>	<b>7,175</b>
Total Living Expenses	2,500
<b>Net Income</b>	<b>4,675</b>
Add Back Amortizations	500
Add Back Pre-Tax Contributions	1,500
<b>Total Savings</b>	<b>6,675</b>

*Savings Rate (% After-Taxes & Benefits)* **76.9%**

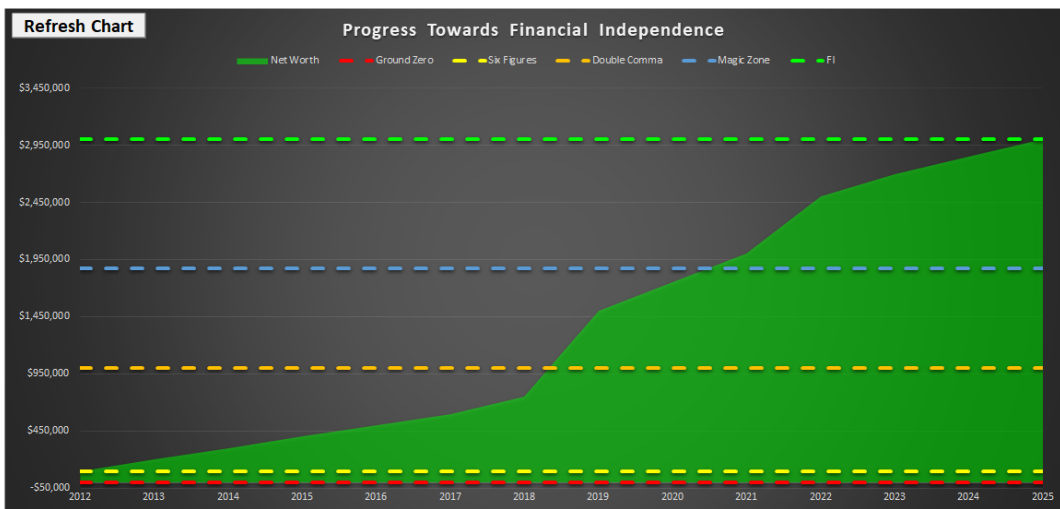
*Gross Savings Rate* **66.8%**



Desired Annual Spending \$ 120,000  
 Financial Independence **\$ 3,000,000**

Year	Net Worth
2012	\$ 100,000
2013	\$ 200,000
2014	\$ 300,000
2015	\$ 400,000
2016	\$ 500,000
2017	\$ 600,000
2018	\$ 750,000
2019	\$ 1,500,000
2020	\$ 1,750,000
2021	\$ 2,000,000
2022	\$ 2,500,000
2023	\$ 2,700,000
2024	\$ 2,850,000
2025	\$ 3,000,000

Your FI number is based on the 4% rule, which defines FI at the point your Net Worth Reaches 25X your desired annual.



[Click Here To Download](#)

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](#) and an aggressive pay down strategy, our mortgage is officially dead! [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. From purchase to pay-off, it took us five years and four months to eliminate the mortgage. We didn't set the pay-off goal until a year after our purchase, so the goal actually took us only four years and four months.

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

**100.0% 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 was the fact that our income had 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 2031 – that puts us 11 years ahead of schedule.

Secondly, prior to the 2018 tax reform, the tax benefit we received from being able to deduct the interest and property taxes was already minimal. And now, under the new Federal tax 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 how anyone could be dogmatic about keeping a mortgage for the tax deduction, [which is worthless under the new tax reform for most households across the USA](#).

Moreover, 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 pay-off accomplished in about a year, which became very motivating once Baby GYFG arrived. 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 has become a large and concentrated percentage of our net worth. It currently makes up 39.6% of our net worth (up from 39.1% last month). Now that the mortgage is officially paid off I expect to dilute this over time with an eventual goal for it to make up less than 5% of total net worth over the next ten years.

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 projected 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 proved to be not only true but also very conservative.

This is the last month that this will show up on these monthly updates.

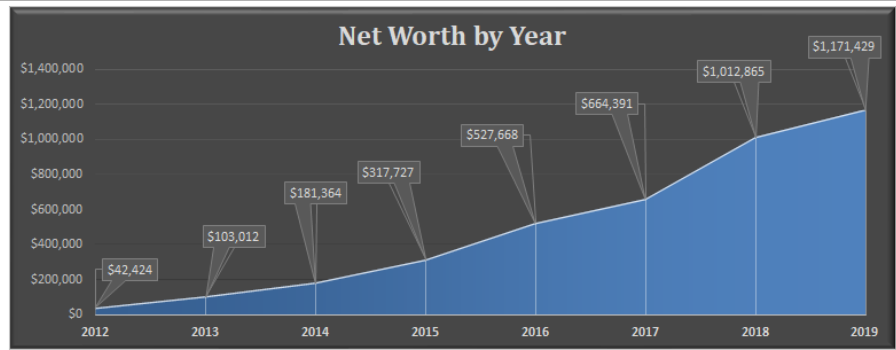
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## Closing Thoughts

It's been a while since I've shared my mast dashboard that tracks our cumulative progress towards achieving a net worth of \$10,000,000 by the time we are 48. When progress is not moving as fast as I would like it to, I review this dashboard to remind myself that we are making quantum leaps in the grand scheme of things. I mean, we have accumulated 85% of our net worth in the last 4.5 years. Unless the market materially deteriorates before the end of the year, I'm now projecting our net worth to end the year around \$1.3M, which would put us at 13% on the progress bar below, against our goal.

### NET WORTH TRENDS

Year	Actual Net Worth	YoY % Change
2012	\$ 42,424	
2013	\$ 103,012	143%
2014	\$ 181,364	76%
2015	\$ 317,727	75%
2016	\$ 527,668	66%
2017	\$ 664,391	26%
2018	\$ 1,012,865	52%
2019	\$ 1,171,429	16%
2020		
2021		
2022		
2023		
2024		
2025		



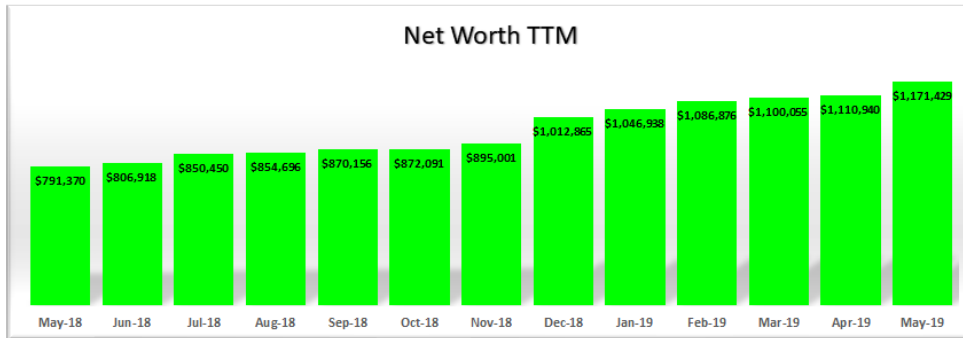
Goal: \$10,000,000 by January 31, 2035

TOTAL ASSETS	\$ 1,399,111
TOTAL LIABILITIES	\$ (227,682)
NET WORTH	\$ 1,171,429

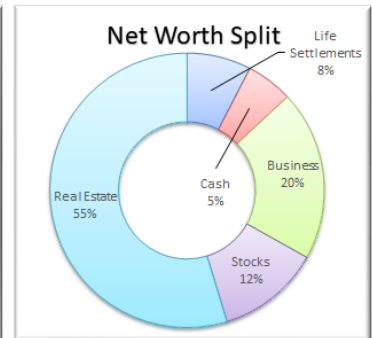
11.7% Of Net Worth Goal

Everyone has a number and ours is \$10,000,000

### Net Worth TTM

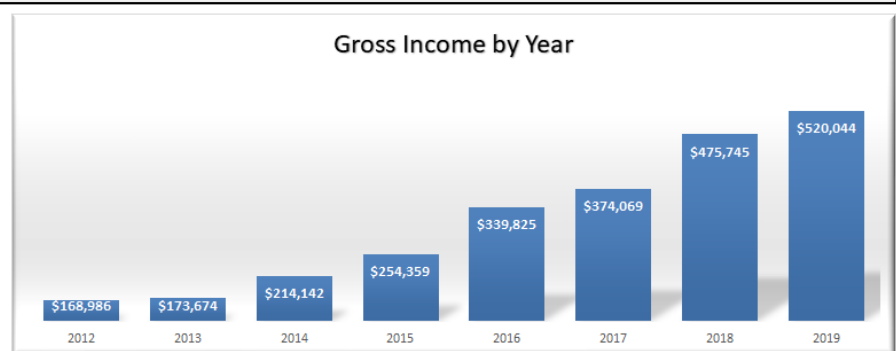


### Net Worth Split



### GROSS INCOME TRENDS

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2019	\$ 520,044	9%
2020		
2021		
2022		
2023		
2024		
2025		



### REAL ESTATE EQUITY AND MORTGAGE PAYOFF (PRIMARY RESIDENCE)

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

100.0% Paid Off

Home Equity	463,896
	100.0%

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.

As mentioned in the last few monthly updates, financial autopilot remains on. Currently, all my excess bandwidth has been spent getting my new consulting business off the ground. As of May 31st, I billed out ~\$47,000 (of which ~\$27,000 is

mine to keep). I've been paid for my first invoice submitted for March (a small \$3,800 invoice), but the April payment looks like it will be paid in June, and I just sent May invoices out (and don't expect payment until end of June or early July). Below is a snapshot of how the business is performing since its birth:

<b>Month</b>	<b>Revenue</b>	<b>Expense</b>	<b>Net Profit</b>	<b>Net Profit %</b>
February 2019	\$0.00	\$267.42	(\$267.42)	n/a
March 2019	\$3,814.22	\$1,922.50	\$1,891.72	49.6%
April 2019	\$20,792.63	\$8,458.88	\$12,333.75	59.3%
May 2019 (estimate)	\$22,407.06	\$9,080.51	\$13,326.55	59.5%
<b>Total</b>	<b>\$47,013.91</b>	<b>\$19,729.31</b>	<b>\$27,284.60</b>	<b>58.0%</b>

I'm really enjoying this new business so much that I'm now working on a plan to exit my day job and go full-time entrepreneur by the end of the year. I have already started discussing my departure with several members of the executive team at my current employer and will be talking to my boss as soon as he returns from his trip abroad. I didn't want to drop this news on him right before or during his trip. My plan is to stay on for the next seven months to transition my responsibilities and to earn my full bonus upon departure. There are a few other things I will be negotiating but will share those once it is a less sensitive topic.

I hope you had a Magnificent May!

- 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](#)