

# **October 2019 - Detailed Financial Report #58 - Net Worth \$1,342,681 | Income \$116,170**

And we're back! Halloween always seems to be the line in the sand that separates summer from fall where I live and it marks the start of my favorite time of year. The weather has cooled down significantly and the AC will be off for the next six months. Even better, the clocks will "fall back" for daylight savings time in California and psychological trick or not, I always feel more rested when this happens.

October was a month for records, both in the markets and the GYFG financials. It is also an odd month where our income hit an all-time high at \$116,170, we deployed almost \$225,000 in capital, and our savings rate was almost 80%, yet our net worth declined by almost \$18,000. This is only the second time in 58 months (almost five years) that we have seen a decline in our net worth, so I can't really complain, nor am I upset. The reason it happened was that I made a big move with my idle cash to create a \$343,000 tax deduction against my 2019 income. Yes, I bought a deduction! It cost me \$68,600 in order to get a \$343,000 tax deduction, which equates to about \$150,000 in tax savings.

I have been working closely with my new CPA to work on tax strategy for 2019 and we concluded that this was the best route - at least for this year. It was mind-blowing going through the exercise of estimating our final annual income for 2019, which is currently projected at \$667,000. This wasn't the only big move I made in October.

An opportunity came across my desk to extend a \$150,000 hard money loan at 10% interest for the next 6-12 months (half of this was funded by my HELOC at 6% temporarily for cash flow reasons). This is with a very close and trustworthy family friend that flips and invests in real estate for a living. We have done one deal with him in the past, but it has been several years. The economics of the deal are great in my opinion. He purchased two manufactured homes in good parks for \$265,000 (total) and when he swaps them out with better units they will be worth \$280,000 each (or \$560,000 total). It's going to cost about \$150,000 - \$200,000 to replace the properties, leaving \$95,000 - \$145,000 in profit.

The other move I made was to put a whole life insurance policy in place for my son. We are pursuing this route in place of the more popular 529 plans. We chose a policy that comes with a \$5,000 annual premium and should be worth at least \$120,000 by the time he is 18. This will give him maximum flexibility in how he wants to use the money when that time comes. I don't know what college and tuition is going to look like by the time he is 18 (in 2036), but I do think it is ripe for disruption and currently on an unsustainable path. There are so many different ways he could pursue an education; if he does go to college, he could choose to go to a state school like I did and use the difference in this fund to buy his first house. Then, while in school, he could house hack by renting out the rooms to create an income while he focuses on school without having to work a job. Lots of ideas, and quite a few years yet to mull them all over.

That's the view of our financials for 30,000 feet, now let's dive into the details.

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.

Four years and ten months later, our net worth currently clocks in at \$1,342,681 with a gross income over the trailing twelve months of \$642,237.

- That's a **6.9X increase in net worth** due to a **compound annual growth rate of roughly 50%** for the past four years.
- At the same time, income has increased **3.1X**, which translates to a **compound annual growth rate of roughly 27%**.

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 does. 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.

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## **Financial Stats Dashboard**

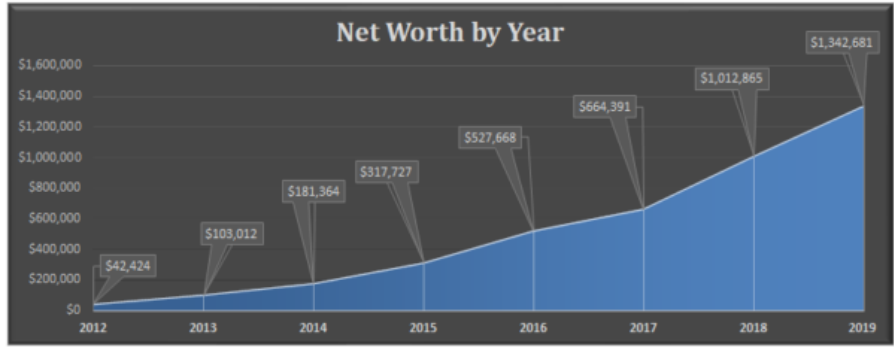
At the end of each month, I download a .csv file from my [Personal Capital](#) account and drop it into my custom built Excel workbook in order to update the dashboard you see below. I'm blown away every month by the progress we have made in a relatively short period of time. The only number below that is not an actual number and instead is a forecast is the current year projected income of \$666,992 in the gross income chart below.

**GEN Y FINANCE GUY**  
**FINANCIAL STATS**

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	\$ 1,342,681	33%
2020		
2021		
2022		
2023		
2024		
2025		

TOTAL ASSETS	\$ 1,555,206
TOTAL LIABILITIES	\$ (212,525)
NET WORTH	\$ 1,342,681

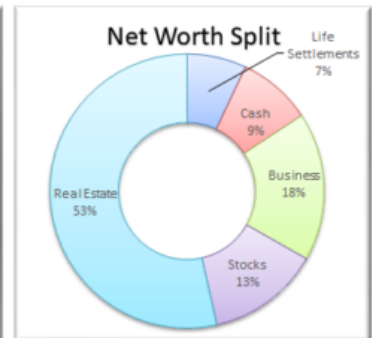
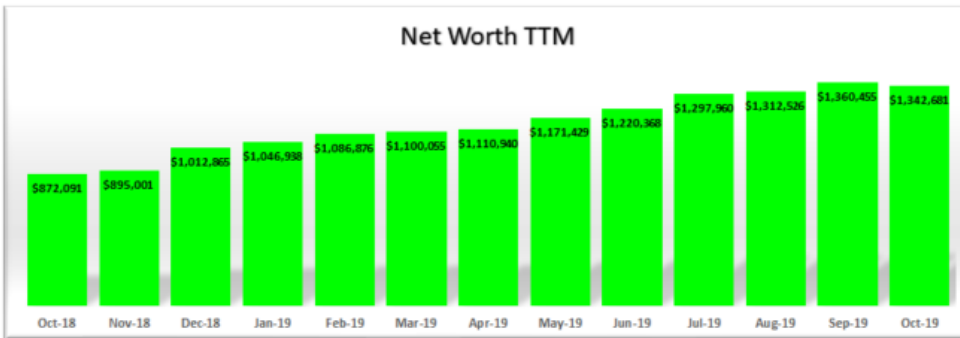
**NET WORTH TRENDS**



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

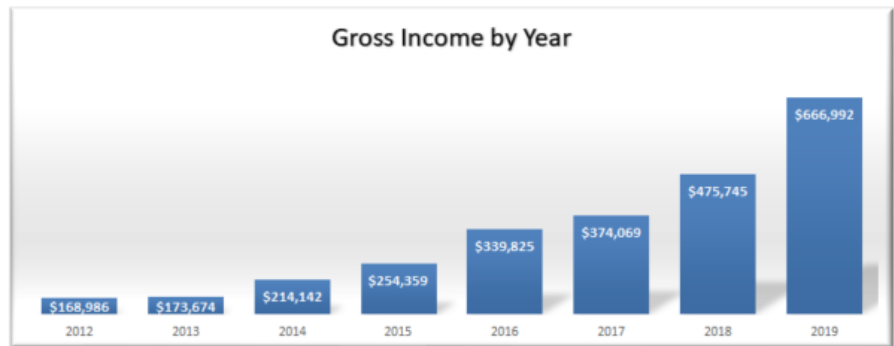
**13.4% Of Net Worth Goal**

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



**GROSS INCOME TRENDS**

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	\$ 475,745	27%
2019	\$ 666,992	40%
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.

Now that we have seen the overall, let's take a closer look at a few of the items

below.

## **Net Worth**

As I mentioned above, we experienced a decline in net worth during the month of October. The two main drivers for the decline are as follows:

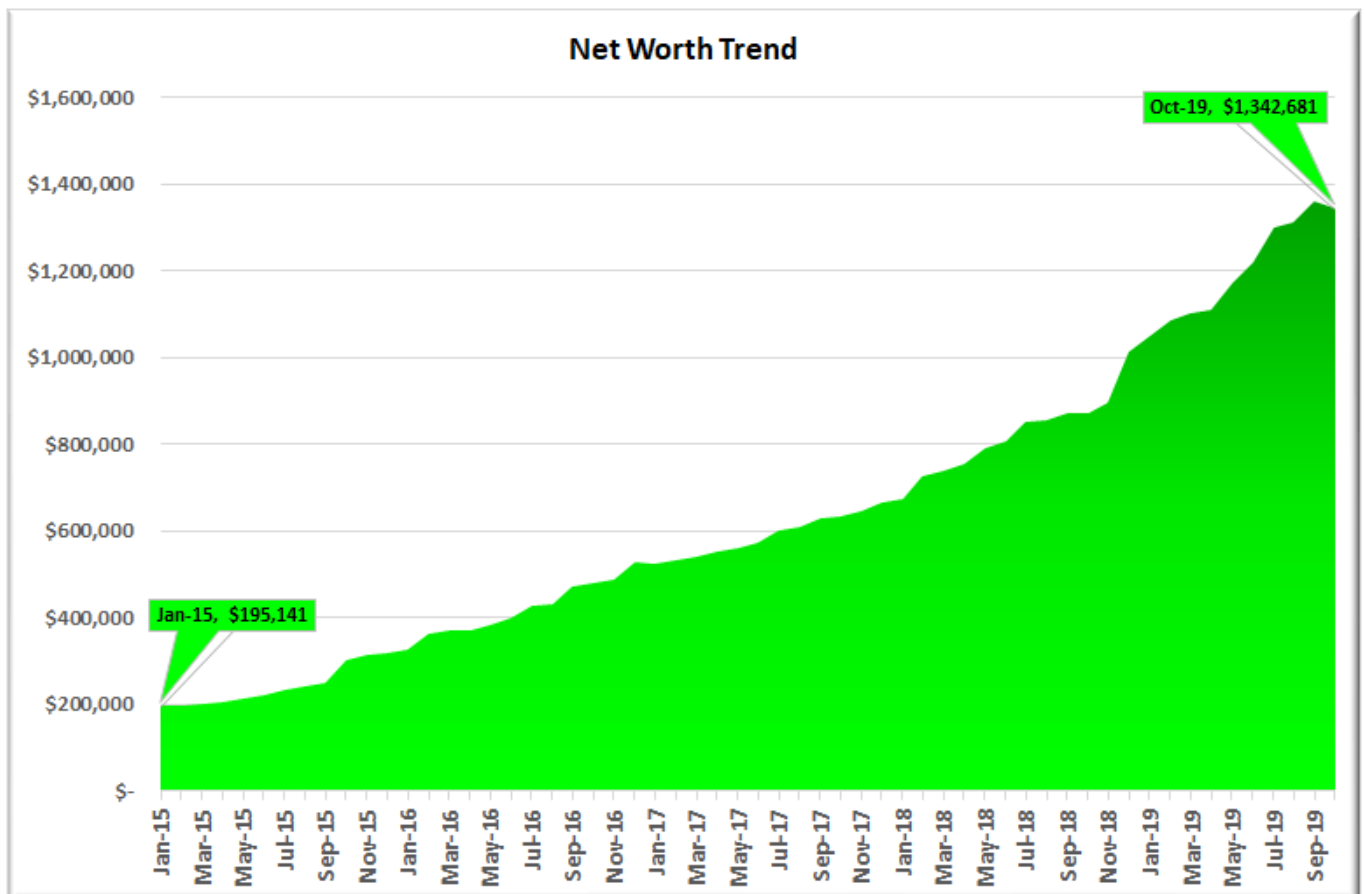
(1) We bought a \$343,000 tax deduction for \$68,600. Yep, we will never see that money again. That said, this is going to save us approximately \$150,000 in taxes. When you boil it down it was either write a check for \$68,600 or \$150,000. The math was a no brainer. The net savings is \$81,400 or 118% return. I don't know of many any opportunities for that kind of return. You are probably wondering how this is possible, right? It's accomplished by buying land (or into a partnership that does this) and then establishing a [conservation easement](#) that involves donating the land and receiving a charitable contribution in return. The tax deduction is calculated based on the highest and best use of the land if it were to be developed and not the actual purchase price (in my case, you will notice that the tax deduction is five times the amount of the actual donation). The land is then conserved and no one can ever develop it.

(2) We extended a \$150,000 hard money loan with a 10% interest rate paid monthly for a duration of 6-12 months. Due to the above, we didn't have all the cash to fund this, so we decided to pull \$75,000 from our HELOC to manage a temporary cash-flow issue. We should have this paid back within the next month or two. For example, next week I will receive about \$30,000 that is owed to me from my business, which will go directly to pay down the HELOC loan. The business still owes me about \$40,000 through October (above and beyond the \$30,000 mentioned above). It's also a three pay period month for me in November and Mrs. GYFG is forecasting a significant increase in her commissions over the next several months. On top of this, we also have about \$40,000 sitting in our checking account.

(3) We paid the first \$5,000 premium on the new Whole Life Insurance policy that we put in place for our son. (As I type, I realize that I didn't actually capture the \$3,147 in cash value that the policy has after making that payment, but I'll just pick that up next month.)

Add those together and that is a hit of \$148,600 to our net worth month over

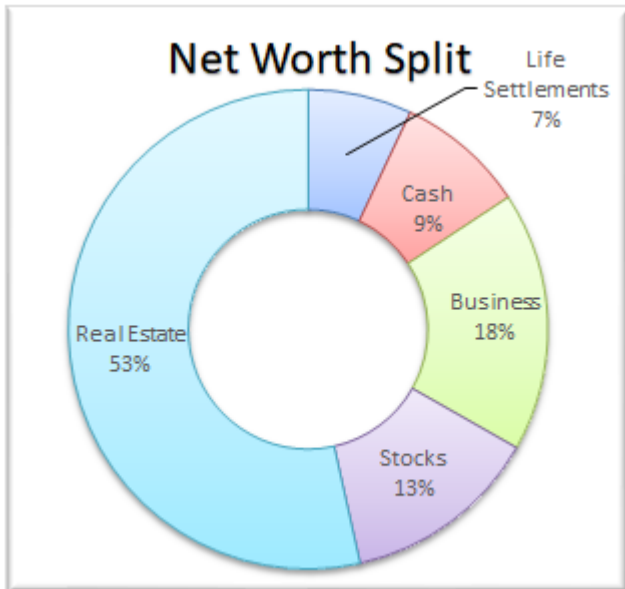
month. To add further context, that means that we actually had \$130,826 in increases that offset a large portion of this decrease, which resulted in our decline of \$17,774 this month.



**October Net Worth \$1,342,681 (up \$329,816 or +32.6% for 2019)**

- Previous month: \$1,360,455
- Difference: -\$17,774

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



The **Real Estate (\$718,050)** category increased from 47% to 53%. This category includes the equity in our primary residence (\$463,896), **a new hard money loan in the amount of \$150,000 at a 10% interest rate (\$75,000 net of HELOC Loan)**, our investment in the [Rich Uncles commercial REIT \(\\$76,672\)](#), and our hard money loans through the [PeerStreet \(\\$102,482\)](#) 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 (\$117,013)** decreased from 16% to 9%. We actually have \$117,538 in cash but net cash is only \$117,547 after you adjust for our current credit card balance of \$525 (a record low), which we pay in full every month based on the statement due date. Keep in mind that of that \$117,013 a portion (~\$65K) is related to what my business owes me (a combination of my direct billable work and the profits of the business). The money the business owes me decreased substantially and will talk about that in the next section.

The **Business (\$234,962)** category remained flat at 18%. 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. I'm looking forward to updating the value of this at the end of the year (currently looking at a six-figure increase in value).

**Life Settlements (\$94,109)** remained flat at 7%. We currently have investments in seven policies at \$10,000 each. They are accreting in value by about \$1,000 per month. For anyone 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 (\$178,547)** category remained flat at 13% 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 \$82,000 and 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	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,000	2.5%
Mortgage	\$ 4,969	\$ 24,012	\$ 58,964	\$ 10,001	\$ 29,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,945	36.1%
Stocks (401K)	\$ 21,809	\$ 4,815	\$(48,800)	\$ 1,200	\$ 1,000	\$ 1,200	\$ 4,250	\$ 5,740	\$ 1,786	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7,000)	-2.0%
Private Business	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Whole Life Policy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 5,000	1.4%
Land Tax Strategy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,600	\$ -	\$ -	\$ -	\$ -	\$ 68,600	19.3%
Hard Money Loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000	42.3%
Life Settlements	\$ -	\$ -	\$ -	\$ -	\$ 1,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,037	0.3%
<b>Total</b>	<b>\$ 27,779</b>	<b>\$ 29,827</b>	<b>\$ 11,164</b>	<b>\$ 12,201</b>	<b>\$ 33,036</b>	<b>\$ 2,200</b>	<b>\$ 5,250</b>	<b>\$ 6,740</b>	<b>\$ 2,786</b>	<b>\$ 223,600</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 354,582</b>	<b>100.0%</b>

I kind of stole the thunder from this section, but it was a huge month! To date for 2019, we have officially deployed almost double the expected \$182,000 that I had originally planned to deploy this year. There were no new contributions to Rich Uncles as they have temporarily put a hold on new investments while they work through an acquisition. And since our 401k's were officially maxed out in September, there will be no new investments there either. I'll add in all the 401K matches and the reinvested dividends/interest at the end of the year (oh, and the payments to the 401K loan that I took in March).

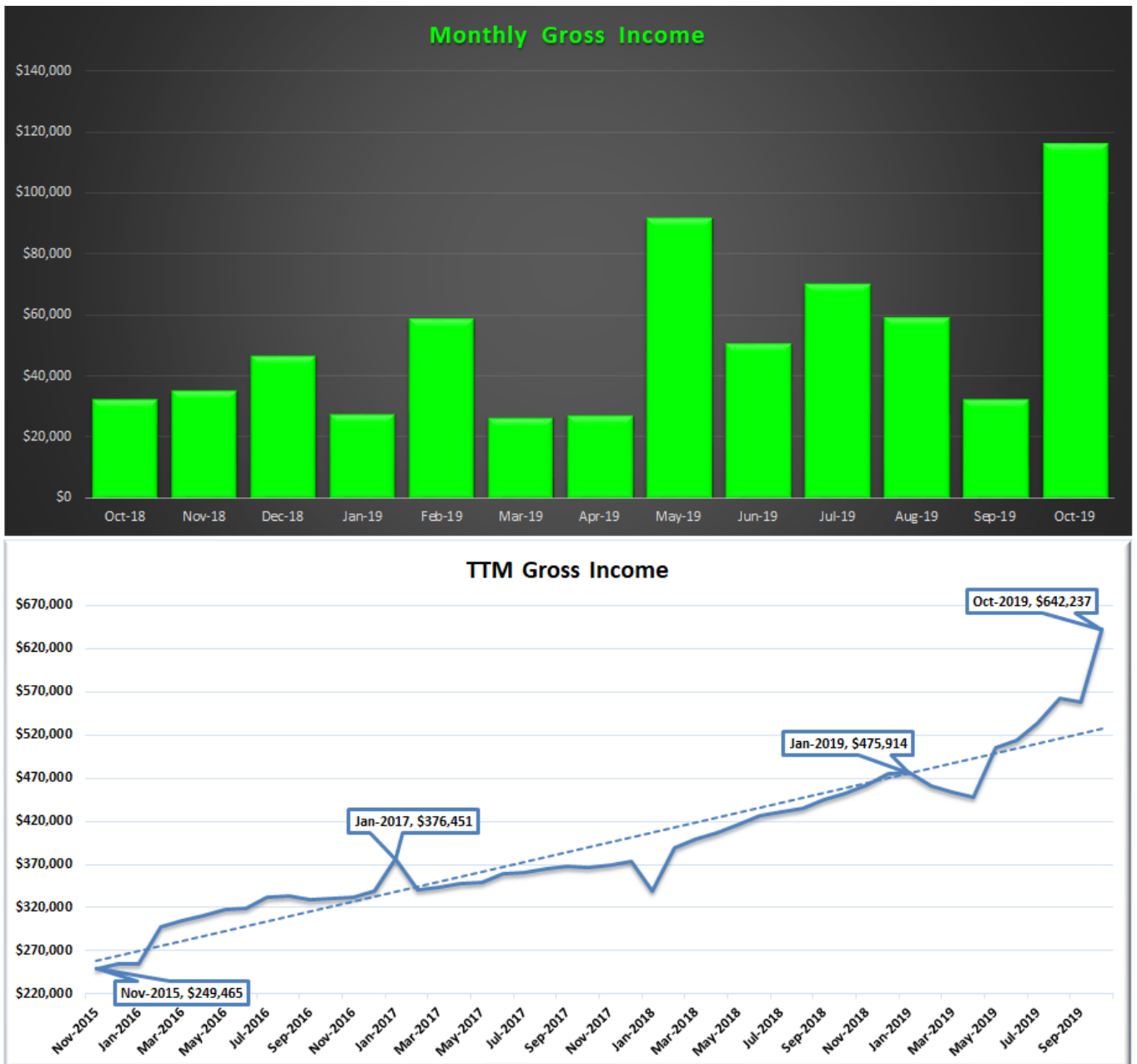
### Gross Income

Income for the month of October was \$116,170 vs. \$32,342 in September. On a cumulative basis, we have earned \$560,308 through October of 2019.

Well, I completely flipped my decision to defer further compensation from the business until 2020. That was driven by the tax strategy I mentioned above because at the end of the day I was only trying to reduce my tax liability for this year by

deferring the income. And since my goal is to only increase my income in 2020, my CPA and I decided to recognize as much income as possible in 2019 to use up the \$343,000 tax deduction I purchased. The IRS rules say that I can only use up the tax deduction for a maximum of 50% of my AGI, which means my AGI needs to be \$686,000 in order to use up all the tax deduction against 2019 income. The good news is if we do fall short the rest will roll over to next year (I believe I actually get 15 years to use it).

Although I'm currently projecting \$666,992 in total income for 2019, there is a high possibility to achieve something north of \$700,000. I now officially feel like a bonafide sandbagger. Since there are no guarantees, I like to under-promise and over-deliver - psychologically it is very rewarding.



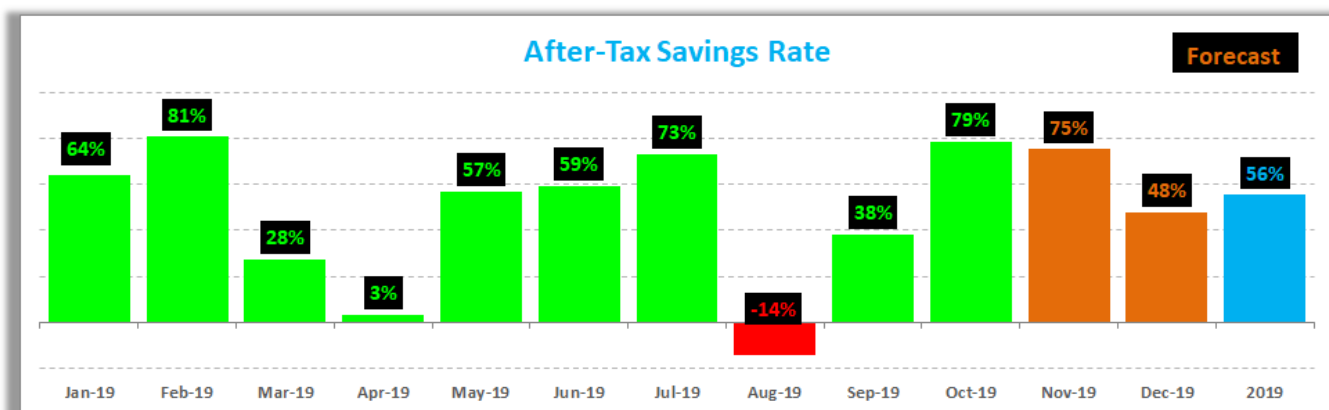
In the second chart above, I also track our income on a trailing twelve months. We recorded a new all-time record in TTM income at \$642,237 (up from the TTM of \$558,738 last month).

### Savings Rate

Below is how we actually did towards 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.

Our savings rate jumped to almost 80% in October. And some may be scratching their heads wondering how it's possible when I just wrote a check for \$68,600 for that tax deduction I can't seem to stop talking about. However, the reason you don't see a huge hit to the savings rate is because my reported savings rate is based on an estimated amount of taxes and not the actual taxes paid. I don't actually plug in the taxes I pay every month since I do a lot of management with my withholdings throughout the year. My calculations are always conservative (in that I over-estimate my tax obligation) and so I have used this opportunity to true up the calculation based on the work I've done with my CPA.



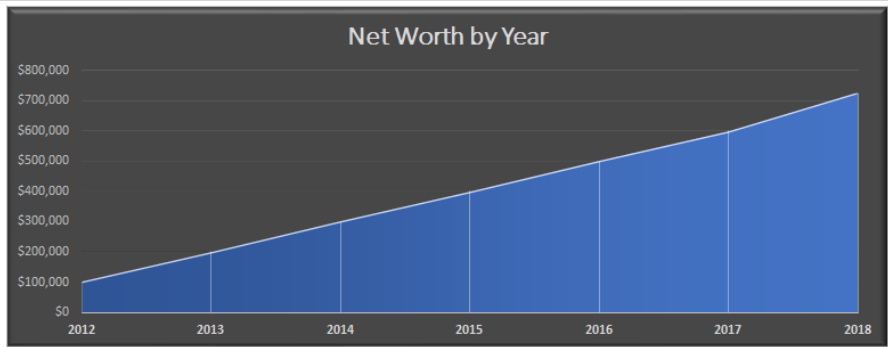
**Do you want to calculate your own savings rate?** I've made it super easy for you with the savings rate calculator included in the free GYFG FI Toolkit that you can download instantly by clicking the link below. Here's a peek. Did I mention it's free? You have nothing to lose and everything to gain, Freedom Fighter! Remember, what gets measured gets managed.





**NET WORTH TREND**

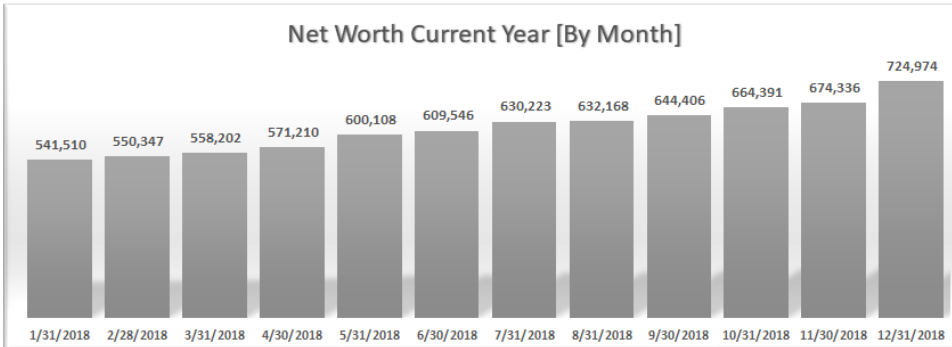
Year	Actual Net Worth	YoY % Change
2012	\$ 100,000	
2013	\$ 200,000	100%
2014	\$ 300,000	50%
2015	\$ 400,000	33%
2016	\$ 500,000	25%
2017	\$ 600,000	20%
2018	\$ 724,974	21%
2019		
2020		
2021		
2022		
2023		
2024		
2025		



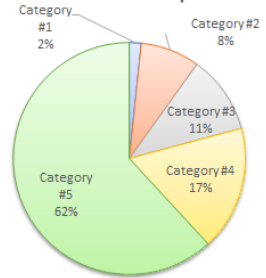
**7.2% Of Net Worth Goal**

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

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

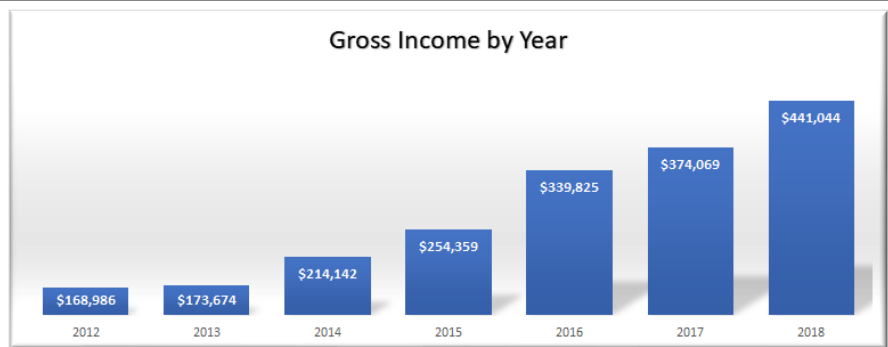


**Net Worth Split**



**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%

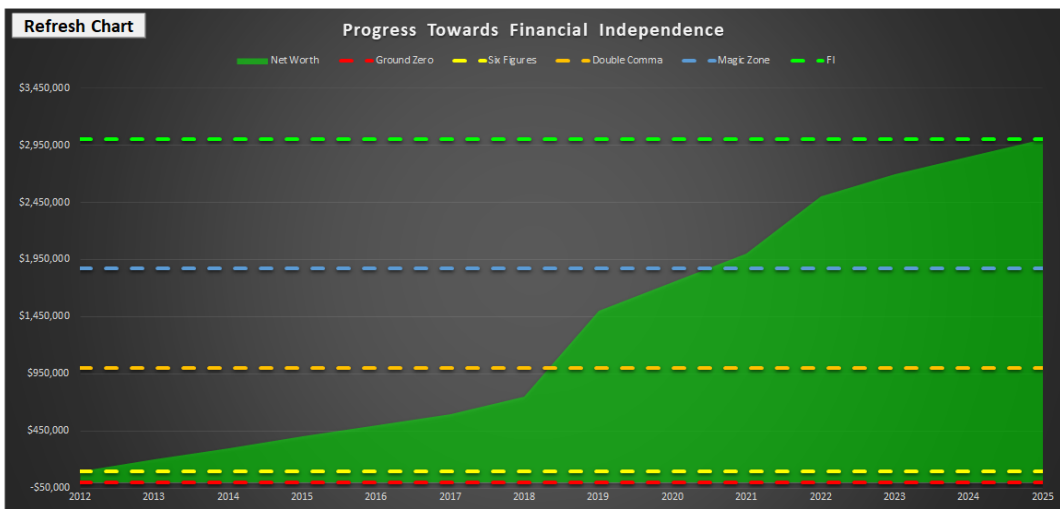
*Gross Savings Rate* 66.8%



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.

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## Closing Thoughts

Since returning from vacation, I've been moving at a much slower pace on the business front, and that is by design. My goal was to push as hard as I could until October and then to coast through the end of the year in order to enjoy the holidays and make space for some strategic planning and tackling a few strategic initiatives that will help me scale further in 2020. I'm looking forward to a slower November and December. I can't wait to work on my 2020 goals during Thanksgiving week - like I do every year!

- Gen Y Finance Guy

p.s. [Personal Capital](#) now offers a 1.55% high yield savings account that is FDIC insured.

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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](#)