

The Tenacious Ten - Financial Independence in 10-20 years [Infographic]

About four years ago, I wrote a post outlining what I believed to be [the ten guidelines](#) a [Freedom Fighter](#) could follow in order to reach Financial Independence in 10-20 years. Here they are now shared as **The Tenacious Ten!** That post, paired with this infographic, succinctly distills the principles I've personally followed and espoused on this blog over the last five (going on six) years.

Since it's been over four years since solidifying these, would I change anything?

Yes, there are a few modifications or tweaks I would make.

What I would change

#6 Learn Two Basic Investment Strategies with Options. I still think anyone that actively manages their money and invests in the stock market should understand and be able to use both the short put and covered call option strategies. But I would change this to read "**When Evaluating Investments, Focus on Risk Mitigation First.**" Over time I've learned that the reason I have been so drawn to the short put and covered call strategy is that they align very well with my "risk mitigation first" approach to investing.

These strategies allow me to reduce cost basis, which in turn builds in a "margin of safety" (as Buffett would describe it) to shield my capital from losses. In other words, I believe it is most prudent to focus first on the return *of* your capital over the return *on* your capital. This is also why I'm so fond of hard money lending, because when I invest in a loan that is in first position with an LTV of 60%, I know that I'm first in line to be paid back and that the asset would have to fall 40% in value before a single dollar of my capital is at risk.

#8 Invest in Cash Flow Positive Real Estate. I would leave this on the list but add that it can be direct or indirect ownership. I used to believe that it was best to own real estate directly, but over time I have evolved my thinking. Not everyone is

cut out for managing properties. My wife and I have come to appreciate investments that are more passive in nature (which fits our very busy lives).

#11 Acquire Equity in a Business. This would be a completely new principle that I would add. I honestly don't know how I missed this the first time around. But this acts as a real wealth accelerator whether it is equity in your own business or someone else's. Even better if you can do both!

(Please excuse any typos you find in the below infographic as it was created before I had an editor and I don't have the ability to edit it now.)

GenY FINANCE GUY

10 GUIDELINES TO FINANCIAL INDEPENDENCE in 10-20 Years

Reaching Financial Independence and Building Wealth is not that hard! You don't even have to be that smart! YOU need to ask yourself if you're willing to pay the price to ACHIEVE substantial wealth in 10-20 years. Before you answer, know it's going to require more **HUSTLE, DISCIPLINE, and FOCUS.** Here are the 10 guidelines that will allow you to reach financial freedom in 20 years or less.

The Tenacious Ten

01 Spend Less Than You Earn and Invest the Difference Wisely
The reality is that if you want to build wealth and ultimately reach FI, you will need to create a gap between what you earn and what you spend. But it doesn't stop there, you then need to invest the difference wisely.

02 Avoid Consumer Debt
Don't fall into the trap of spending future earnings. Never carry a credit card balance, this is accomplished by never charging more than you can afford to pay for in full when the bill comes. Learn the difference between good debt and bad debt. Good debt is productive debt that either makes you money or saves you money. Bad debt not only takes money out of your pocket but buys things that depreciate in value (think cars, boats, clothes, electronics, etc).

03 Maximize Tax Deferral to Pay the Least Amount of Taxes Legally Permitted
Don't underestimate the power of tax deferral. Your goal should be to defer taxes on as much of your income as you can. Hold investments for the long term (or at least longer than a year).

	Scenario No. 1	Scenario No. 2	Scenario No. 3
Starting Value	\$500,000	\$500,000	\$500,000
Pre-Tax Annualized Returns	11%	15%	15%
Average Holding Period	6 months	Just over 1 year	10 years
Tax Rate	35%	35%	35%
Ending Value (after 10 years)	\$1,254,000	\$1,640,100	\$1,794,350
After-Tax Annual Returns	9.60%	12.80%	13.60%

In all 3 scenarios above there was \$500,000 invested and covers a 10 year investment period.

04 Aim to Save 50% or More of Your After Tax Income
The simple math translating your savings rate in terms of years

FREEDOM

- 5%**: If you save 5% of your income, you can take 1 year off every time you work 10 years.
- 10%**: If you save 10% of your income, you can take 1 year off every time you work 8 years.
- 20%**: If you save 20% of your income, you can take 1 year off every time you work 4 years.
- 30%**: If you save 30% of your income, you can take 1 year off every time you work 2 years and 4 months.
- 40%**: If you save 40% of your income, you can take 1 year off every time you work 1 year and 6 months.
- 50%**: If you save 50% of your income, you can take 1 year off every time you work 1 year.
- 60%**: If you save 60% of your income, you can take 1 year and 6 months off every time you work 1 year.
- 70%**: If you save 70% of your income, you can take 2 years and 4 months off every time you work 1 year.
- 80%**: If you save 80% of your income, you can take 4 years off every time you work 1 year.
- 90%**: If you save 90% of your income, you can take 9 years off every time you work 1 year.

05 Buy a House that is Half the Price the Bank Says You Can Afford
Most people make the mistake of buying as much house as the bank says they can afford. However, the last thing you want is to have all your money going to service a huge mortgage, a big lifestyle, and little if any left for saving and investing.

06 Learn Two Basic Investment Strategies with Options
The covered call and short put. Use these strategies to invest in Index ETF's and dividend paying stocks. In the investment game it is all about cost basis reduction and in those terms there are an excellent tool to use in order to reduce cost basis.

07 Focus 80% of your efforts on increasing your income
Start a business, even if it is just a side hustle. Learn new skill sets that will make you more valuable in your career. **Ask for the raise!** Remember that you will never get what you don't ask for. People that ask for more money, **MAKE MORE MONEY!** The internet has made it easier than any other time in history to make money.

08 Invest in Cash Flow Positive Real Estate
Rental real estate is a great vehicle to build wealth. It is actually a much more dynamic asset class than most people realize and another great vehicle for deferring taxes due to the ability to depreciate the value of the property. My buddy Brian over at Rental Mindset has actually done a fantastic job describing the dynamics of rental real estate. <http://tiny.cc/meyaww5d5d>

09 Never Stop Learning
The day you stop learning is the day you stop moving forward. The perpetual student will always have the knowledge edge.

10 Run from Investments that Sound Too Good to Be True
If it sounds too good to be true...it is! Turn around and run the other way!



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](#)