

March 2020 - Detailed Financial Report #63

Did the world change overnight? One minute markets were making all-time highs, unemployment was at a 50 year low, and time was passing by at a pace that “felt” faster than “normal.” Then all of a sudden COVID-19 dominated the headlines as a pandemic sweeping the globe and bringing the world’s economies to a standstill. As I type this, a third of the world is on government order to “shelter in place” in order to try and flatten the infection curve of the virus. The forecasts for unemployment are not looking good as economists say we could see 20-30% unemployment due to mass layoffs across the economy (with travel, hospitality, and restaurants getting hit the hardest). I’ve never seen anything like this, nor is it something I have ever even imagined or contemplated as possible. Yet, here we are!

The stock market has been extremely volatile. Rightly so, with so much uncertainty afoot. In response, the Fed dropped interest rates to **zero** and also said they have no limit to the amount of asset purchases they will make to “[keep markets functioning efficiently](#).” The Fed’s balance sheet has already hit a new high of \$5.3T debt (previous high was \$4.5T) with some forecasting that it could reach as much as \$10T. And even that wasn’t enough! The federal government followed this up by signing into law [a \\$2T relief bill](#) on Friday (3/27/20). The numbers are staggering and hard to fathom.

There is much uncertainty as to where we go from here – at least in the short term. I believe that we will emerge from this pandemic more resilient than before (this is our “[greatest generation](#)” moment). That doesn’t, however, mean that there will not be some painful months ahead (and likely a lot of change and hopefully innovation as well). In the short term, the prudent thing to do (after you ensure the health and safety of your family) is to take stock of your finances. The GYFG household is cutting back on our spending significantly (if you haven’t prepared yet, see [this post](#) and then [this one](#)). I really do hope that anyone that has been reading this blog for any length of time has already been saving for a rainy day. Because Freedom Fighters, it’s forecasting heavy storms ahead.

Through all of this, my perception of the speed of time has certainly shifted. Time seems to have collapsed on itself and the last two weeks of March “feel” as if two

years have passed. Regardless of where you are financially, it is hard to fight the natural feeling of fear going through a crisis like this. One thing that will help is to limit consumption of media to a minimum. Stay informed, but don't be tied at the hip to the 24/7 news cycle. I also encourage you to focus on the things that are currently in your control and try to remain [optimistic](#). Remember that the argument that the world is over is very convincing in the eye of the storm, but remind yourself that just as we worked through past crises, we will work our way through this one.

If you're a regular reader you know that I typically have a formula to this post, but this month I felt the need to change it up. I realize that my family is in a fortunate financial position to weather a storm like this and I feel awkward going through the normal cadence of this report as if everything is hunky-dory. I want each reader to know that I am hesitant to continue sharing our financial statistics in light of the pain that many are feeling right now. At the same time, I pledged to continue publishing these reports every single month until I hit my [BIG financial goal](#). It is also important for me to lead by example to continue responsibly managing my family's finances - through both good times and bad. I think it's important that transparency is maintained to see how finances are managed in both bull markets and bear markets. That said, I will be removing some elements so it is not as "in your face" when it comes to certain aspects of the normal report.

Net Worth

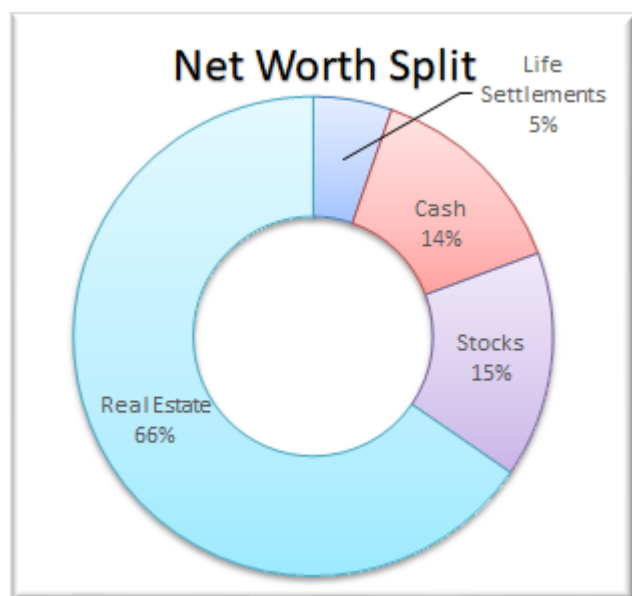
I want to address the big fat elephant in the room before anyone notices it and brings it up in the comments. I'm sure that most reading this report and similar reports posted by other bloggers around the personal finance community had expected to see blood due to the recent market decline brought on by the COVID-19 pandemic. But we only had about 2.5% of our net worth invested in equities, which is probably confusing because of the net worth allocation I have been reporting. The thing I had not called out until [last month's report](#), is that a majority of the value in the "Stocks" category was actually sitting in cash, but if it was in some sort of brokerage account it was classified in the "Stocks" category. I did, however, mention in [November of 2019](#) that I took my entire 401K account to cash in anticipation of leaving my then full-time employer and eventually rolling that money over to my IRA. On top of that, in February I had just paid back the \$50,000 401K loan that I had taken out back in May of 2019.

That said, we have a lot of our net worth tied up in assets that don't get revalued on a daily basis like stocks. I'm fully expecting the longer this pandemic and financial crisis last, that we will not be insulated from declines forever. I will try to outpace the declines with additional contributions from earned income, which is also going to be impacted this year (in fact, [I have taken our previous projection for 2020](#) down by 40% for the year).

March Net Worth \$1,838,019 (up +10% for 2020)

- Previous month: \$1,814,003
- Difference: \$24,017

Net Worth Break Down:



Real Estate (66%). This is a significant increase from the 44% figure last month. This category includes the equity in our primary residence, a hard money loan at a 10% interest rate, our investment in the [Rich Uncles commercial REIT](#), and our hard money loans through the [PeerStreet](#) platform. In March we finally increased our investment with Rich Uncles so it hit a six-figure balance. In March, we also deployed a significant portion of our idle cash into a real estate backed loan with a 4% interest rate that will be "paid in kind," meaning the interest will just be added to the loan balance (I'll share a dedicated post on this and all the details in the future).

Net Cash (14%). This was a significant decline from the previous month at 37%. We will get into that in the deployment section below.

Life Settlements (5%). Down slightly from last month. We currently have investments in seven policies. 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. Two of these policies have required capital calls as the insured has lived past the estimated life expectancy (that eats into the expected return).

Stocks (15%). You will see in the deployments section below that we did put a good chunk of capital to work in March – taking advantage of the fastest declines in history. All of our purchases were made between 3/12 and 3/23 when the market (measured by the S&P 500) was down 25-35%.

Total Capital Deployed in 2020:

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	\$ -	\$ -	\$ 21,175											\$ -	\$ 21,175	5.5%
High Yield Savings	\$ 100	\$ 50,100	\$ 100											\$ -	\$ 50,300	13.1%
Stocks (401K)	\$ 23,854	\$ 8,464	\$144,549											\$ -	\$176,867	46.0%
CD's @ 3.5%	\$ -	\$ 6,000	\$ -											\$ -	\$ 6,000	1.6%
Real Estate PIK Loan	\$ -	\$ -	\$385,000											\$ -	\$385,000	100.0%
Whole Life Policy	\$ -	\$ -	\$ -											\$ -	\$ -	0.0%
Land Tax Strategy	\$ -	\$ -	\$ -											\$ -	\$ -	0.0%
Hard Money Loan	\$ -	\$ -	\$ -											\$ -	\$ -	0.0%
Life Settlements	\$ -	\$ 914	\$ -											\$ -	\$ 914	0.2%
Total	\$ 23,954	\$ 65,478	\$550,824	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$640,256	100.0%

My 401K for 2020 was maxed out prior to my last day with my previous employer in February. Mrs. GYFG should be maxed out by the end of April. Here are the deployments we made in March:

- We sent \$21,175 to Rich Uncles to finally get the six-figure investment balance we have been pursuing for the last couple of years.
- All told, we embraced [being greedy when others are fearful](#) this month in terms of investments into equities:
 - Mrs. GYFG contributed \$4,275 to her 401K
 - I sent \$30,000 to an after-tax brokerage that has been dormant for the last couple of years.
 - I also deployed \$110,274 (of \$172,100) in my IRA that was recently funded from a 401K rollover as a result of leaving the corporate world.
- We have an automatic \$100 per month being sent to the high yield savings

account with CIT bank ([currently paying 1.75%](#), but we will see how long that lasts given the Fed's recent move to 0% on their target rate).

- Lastly, we deployed \$385,000 in a long-term very illiquid real estate investment (details to come in time).

Expenses

Coming into 2020 I had made the decision to not track our expenses anymore. Well, that lasted for all of two months. I have not had a section for expenses in these financial reports for well over a year, but with [the new spending plan](#), my household is adopting I find it necessary to track our spending against that plan. Each month I will be comparing our actual spend vs. the forecast spend in the screenshot below.

GYFG Spending Forecast	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	2020
Childcare	\$1,187	\$1,138	\$1,240	\$1,240	\$1,240	\$1,240	\$1,240	\$1,240	\$1,240	\$1,240	\$1,240	\$1,240	\$14,727
Property Taxes & HOA	\$84	\$84	\$84	\$3,750	\$84	\$84	\$84	\$84	\$84	\$84	\$84	\$3,750	\$8,340
Home Improvement	\$160	\$96	\$0	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,156
Condo-Mortgage & HOA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Food & Dining	\$1,729	\$1,048	\$1,468	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$13,245
Shopping & Other	\$5,479	\$4,165	\$2,455	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$21,999
Travel & Hotel	\$1,944	\$3,649	(\$85)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,508
Auto & Transport	\$641	\$1,783	\$1,904	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$17,828
Bills & Utilities	\$138	\$193	\$308	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$5,139
Health & Fitness	\$9,533	\$3,518	\$2,563	\$1,260	\$1,260	\$1,260	\$1,260	\$1,260	\$1,260	\$1,260	\$1,260	\$1,260	\$26,954
Business Services	\$20	\$218	\$20	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,158
Time Share	\$0	\$0	\$0	\$200	\$0	\$0	\$200	\$0	\$0	\$200	\$0	\$195	\$795
Expense Total	\$20,915	\$15,891	\$9,957	\$10,750	\$6,884	\$6,884	\$7,084	\$6,884	\$6,884	\$7,084	\$6,884	\$10,745	\$116,849

2020 Spending Plan

You can see from above that we expect to be sub \$10,000 for most of the remainder of the year with the exception of April and December when property taxes are due. However, Trump just extended his national guidelines of social distancing until the end of April, so there is a chance that April could come in just under \$10,000 as we spend less going out.

GYFG Actual vs. Forecast	Actual	Forecast	Variance Analysis	
	Mar-20	Mar-20	Var. \$	Var. %
Childcare	\$1,240	\$1,240	-	0%
Property Taxes & HOA	\$84	\$84	-	0%
Home Improvement	\$0	\$0	-	0%
Condo-Mortgage & HOA	\$0	\$0	-	0%
Food & Dining	\$1,468	\$1,468	-	0%
Shopping & Other	\$2,455	\$2,455	-	0%
Travel & Hotel	(\$85)	(\$85)	-	0%
Auto & Transport	\$1,904	\$1,904	-	0%
Bills & Utilities	\$583	\$308	275	89%
Health & Fitness	\$2,563	\$2,563	-	0%
Business Services	\$20	\$20	-	0%
Time Share	\$0	\$0	-	0%
Expense Total	\$10,232	\$9,957	275	3%

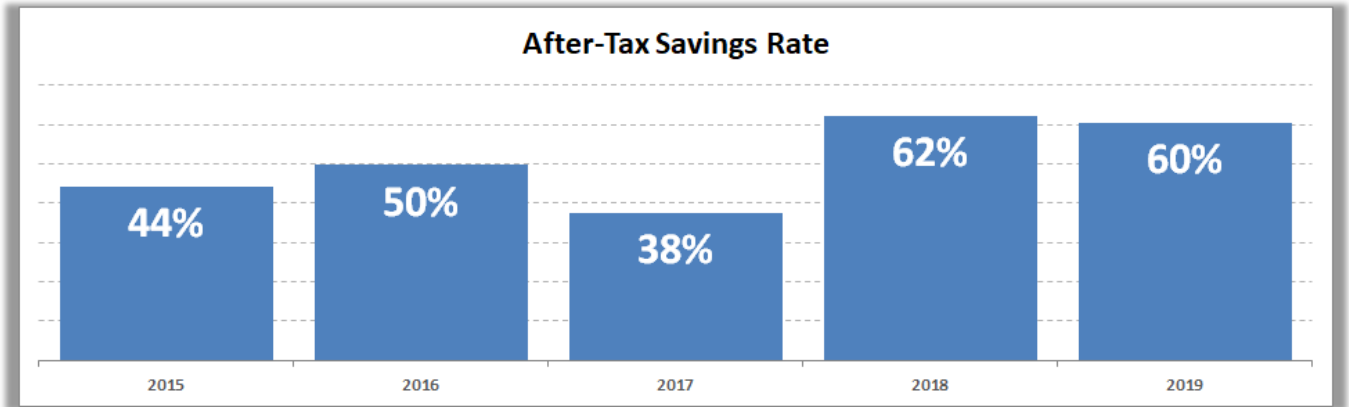
Our March actual spending was within 3% of the forecast. The reason there are so many categories with zero variance is that I prepared the March forecast on 3/27/20 when I already had the majority of our spending available - I had only missed our Verizon phone bill. I do expect the variance to be within plus or minus 5% but with lots of puts and takes across the categories on any given month.

Note: Since making the decision to track our expenses again, I did go back to January and February to bring my tracker up to date as if I had never stopped.

Savings Rate

Tracking our expenses means we are back to tracking our savings rate as well. The only difference is I'm going to update it only once a year. Our goal remains [saving 50% of our after-tax income](#).

Below is a historical snapshot of our after-tax savings rate since we started tracking it in 2015.

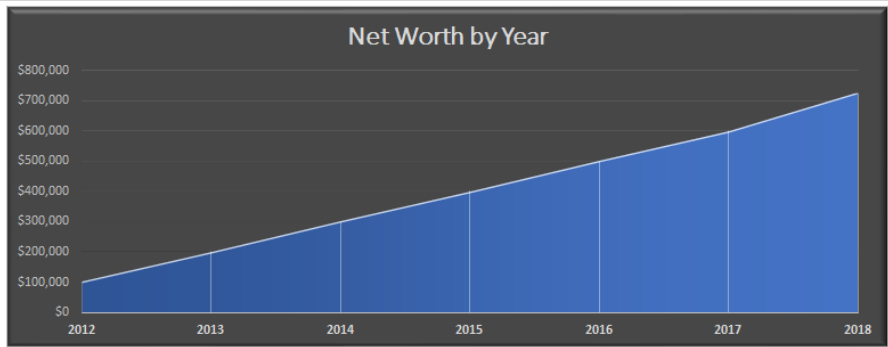


Do you want to calculate your own savings rate? I've made it super easy for you with the savings rate calculator included in the free GYFG FI Toolkit that you can download instantly by clicking the link below. Here's a peek. Did I mention it's free? You have nothing to lose and everything to gain, Freedom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



NET WORTH TREND

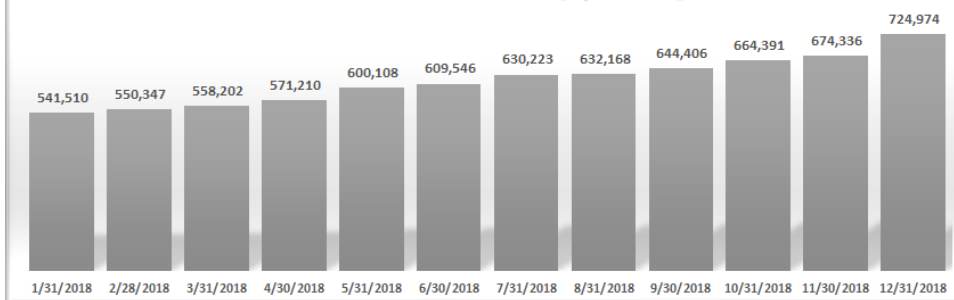
Year	Actual Net Worth	YoY % Change
2012	\$ 100,000	
2013	\$ 200,000	100%
2014	\$ 300,000	50%
2015	\$ 400,000	33%
2016	\$ 500,000	25%
2017	\$ 600,000	20%
2018	\$ 724,974	21%
2019		
2020		
2021		
2022		
2023		
2024		
2025		



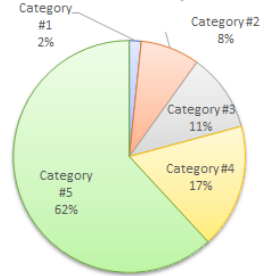
7.2% Of Net Worth Goal

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

Net Worth Current Year [By Month]

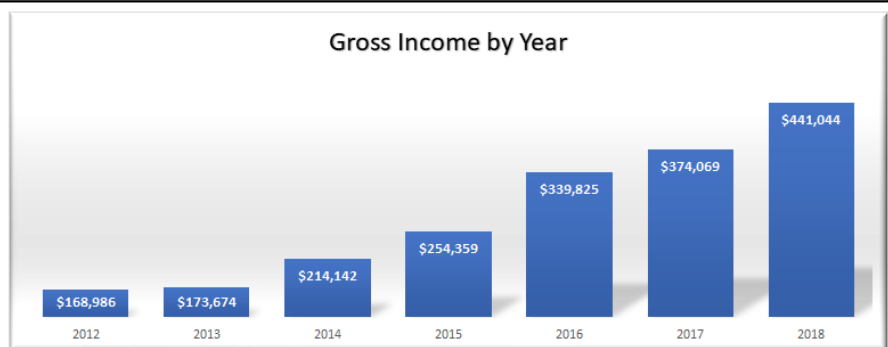


Net Worth Split



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
Net Take Home Pay	7,175
Total Living Expenses	2,500
Net Income	4,675
Add Back Amortizations	500
Add Back Pre-Tax Contributions	1,500
Total Savings	6,675

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

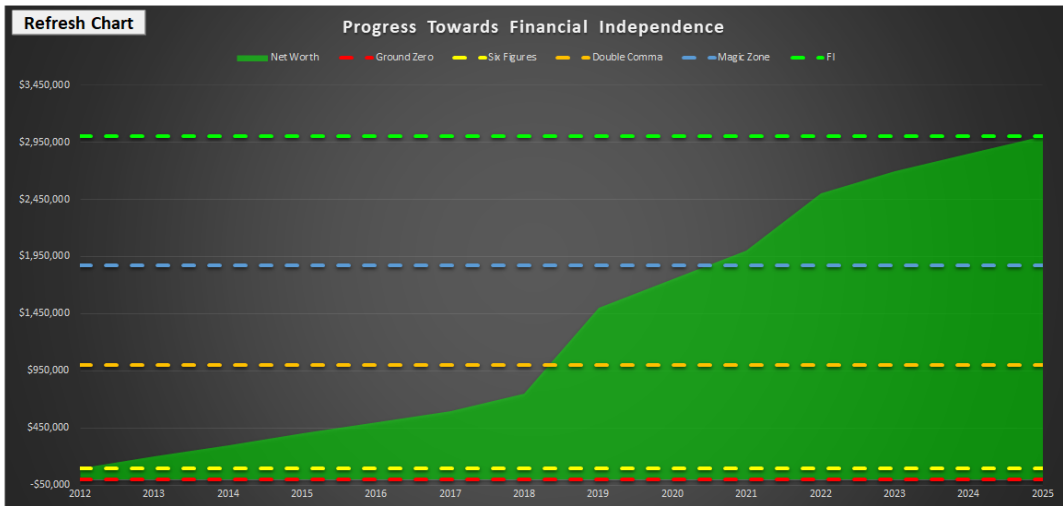
Gross Savings Rate **66.8%**



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.

Closing Thoughts

It's been an interesting month to say the least. Surely like yours, my own household has had its bouts of anxiety and fear, but then we turn the news off. We make a conscious effort to control what is in our control - that's all we can do. To reduce the fear of uncertainty we have tightened our financial belts as a measure of prudence. We know this won't last forever but it may last longer than any of us want or expect. I'm embracing a slower pace at home with my family. It's hard to remember the last time we weren't overly committed and bound by the calendar. I'm home, and enjoying the hiatus from the constant travel that is typically required in my business.

We are likely under these "shelter in place" restrictions for at least through April. Try to find the silver lining in all of this and [remain optimistic](#).

Be well and stay healthy!

Cheers,

- 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](#)