

[Guest Post] How to Become a Young Millionaire

It's been a while since I've shared a guest interview that I wrote for another blog post. Today I will be sharing the post I wrote for [Marriage, Kids, and Money](#). I originally wrote this post back in August of 2018 and it was published in September of 2018. It's amazing how fast time flies by. I always like reflecting back on what I wrote previously and annotating it with updates from the present day.

THE DETAILS

How old are you? If you have a family, tell us about them and their ages.

Hi, I'm Dom. I'm a 31-year-old married father-to-be. My wife and I were born only 11 days apart and will be 32 later this year. We're expecting our first child (a baby boy) in November 2018. We have have been together for 13 years, and married for six.

We both work and we are a very high-earning family, earning well over six figures each.

[GYFG Here: Mrs. GYFG and I were expecting but we had not yet met baby GYFG, who would come a couple months after I wrote this post. As I type we are just two months and change away from our little boy turning two...where does the time go? My wife and I will also both be turning 34 and we are just getting prepared to start trying for baby #2.]

What part of the country do you live in?

We live in Southern California. About five years ago we made a strategic decision to move inland to escape the rat race and realize a much lower cost of living than what you would find in Los Angeles, Orange County, or San Diego (the more popular areas associated with Southern California). I jokingly describe where we live, near Temecula, as the "Napa of Southern California."

What is your current net worth?

Our current net worth is [\\$850,450 as of July 2018](#). I update this figure on a monthly basis. We started officially tracking our net worth back in 2012, which we ended at \$42,424. Recently, I went even further back, and did some napkin math to see how far we had come in the last nine years (since the dark days of 2009). Our net worth was roughly negative \$300,000 at some point in 2009.

I remind myself of this huge reversal (in a relatively short period of time) when things aren't progressing as quickly as I would like. It's a reminder that we all tend to overestimate what we can do in a year but significantly underestimate what can be accomplished in five or ten years, especially with compounding on our side.

[GYFG Here: Our net worth now clocks in at [\\$2,071,369 as of July 2020](#) - a gain of \$1,220,919, or 144%! I consider 2008 (when Mrs. GYFG and I graduated college) the start of our journey, which we started in the hole with some student loans (mine), a car loan (Mrs. GYFG's), and an upside-down real estate "investment." I was young and dumb and bought a house in 2007 at the height of the real estate market before an epic crash. It was 100% financed and after two years of negative cash flow in 2009 it was foreclosed on. I tried working with the bank to short sale the property and we even had a buyer that was willing to pay \$350,000 (we originally paid \$442,000) but the bank turned it down because they thought we knew the buyer (we did not). About a year later after the bank foreclosed on the property, they ended up selling it for \$280,000. I learned a lot from all of this and it motivated me to really step up my money game over the next decade.]

THE PROCESS

What are your current sources of income? If married, does your spouse have other income sources?

As mentioned above, both my wife and I work. Although we have several sources of income, our day jobs contribute the lion's share. Our total household income in 2018 is projected to be \$460,000 from the following sources:

Me = \$300,000 (I'm a C-suite executive with a title and role that I created.)

My Wife = \$135,000 (She is currently being groomed to take over a family business, and will represent the third generation to run it. Although I currently earn more than she does, she has outearned me in the past, and it's not hard to

imagine a future where that happens again. And I welcome it with open arms – no ego here!)

Other = \$25,000 (dividends and interest from investments, and side hustles)

[GYFG Here: I have since escaped the golden handcuffs of Corporate America. I was able to exit gracefully and with all relationships intact. I even had a timely exit of the stock I held in my previous employer that led to a \$500K+ liquidity event just prior to the start of COVID. I [started my own business](#) back in February of 2019 and I haven't looked back since. I earned more money in the first 12 months of my business than I had ever made in a single year in my C-Suite role. Mrs. GYFG is still working in the family business but she has decided that she doesn't want to take it over. She actually recently told the family that when baby #2 comes that she will not be returning. Even with all the change since 2018, our income and net worth have continued their trajectory higher with our income on track to finish 2020 over \$1M and our net worth projected to hit \$2.4M by yearend.]

What has been the single best thing you've done to increase your income up until this point?

It's always easier to answer this question with the benefit of hindsight. In most cases, it's only possible to connect the dots looking backwards. [There are about ten things I can think of but if I have to pick one, it would be that I developed a rare and valuable skill set.](#)

If you want to get rich working for someone else ([which is totally possible](#)), then obtaining a rare and valuable skill set is critical. If you can only do things that anyone else can do, you can't expect the fancy titles or the big bucks in your future. Specialize. Even better: choose something where you can excel to the top 5% of that field.

What ways do you invest your money?

The first thing we do is make sure we max out our tax-advantaged accounts. Currently, we both max out the 401K's offered to us through our employers, and I have an HSA that I max out as well. This allows us to squirrel away \$43,900 per year tax-deferred. All that money is long-term money that won't be touched for many years. I can't stress enough the importance of uninterrupted compounding for decades and the magic it will do in growing anyone's net

worth.

Index Funds - With the exception of a self-directed IRA account we have as a result of rolling over a traditional 401K after leaving an employer, we invest our pre-tax money exclusively in low-cost index funds.

We also invest in a lot of alternative type assets (mostly with our after-tax money):

Hard Money Lending - [We have about \\$100,000 invested through PeerStreet earning about 7% interest](#). About 75% of this is in the self-directed IRA I mentioned above and the other 25% is in an after-tax account. Since the gains are taxed at ordinary income rates, it's more tax-efficient to invest in this asset with pre-tax dollars in tax-favored accounts.

Life Settlements - This is an asset class that is probably new to most people reading. We buy fractional shares of life insurance policies on the secondary market. Warren Buffet invests \$400M a year into this asset class. We like Life Settlements because they have zero correlation to the stock market and have historically returned 12-14%. It's one of the few asset classes where the day you make your investment you know what your return will be.

Commercial Real Estate - We gain exposure to this asset class by investing through a public non-traded REIT.

Private Company - We have a sizable investment in the company that I work for. We wrote a six-figure check to acquire this equity and we believe it will be one of the x-factors in growing our wealth exponentially in the years to come.

Rental Real Estate - We sold our only rental property in 2017 but have plans to build up a rental real estate portfolio as soon as the mortgage on our primary residence is paid off next year.

[GYFG Here: Today we have a heavy concentration in Real Estate, with 72% of our net worth tied up in some form of real estate. We have less than 5% of our net worth in stocks as the markets don't make much sense to us since COVID hit. There have been massive amounts of money printed with likely still more to be printed on the horizon, so we are opting for hard assets that should at least keep pace with inflation should we get more of it than we have historically seen due to all the easy

money floating around these days.]

Do you own your home or rent?

We own our home but we are still partners with the bank since we have a mortgage. [We are currently about one year away from being mortgage-free.](#) We originally purchased our home for \$370,000 in 2014 and owe \$165,000 as of July 2018. We are very excited to remove the shackles of a mortgage in the near future.

[GYFG Here: We did end up paying off our mortgage in May of 2019 and enjoyed being mortgage-free. That said, we are currently in the process of putting a mortgage back on our house to take advantage of the current crazy low rates. We are still in the middle of the cash-out refinance process, but we were able to lock in 2.865% for a 30-year mortgage. Our financial position has changed substantially since setting this pay-off goal and so has the world around us. I discuss all the reasons we have decided to get a mortgage in more detail [in my latest financial report.](#)]

What debts do you have (if any)? If so, what are they? Which have you paid off?

The only debt we have is the mortgage I mentioned above, which will be gone by July 2019. Before we decided to eradicate debt from our lives we did have a small student loan outstanding (\$13,000) and a couple of car loans (\$57,000 for two cars) that we paid off back in 2012.

We use credit cards for every purchase we can to maximize the rewards but we have never carried a balance or paid a dime of interest to the credit card companies. In fact, over the last couple of years, we have made an extra \$20,000+ from churning credit cards and reaping juicy sign-up bonuses.

How do you track your net worth?

I use two tools together. I let [Personal Capital](#) do the heavy lifting by aggregating all of our financial accounts together in one place. I then download the transactional detail into a custom Excel model that I created and have been using for the past four years.

You can see an example of the detailed financial report I put together every month [here](#).

Do you budget your money monthly?

We do put together a budget every year but for different reasons than most who are budgeting. I think it's important to distinguish between control-based budgeting and allocation-based budgeting. Most people use the former method rather than the latter. With a control-based budget, you are trying to manage how much you spend on any particular category, and in any particular month. The end goal is to place a ceiling on your spending.

With an allocation-based budget, it's more about deciding where you want to spend your money, and allocating funds to the areas that you believe will bring you the most joy. We don't use this budget to manage our spending on a monthly basis. Instead, we use it as a guide that is usually directionally right. It also allows us to see changes in our wants and needs as we evolve over time. The end goal here is to have a general idea of where we will be spending our money over the coming year. That's it! It doesn't control or dictate our actual spending.

I think both methods have their places in one's financial journey.

We tend to spend a lot more time figuring out how to increase our income rather than trying to reduce and manage our expenses. To us, it's more fun figuring out a way to earn an extra \$2,000 than it is to cut \$200 from our spending. There is a floor in how low you can cut your expenses but no ceiling on how much you can earn.

Focusing on the income side of the equation ensures we stay in a mental state of ABUNDANCE vs. a mental state of SCARCITY.

[GYFG Here: We are still very much income ~~focused~~ obsessed!]

What is your favorite fintech tool that helps you grow your wealth?

Hands down, it's [Personal Capital](#). This automates tracking our net worth. I'm a big believer that you can't manage what you don't measure. [The key is to make sure you're getting a little richer every day](#) (at least on average). I'm not suggesting anyone become OCD in checking in on net worth multiple times a day, but my point is that you regularly need to keep your finger on the pulse of the overall picture, and make sure your wealth is growing.

MILLIONAIRE IN THE MAKING

How do you plan to become a young millionaire?

We should enter the double comma club by Q1 of 2019 (by age 32). To this point, we have focused most of our efforts on increasing our income because we believe that a high income paired with a high savings rate is the fastest path to success. In 2015, [we adopted the law of 50/50](#). It's a very balanced approach that requires that we save 50% of our after-tax income and allows us to spend the remaining 50% guilt-free. However, we have now grown our income beyond our desire to spend more than 50% of it, and in 2018 are projecting to save 60% of our after-tax income.

They say that the first million is the hardest, and I agree. I can see that moving this gigantic flywheel through its first \$1M turn has taken the most effort, but after this, I feel confident that we will be able to multiply our \$1M with less effort. We plan to follow the same strategy of maximizing our income, saving at least 50%, and putting that money to work by investing in appreciating and income-producing assets. [Our goal is to achieve a \\$10M net worth by the time we are 48.](#)

[GYFG Here: It took us ten years to get to \$1M in net worth and only 18 months to reach \$2M...how long it will take us to hit \$3M? My guess is that it will be less than 18 months.]

What does "millionaire status" mean to you?

Earlier this year I developed a framework for the [five major milestones of financial independence](#), with hitting \$1,000,000 in net worth as Milestone #3. We will definitely stop to celebrate when we cross that threshold, but it only represents 10% of our bigger \$10M goal. There won't be much, if any, change in our lifestyle at that point. I envision it as a lot like stopping to sightsee during a long road trip. We will stop and enjoy the sights, maybe take a couple of pictures, but then it's back on the road to the next stop.

[GYFG Here: This is more or less how it went when we hit \$1M for the first time. We opened a nice bottle of champagne and had a nice dinner before getting back to work. We didn't even stop to celebrate \$2M. In terms of the five major milestones I laid out, we are now working towards #5, which is a net worth of \$3M. This will

represent Financial Independence for us, but our Financial Freedom number is \$10M.]

What is one financial mistake you've made along the young millionaire journey?

Before I answer this I would like to point out that [mistakes that are in the past don't have to define your financial future](#). Yes, we made some financial mistakes early on, but everyone does. I am sure even you have made some that you would go back and change if you could. But the only thing that matters is learning from mistakes to avoid making them again.

We have achieved great financial success in spite of our poor decisions early on.

I'd like to mention two particular financial mistakes because they happened so close to each other they might as well be one. These two mistakes add up to what I consider the cost of my tuition in the Hard Knocks School of Personal Finance.

Mistake #1: I bought my first house at 19 when they were giving them away like candy. I was still in college and it was 100% financed. The long story short is that after several years – and after it had cost me about \$35K – I eventually let it go into foreclosure. The \$35K was the difference between its monthly expenses and what I rented it out for over the time I owned it (it probably wasn't quite \$35K, because I did get some good tax benefits that lowered my taxable income). The foreclosure caused my credit score to plummet to the low 500's and actually prevented my wife and me from buying a house when there were such amazing deals to be had in the 2010 to 2012 time frame. The good news is that my credit has since recovered to 820+.

Mistake #2: Around the same time as the investment **gamble** above I also lost \$14K in the stock market. It was 2007 and I invested way too much money in a one-trick pony (it was a bio-pharma company). I was sure I was going to make 100X my money. Little did I know how little I knew! I was quite naive at the time. But it was a great learning lesson. It motivated me to learn as much as I could about trading and investing. I even went on to trade as a professional for an oil company for a few years.

From these two mistakes, I learned the importance of due diligence and

completely understanding investments before putting money on the line. The allure of making quick money leads to nothing but trouble. “If it sounds too good to be true it probably is,” is tried and true wisdom that, if respected, can save anyone a lot of trouble! Through these complete financial failures, I developed my “risk mitigation first” approach to investing. Only after I fully understand the investment and the potential downside do I even consider investing. If I don’t think there is a high probability that I will get at least the invested original capital back, let alone a return on it, I do not invest.

All investments come with risk. It’s important to not be reckless and take only *calculated* risks. Look to invest in things that have an asymmetrical risk/reward ratio.

What book has been influential to you on your financial journey?

I read [The Slight Edge](#) in May 2011 and that book has been the most influential on my financial journey, and probably on my whole life’s journey. It’s the only book that I re-read every year. It is also the book that I have gifted and recommended more than any other: I have probably given away at least 50 copies and recommended it thousands of times in person and on my blog.

Where can people find you and learn how to become a young millionaire?

The best place to find and interact with me is on my blog. 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 on the blog.

- Dom @ [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](#)