

What's Currently Occupying My Mind?

I have a lot of little things I'd like to share but none that seem worthy of a full dedicated post. Therefore, I've decided to group all those little things into this post with a handful of "bite-size thought-snacks." They are thoughts I want to document and maybe even drive up some discussion in the comments if anyone has anything thoughts or insights to add.

Let's jump in!

Mortgage Rates

I think the table below speaks for itself. As I shared [last month](#), rates had become so low that even I couldn't resist putting a mortgage back on our primary residence.

I was born in the 1980s and can't imagine paying almost 13% or 4X the prevailing interest rate we see today. Rates are so low the money almost feels like it's free. I wouldn't want be on the other side of the trade holding a 30-year note for less than 3% interest! If we get the inflation I think we will over the next decade the real return in terms of buying power of investors holding these mortgages will end up being negative - this happens if inflation runs higher than the 2-3% we have seen for as long as I can remember.

MORTGAGE RATES BY DECADE FOR A \$300,000 HOME

Sometimes it helps to see the dollars and cents you'll save if you purchase a home while mortgage rates are low. Buying a home at today's historically low rate can save you significantly over the life of your home loan.

DECADE	AVERAGE RATE	MONTHLY PAYMENT*
1970s	8.86%	\$2,384
1980s	12.7%	\$3,248
1990s	8.12%	\$2,267
2000s	6.29%	\$1,855
2010s	4.09%	\$1,448
TODAY	2.96%	\$1,258

*Principal & Interest Payments Based on the Nearest Dollar Amount

FREDRICK WARD

Could rates go lower?

At this point anything is possible. I found this table from back in 2016 that shows mortgage rates under 2% in some countries around the world:

Top 5 countries with the lowest mortgage rates

Ranking	Country	Average fixed mortgage rate, %
1	Japan	1.68
2	Switzerland	1.75
3	Finland	1.83
4	Germany	1.90
5	Luxembourg	2.00

Is anyone else concerned about and/or preparing for much higher inflation in the future? If so, what kind of moves are you making? What sectors do you believe will benefit from an inflationary environment? Or, do you think it will be more of the same we've seen since the 2008/2009 Great Financial Recession?

I'm personally positioning the GYFG household to be long hard assets, which is why

72% of our net worth is currently allocated to some form of real estate. I'm also short the dollar via mortgage debt - thus the 2.865% mortgage we decided to take out. I'll get into this more in the "Dream House" section below, but we will also be converting our \$385,000 PIK loan with a 4% interest rate to an equity position.

I know that there are plenty of people gravitating to gold and cryptocurrency but without a cashflow attached it's hard for me to get behind it...if you know what I mean (remember my [Warren Buffett post](#) that discusses this).

CAGRs to Reach \$10M Goal

It's been a few years since I updated my progress towards [the 20-year plan I shared at the beginning of 2015](#). The [last update](#) I shared was in early 2019 shortly after we officially hit \$1M in net worth. A common theme in my life has been accelerating timelines and that has been especially true with respect to our progress towards the original blueprint (screenshot below).

Check Point	Age	Income	Contributions	Net Worth		YoY % Growth	
				Start	End		
2015	28	178,800	89,400	181,364	286,833	58.2%	Humble Beginning
2016	29	198,800	99,400	286,833	411,647	43.5%	
2017	30	218,800	109,400	411,647	557,519	35.4%	
2018	31	238,800	119,400	557,519	726,316	30.3%	
2019	32	258,800	129,400	726,316	920,069	26.7%	
2020	33	278,800	139,400	920,069	1,140,988	24.0%	Millionaire
2021	34	298,800	149,400	1,140,988	1,391,481	22.0%	
2022	35	318,800	159,400	1,391,481	1,674,168	20.3%	
2023	36	338,800	169,400	1,674,168	1,991,902	19.0%	Multi-Millionaire
2024	37	358,800	179,400	1,991,902	2,347,787	17.9%	
2025	38	378,800	189,400	2,347,787	2,745,204	16.9%	
2026	39	398,800	199,400	2,745,204	3,187,833	16.1%	
2027	40	418,800	209,400	3,187,833	3,679,679	15.4%	
2028	41	438,800	219,400	3,679,679	4,225,103	14.8%	
2029	42	458,800	229,400	4,225,103	4,828,853	14.3%	
2030	43	478,800	239,400	4,828,853	5,496,096	13.8%	Half Way
2031	44	498,800	249,400	5,496,096	6,232,457	13.4%	
2032	45	518,800	259,400	6,232,457	7,044,061	13.0%	
2033	46	538,800	269,400	7,044,061	7,937,574	12.7%	
2034	47	558,800	279,400	7,937,574	8,920,254	12.4%	
2035	48	578,800	289,400	8,920,254	10,000,000	12.1%	Finish Line
Totals		7,954,800	3,977,400		10,000,000		

This plan was based on three major assumptions:

- (1) Achieving a gross savings rate of 50%. (we have done this or better most years)
- (2) Increasing our gross income by \$20,000 every year. (we have done much better than this - like six-figure increases on average)
- (3) Earning an 8.9% compound return. (this one is harder to measure and I'm too lazy to try to calculate it)

We have exceeded all income projections through 2035. Our income hit the 20-year target in 2019 with a year-end finish of \$745,208. We are currently projecting an income of \$1,104,395 for 2020. It's obvious that income is the engine that fuels our net worth, along with some nice gains on investments.

As you might imagine, outpacing our income goals has helped us stay ahead of our net worth goals. Based on the plan, we projected to officially exceed \$1,000,000 for

the first time at the end of this year (2020). We actually achieved that two years early, at the end of 2018. Currently we are on pace to finish 2020 with a net worth of \$2,400,000!

This puts us about four years ahead of schedule on the net worth front, so I've been playing around in a spreadsheet to see what it would take to accelerate our goal and move the finish line to age 40 instead of 48. In the table below you can see that to make that happen I need to increase net worth by 27% every year for the next six years (assumes we hit \$2.4M with a 44% growth rate in 2020). The percentage doesn't look crazy but the absolute dollar increases do look intimidating especially in the final year, which would require \$2.1M in increases.

Age	Year	Actual Net Worth	YoY % Δ	YoY \$ Δ
26	2012	\$ 42,424		
27	2013	\$ 103,012	143%	\$ 60,588
28	2014	\$ 181,364	76%	\$ 78,352
29	2015	\$ 317,727	75%	\$ 136,363
30	2016	\$ 527,668	66%	\$ 209,941
31	2017	\$ 664,391	26%	\$ 136,723
32	2018	\$ 1,012,865	52%	\$ 348,474
33	2019	\$ 1,670,321	65%	\$ 657,456
34	2020	\$ 2,400,000	44%	\$ 729,679
35	2021	\$ 3,044,454	27%	\$ 644,454
36	2022	\$ 3,861,958	27%	\$ 817,504
37	2023	\$ 4,898,979	27%	\$ 1,037,022
38	2024	\$ 6,214,465	27%	\$ 1,315,486
39	2025	\$ 7,883,188	27%	\$ 1,668,723
40	2026	\$ 10,000,000	27%	\$ 2,116,812

That said, I don't think it is out of the realm of possibilities and I'm now going to try to start working towards this new target. The real x-factor that could help me hit and potentially beat this new target date is the eventual sale of my company, which I'm hoping to cash out of for multiple millions (if I can hit my targets). Since I can't predict when our net worth might eventually take a hit from market conditions out of our controls I don't try to bake those into our equation. My hypothesis is that as a whole we all will recover and either get back on track or be delayed a few years. I'm prepared for the downside but I don't plan for it in this type of projection that I'm just trying to understand directionally.

Does anyone have any ideas to help me hit this aggressive target? Do you think I'm crazy yet? (Mrs. GYFG knows I'm crazy!)

Dream Home

The Mrs. and I have always intended to move up one more time. I can't say it will be a forever home but it will be the home we raise our kids in for the next 20 years. Yes, I said kids, we are officially trying for baby #2. Our son will be two in October, so if our timing works out they should be about two years apart, plus or minus a few months.

You may recall me sharing [back in March](#) that we had made an investment of \$385,000 in a 'paid in kind' (PIK) loan with a 4% interest rate.

Since last summer (2019) we have been discussing the idea of buying my wife's parents' house. My father-in-law built the house about 30 years ago and Mrs. GYFG has very fond memories growing up there. It is in the middle of the wine country in Southern California - right where we have always wanted to end up. We extended the loan to help my in-laws out regardless of whether we decided to buy their house or not. However, we did agree ahead of time that if we decided to buy the house that we would convert the note plus accumulated interest into an equity position. We also agreed to assume their first mortgage if we decided to move forward with the purchase.

We took the time to think about it and to look at other properties in the surrounding area. Every place we looked at was compared to their property. They have one of the most incredible views of the valley...definitely a multi-million dollar view. We also developed a list of concerns we had with such an arrangement with family and recently sat down with Mrs. GYFG's parents to discuss those concerns and iron out the details.

The house is 5,000 square feet on five acres. It has a 3,000 square foot shop, an RV garage, a pool, 100+ avocado trees, citrus trees, apple trees, and a 1,100 square foot guest house. I should mention that as a part of our arrangement my in-laws will be downsizing to live in the guest house when they are not at their houseboat or traveling during their golden years. I know this would be a non-starter for some but we are very keen on the arrangement, especially since we have discussed all the

sensitive issues upfront.

I won't go into details with the specific financial arrangement but I will say we are aligned and on the same page. We have identified about \$200,000 worth of improvements that we want to make before we move in and the best part is that my father-in-law is a contractor and designer who has agreed to do the work (the quality of his work is amazing – you'll see in future photos). As far as timing, we plan to move into the “big” house by January of 2022 or about 17 months from now. This also aligns with my mother-in-law's official retirement (her husband is already retired but takes on side projects for fun).

Our plan is to start making the improvements now so that we are not living through a remodel. The biggest project on the list to complete before moving in is a complete kitchen remodel and replacement of the AC throughout the house (the AC unit is 30 years old and doesn't work well). We also plan to install solar on the house. The other big project that we will tackle once we live there is to remodel the pool area, which we don't mind living through since it will be outdoors.

The plan is to turn our current house into a rental. We estimate that we should be able to gross \$3,000 per month and net about \$1,000 after expenses.

Income (Earned, Passive, Phantom, and Future)

This has become something I'm obsessing about. We've all read that the average millionaire has at least seven sources of income and I've been working hard these past few years to diversify our income streams from being solely reliant on W-2 income. Below is a tally of all of our income streams based on year to date values.

Earned Income

- \$15,261/month in W-2 Income from my business
- \$12,343/month in W-2 Income from Mrs. GYFG

Sub-Total = \$28,604/month

Passive Income

- \$25,694/month in profit distributions from my business (up from

\$12,186/month in 2019)

- \$1,250/month from a \$150,000 hard money loan at 10%
- \$1,000/month from notary services (Mrs. GYFG's side hustle)
- \$586/month from a Commercial REIT that pays a 7% dividend (although due to COVID-19 this has been cut to 5% and I've taken a 30% haircut on valuation)
- \$600/month from hard money lending (through PeerStreet - the majority of this is in a self-directed IRA)
- \$500/month from selling tradelines
- \$200/month from my blog
- \$150/month from CDs and High Yield Savings Accounts
- \$100/month from dividends (all in a 401K)

Sub-Total = \$30,080

Phantom Income

- \$1,285/month from \$385,000 interest-only note at 4%
- \$300/month because of solar investment that paid back our original investment about 18 months ago.

Sub-Total = \$1,585

Current Total = \$60,269 (Annually = \$723,228)

Note: this only includes recurring income and does not include the gain we realized this year from liquidating my investment in my previous employer.

Looking ahead there are a few more income streams that we can look forward to.

Future Income

- \$5,852/month from \$280,916 Industrial Real Estate Investment (anticipated to start distributions in summer of 2021)
 - \$2,083/month in an after-tax account
 - \$3,769/month in a self-directed IRA
- \$1,000/month from renting out our current primary residence

Sub-Total = \$6,852/month

Future Total = \$67,121 (Annually = \$805,452)

I would like to get total income from recurring sources to a total of \$100,000/month or \$1,200,000 annually by the end of 2021. That means I need to generate an additional \$32,879/month in income. If the business keeps growing the way it has to date, I can see a large portion of that delta coming from that, but I also know that I'm going to need to continue putting money to work as well.

#BIGGOALS

That's the extent of this smorgasbord of my "bite-size thought snacks." What about you? What are you noodling on these days? Thoughts on any of the above?



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](#)