

August 2020 - Detailed Financial Report #68 - Net Worth \$2,127,140

August was another crazy month and there doesn't seem to be a slowdown coming in September in terms of the growth in my business - with the same true for Mrs. GYFG, who is in Real Estate. It has been challenging to manage the growth while also trying to be good (present) parents but we are trying our best. The Mrs. and I have done a decent job cutting it off on the weekends to be fully present with the little man. We are both looking forward to the beach house we rented for the month of November and we both plan to be completely unplugged for at least two weeks out of that month to get a much-needed break.

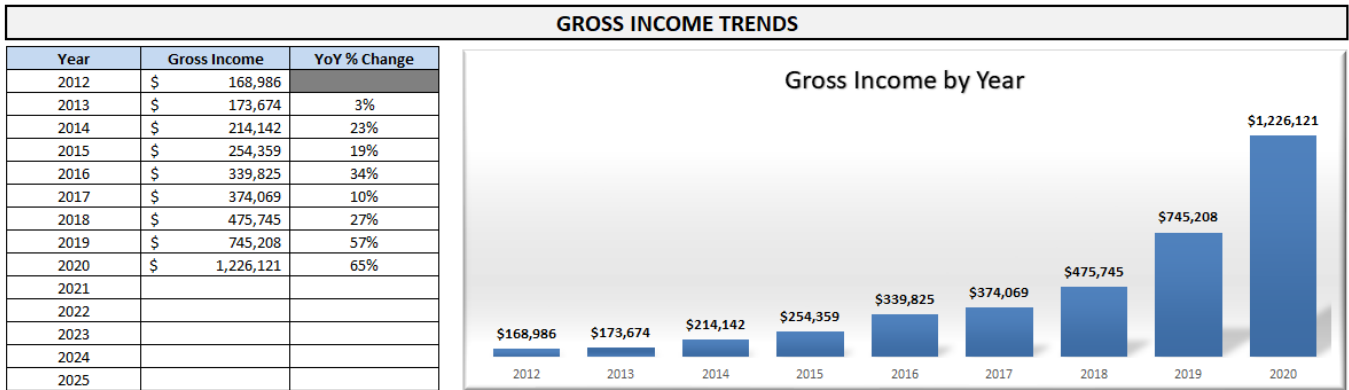
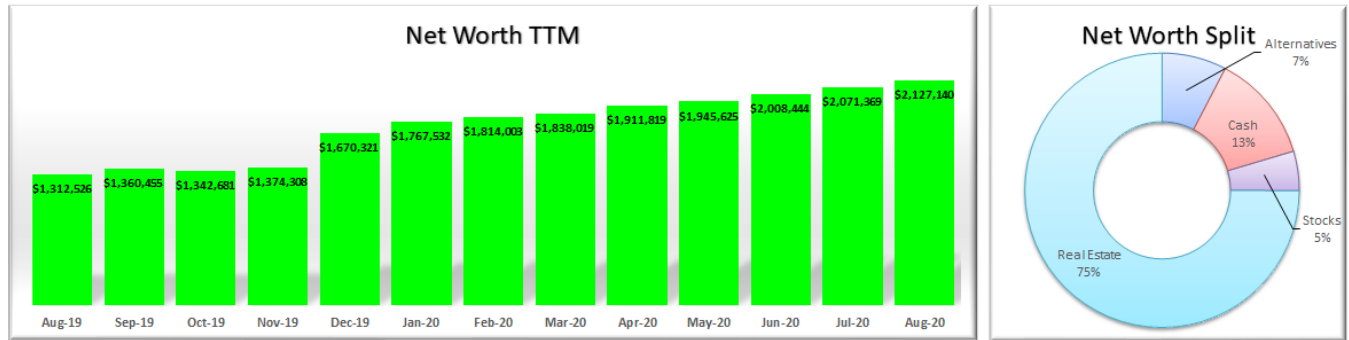
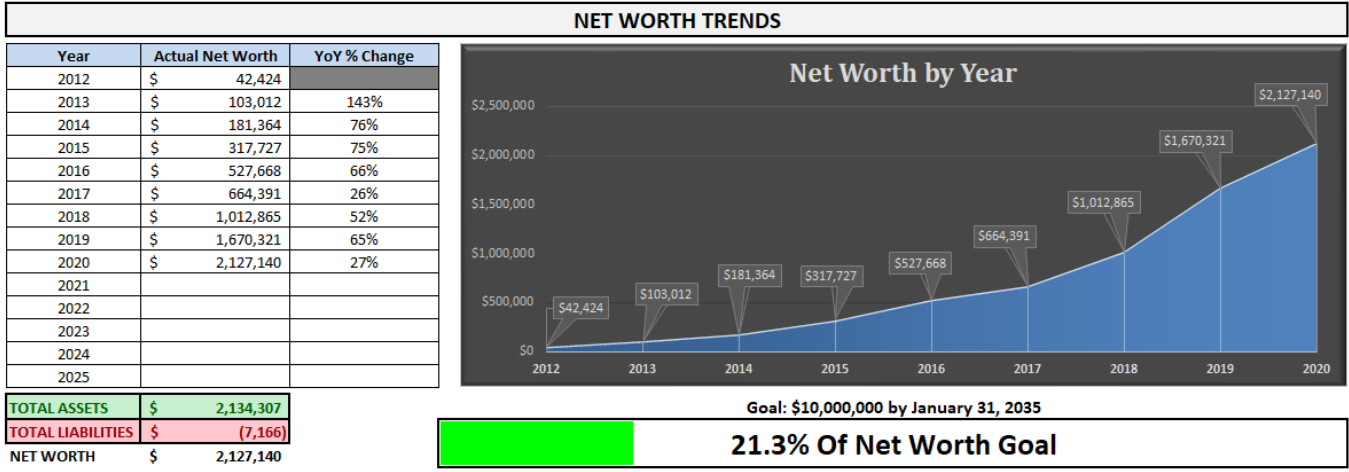
The silver lining is that we are making incredible progress towards our goals in this particular season of life. As long time readers know, the majority of our financial success has been driven by our ability to earn a high income that has grown substantially every year. In fact, our income since 2012 has grown by a compound annual growth rate of **30.6%** (from \$168,986 in 2012 to our current TTM of \$1,306,284). In that same time, our net worth has compounded at 66.6% (from \$42,424 to \$2,127,140 - a 4,814% increase!).

A few years ago a reader (Jay Ceezy) asked if I would eventually move these reports from a monthly cadence to a quarterly cadence once the results started slowing down when income and net worth weren't growing as fast. I answered at the time that I did think I would eventually move these reports to a quarterly cadence but here we are with my 68th consecutive monthly report. I'm not sure what the inflection point will be to switch the cadence but I can tell you now that we are not close to that point yet, not when our income and net worth are still growing as rapidly as they have for the past decade.

To put things in perspective, we currently anticipate our income to be up 65% and our net worth to be up 40% in 2020 vs. 2019.

Let's dive into the details!

Financial Dashboard



Note: The income figure you see in the chart above for 2020 is our current projection for the year, which is different than our TTM income figure I shared above that clocked in at just over \$1.3M this month.

Net Worth:

Current Net Worth: \$2,127,140 (up \$456,820 or +27.3% for 2020)

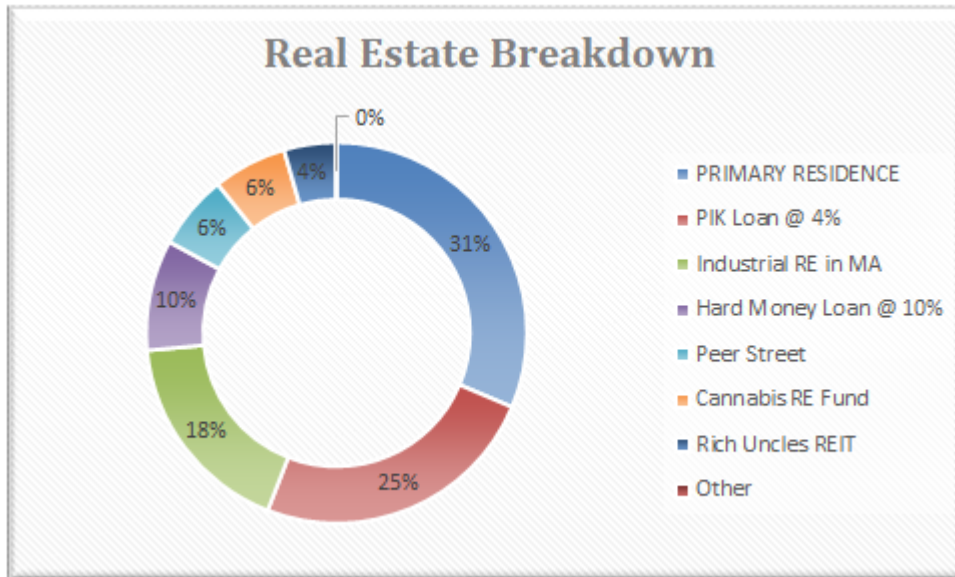
Previous month: \$2,071,369

Difference: +\$55,771

Note: I'm still not holding a value for my business in my net worth. Depending on the multiple you use, that could add anywhere from \$300,000 (1X) to \$1,400,000 (5X).

Net Worth Break Down:

Real Estate (75%) - 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. This also includes a 4% PIK loan that will be converted to an equity position in 2022. In recent months I shared that we had deployed money into an industrial real estate deal and this month we made an additional \$100,000 investment into a commercial real estate fund focused on the Cannabis industry. We will be reducing our concentration in the real estate category in the near future once our \$300,000 cash-out refinance closes in September. In the chart below you can see that our primary residence makes up the largest chunk (at 31% of the real estate category and 23% of total net worth), but that will substantially decrease by the time I publish the September report (Real Estate will make up ~60%).



Net Cash (13%) - We plan to see an increase of \$300,000 in cash in September, which will boost this to a 30% allocation of net worth. That's because, after being mortgage-free for 17 months, we have decided to put a mortgage back on our house with a cash-out refinance. This will help us reduce our concentration in the real estate category, while also taking advantage of the lowest mortgage rates in history. We were able to lock in 2.865% for a 30-year mortgage.

Alternatives (7%) - This is a new catch-all category that captures our investments in the following: [life settlements](#), a [special purpose acquisition company](#) (SPAC), and a private investment in the Robinhood trading platform.

Stocks (5%) - We have not been deploying new capital into stocks, but I did recently open up an account with Betterment (something I'll talk about in a future report when I start moving money there).

Total Projected Income in 2020: We are currently on pace to earn \$1,226,121. Keep in mind that ~\$415,000 of that is from a realized gain from selling the stock I owned in my previous employer.

Total Capital Deployed in 2020:

Investment	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Dividends / Interest	401K Matches	2019	% Split
Gross Deployments																
Peer Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						\$ -	\$ -	0.0%
Private Shares	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						\$ -	\$ -	0.0%
Rich Uncles	\$ -	\$ -	\$ 21,175	\$ -	\$ -	\$ -	\$ -	\$ -						\$ -	\$ 21,175	1.6%
High Yield Savings	\$ 100	\$ 50,100	\$ 100	\$ 107,175	\$ 42,000	\$ 25,525	\$ -	\$ -						\$ -	\$ 225,000	17.2%
Solar + Tesla Powerwalls	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,400						\$ -	\$ 39,400	3.0%
Stocks (401K)	\$ 23,854	\$ 8,464	\$ 144,549	\$ -	\$ -	\$ -	\$ -	\$ -						\$ -	\$ 176,867	13.6%
Short SPY Puts	\$ -	\$ -	\$ -	\$ -	\$ 9,100	\$ -	\$ -	\$ -						\$ -	\$ 9,100	0.7%
Robinhood Secondary Shares	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -						\$ -	\$ 10,000	0.8%
CD's @ 3.5%	\$ -	\$ 6,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						\$ -	\$ 6,000	0.5%
Real Estate PIK Loan	\$ -	\$ -	\$ 385,000	\$ -	\$ -	\$ -	\$ -	\$ -						\$ -	\$ 385,000	29.5%
Industrial Real Estate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180,916	\$ 100,000	\$ 100,000						\$ -	\$ 380,916	29.2%
SPAC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ -						\$ -	\$ 50,000	3.8%
Whole Life Policy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						\$ -	\$ -	0.0%
Land Tax Strategy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						\$ -	\$ -	0.0%
Hard Money Loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						\$ -	\$ -	0.0%
Life Settlements	\$ -	\$ 914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						\$ -	\$ 914	0.1%
Gross Deployments	\$ 23,954	\$ 65,478	\$ 550,824	\$ 107,175	\$ 61,100	\$ 206,441	\$ 189,400	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,304,372	100.0%
Gross Liquidations																
Private Shares	\$ -	\$ (520,529)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						\$ -	\$ (520,529)	57.5%
High Yield Savings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (189,400)	\$ (35,600)						\$ -	\$ (225,000)	24.9%
Stocks (401K)	\$ -	\$ -	\$ -	\$ (159,774)	\$ -	\$ -	\$ -	\$ -						\$ -	\$ (159,774)	17.6%
Gross Liquidations	\$ -	\$ (520,529)	\$ -	\$ (159,774)	\$ -	\$ -	\$ (189,400)	\$ (35,600)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (905,303)	100.0%
Net Deployment	\$ 23,954	\$ (455,051)	\$ 550,824	\$ (52,599)	\$ 61,100	\$ 206,441	\$ -	\$ 64,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 399,068	n/a

Last month I said I needed a breather but then a few investment opportunities came across my desk, one of which looked really good, so we allocated \$100,000 to it in August. The fund is focused on commercial real estate in the Cannabis industry and is projected to remain open for new investment until February of 2021 or until the capital is fully committed. We may invest more into this fund between now and then. I've been very interested in gaining exposure to this industry and I like doing indirectly through Real Estate. I really like the sponsor's approach and strategy. The fund is not using any leverage and is targeting a 10% cash yield and 15% IRR. The fund already has three seeded assets that are cash-flowing with several disbursements already made to investors. The sponsor is backed by a larger \$1B fund that currently has a \$15M investment and will not own less than 20%...always a positive to see skin in the game.

I made this investment through [the Crowd Street platform](#). This is the first platform that I've invested in that required more than a questionnaire to certify our status as an accredited investor. I actually had to submit tax returns from the last two years and an attorney drafted up a letter confirming we were indeed accredited investors. [A few years back I hosted a guest post](#) from the folks at Crowd Street and noted that they would eventually be a platform I would make investments through.

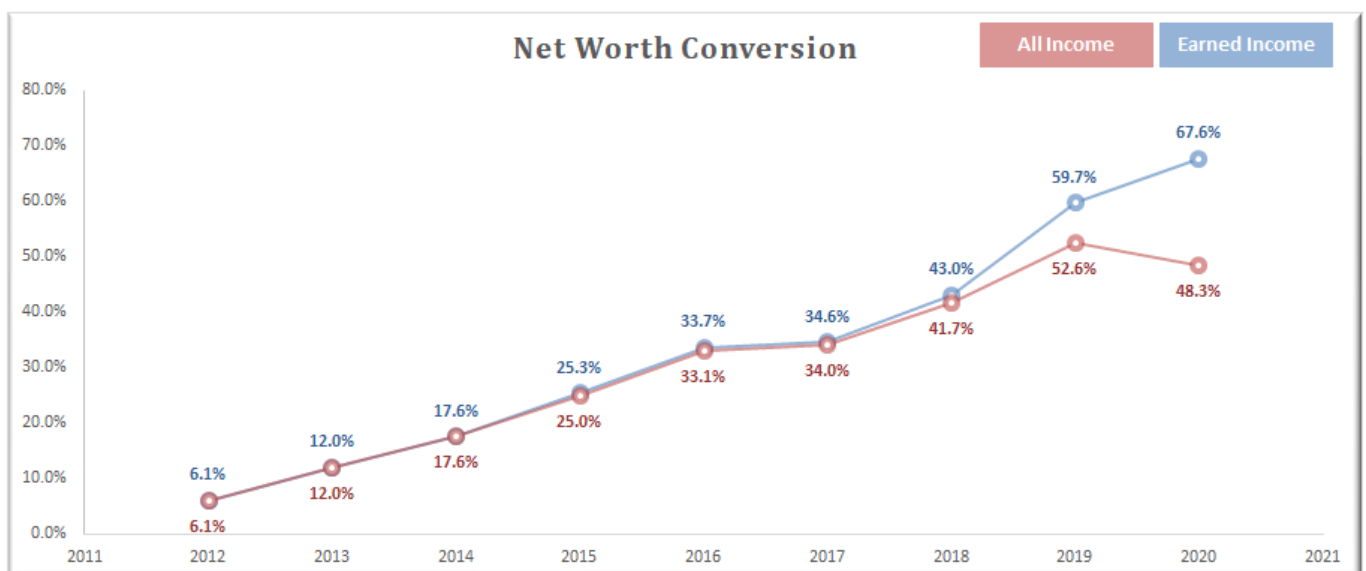
If you're interested in the deal I participated in it is the "Rainbow Realty Cannabis Fund" and once you sign up for an account on the platform you can see all the details about the investment.

Net Worth Conversion Ratio

*Definition: The Net Worth Conversion Ratio measures an earner's ability to convert **earned income** into wealth (net worth). It excludes passive income since passive income is dependent on the earner's decision of putting earned income to work or spending on consumption.*

This is a new metric I will be updating and sharing monthly. Now that “the machine” is in full production, it is time to not only bring back the [net worth conversion metric](#) but to make it a star of the show. I once wrote that [financial nirvana](#) is reached once this metric exceeds 100%. When I first calculated this back in early 2016 the GYFG ratio clocked in at 25.3%. Since then we have significantly increased our savings rate and the gravitational pull of increasing both our savings rate and income helped us significantly improve the performance of this metric, which now clocks in at 67.6% (up from 65.8% last month).

You will notice that I have shared the metric based on ‘earned income’ and ‘all income’ but I’m most interested in the earned income calculation (per the definition above).



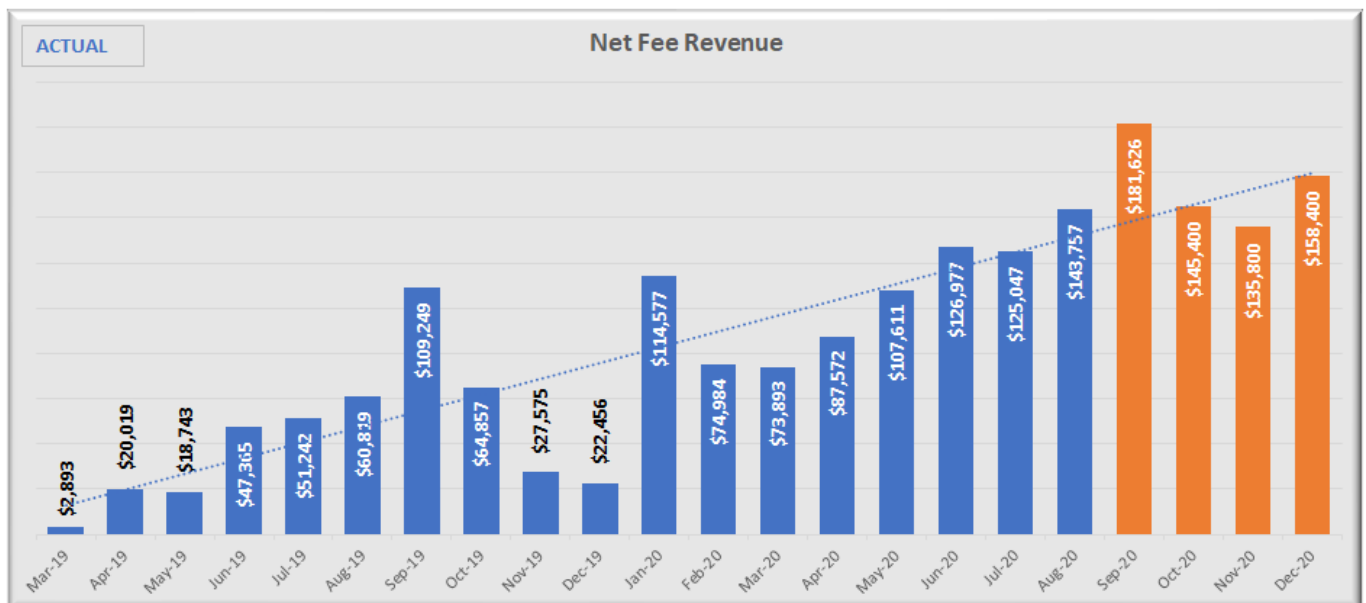
The goal the past five years since adopting this metric was to focus on increasing our earned income while simultaneously saving at least 50% of our after-tax income

in order to create excess capital for investing. I should note that I've excluded from the earned income calculation any income that's derived passively from investments and more recently profit distributions from my business (I do include the W-2 income I earn as an employee of the business).

The end goal is to get to a point where net worth is 100% or greater than earned income - bonus points if you can accomplish the same thing based on all income sources. I expect our net worth conversion to finish the year somewhere between 70% and 75%.

An Update on My Business

There is so much I want to share about the business but so little time in my schedule to do it right now. That said, I wanted to take a moment to at least share the performance of the business since it is such a large contributor to our net worth growth this year (and hopefully for many years to come).



It's interesting to see the dip in October through December of last year where we intentionally took our foot off the gas pedal in order to enjoy the holidays, something I'm looking forward to doing again this year, only this time I have more resources doing the work so the drop shouldn't be dramatic. Actually, if you look at

the above I'm currently forecasting a peak in September with a slight fall off from the all-time-high I'm projecting in September.

Some Quick Details

- At the end of August, we had five full-time team members. However, I had to let one go in September as it wasn't working out. (September 1st will go down as one of the hardest days of my life)
- We are currently on track to deliver \$1,472,718 in revenue for 2020, which is ~47% ahead of the \$1,000,000 target we set out to achieve this year (3.5X what we did in 2019).
- Our pipeline is worth about \$2,000,000 in terms of prospects we are pursuing in various stages of the sales cycle. Probability weighted this is \$827,057. If you do the math you can see that I'm using a 40% win rate, which is much lower than the 80% we have actually experienced to date. My thought process is that this is either extremely conservative or as we get bigger the probability will go down...only time will tell.
- Our contracted backlog (deals we've already won) is \$1,618,715, which takes us through April of 2022.
- We launched a new website in early August.
- We now have three strategic partnerships with other consulting shops that do what we do, which gives us access to an additional ten flex resources.
- We are officially an international business after winning our first international deal in Singapore (we are using our partner in Ukraine to perform most of the implementation work).
- We currently have two very strategic resources in our recruiting pipeline. They would be plug-and-play resources because both have not only used the product we implement as a client but they also have depth of experience in Finance & Accounting.
- Our profitability continues to be robust at ~40% pre-tax profit margins. We are structured as an S-Corp so the taxes "pass through" to the owners' personal returns based on their pro-rata share of the earnings.

The growth and performance of the business continues to exceed my expectations. I'm very transparent with my team and they have come to realize that I am always conservative when forecasting the future performance of the business and they appreciate that for several reasons:

- (1) It's very common in Corporate America to be stuck with unrealistic goals,

which makes celebration rare. Instead, I like to set achievable goals that have room for upside. I believe this creates a culture and attitude of winning. And winning begets more winning.

(2) As we grow, everyone benefits. Some are already owners in the business and others are working towards hitting their targets to become owners in the business. This means that as the business does well, they are or will be participating in a larger and larger profit distribution pool.

(3) More celebrations! I've made a commitment to the team that my goal is to have 2-4 company retreats a year. We had our first ever company retreat in June of this year to celebrate our first cumulative million in revenue. We are now planning a winter retreat to celebrate our second million in revenue which will happen sometime in Q1 of 2021.

Closing Thoughts

I really wish I had more time to write but at the same time, I accept that during this season in life that other areas require more of my attention. The good news is that I've got a growing list of topics I want to write about when I'm able to allocate more time to writing.

I didn't mention it anywhere above but we have already begun on some of the improvement projects for the new house we will be moving into come January 2022. I know it is 16 months away but it will be here so fast. Who knows, we may decide to occupy the property earlier. We are currently under contract to get solar installed on the new property as well as a complete replacement of the entire AC system (which is original and 30+ years old). Mrs. GYFG has also been busy gathering design ideas for the upcoming kitchen remodel, pool remodel, and outdoor kitchen we plan to build.

The only other thing taking mental bandwidth is 2020 tax planning. Now that my return for 2019 was filed back in July and we received our unexpected refund, I have now turned my attention to 2020. I'm working very closely with my CPA to ensure we do everything available to pay the legal minimum in taxes.

I hope you enjoy the last couple weeks of summer.

Onward & Upward!

- 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](#)