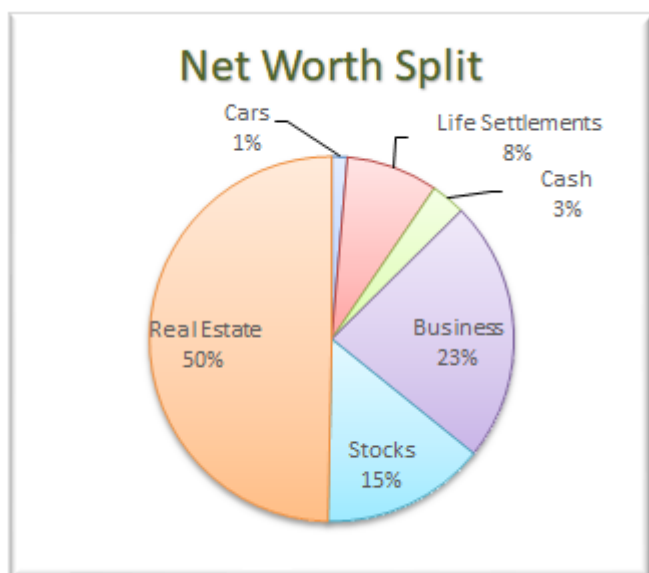


Portfolio Deep Dive

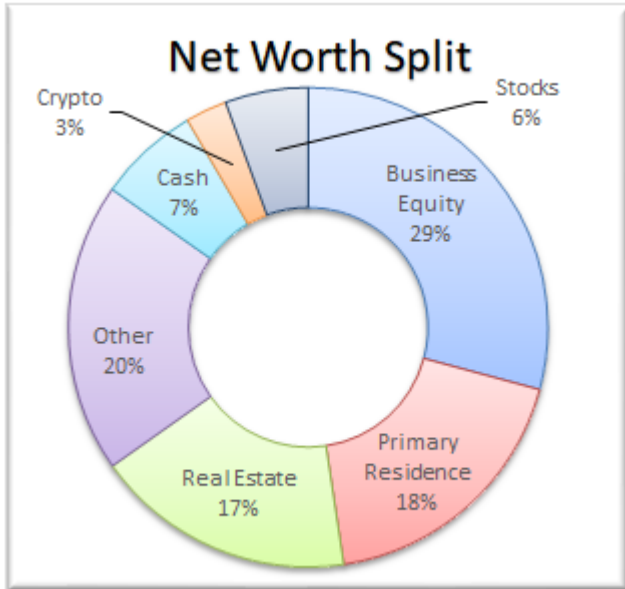
As the markets correct from their extravagant rise these last couple of years I am taking this opportunity to not only “be greedy when others are fearful” but also to digest the \$5.5M that I’ve deployed since 2018. Let’s start with the high-level breakdown and then get granular with it.

December 2018 marked our official entry into the double comma club and the beginning of a very impressive 8X increase over the subsequent three years - increasing from \$1M to just a tad over \$8M.



December 2018 - NW of \$1,012,865

I wrote a post in 2017 about how wealth-building was made simple by [aiming to get a little richer every day](#) and that is exactly what I have focused on doing ever since. My focus and the engine behind my family’s net worth growth has been our ability to earn and continually compound that ability to make more year after year.



May 2022 - NW of \$8,051,151

In the table below is a side-by-side comparison that I've prepared by adjusting the allocations to fit the 2022 allocation for comparison purposes. In order to accomplish this, I needed to pull out the value of our primary residence that was grouped into the Real Estate category and combine a few categories from 2018 (cars and life settlements) into the "Other" category (FYI - the value of our cars are no longer carried in our net worth).

Net Worth Category	12/31/2018		5/31/2022		Total Growth
	%	\$	%	\$	
Real Estate	17%	\$172,187	17%	\$ 1,368,696	795%
Primary Residence	33%	\$334,245	18%	\$ 1,449,207	434%
Business Equity	23%	\$232,959	29%	\$ 2,334,834	1002%
Stocks	15%	\$151,930	6%	\$ 483,069	318%
Other (includes cars & life settlements)	9%	\$91,158	20%	\$ 1,610,230	1766%
Crypto	0%	\$0	3%	\$ 241,535	0%
Cash	3%	\$30,386	7%	\$ 563,581	1855%
Total	100%	\$1,012,865	100%	\$ 8,051,151	795%

What may not be apparent in the table above is that a majority of our net worth growth from 2018 to the current day was driven by business equity and the income

that the business paid in the form of wages, profit distributions, and more recently the sale of said business equity. We can easily attribute at least \$5M of the \$7M growth in the above table due to the business I created.

What I would like to do next is look at each major category and explain what has changed as well as what the current holdings are that make up the current value.

Business Equity

I hadn't yet started my consulting business in 2018, so the value of \$232,959 that you see in the above table was composed of the [equity I held in my prior employer](#) in the form of both stock and stock options. I didn't officially [open for business](#) until February of 2019 and didn't give notice to my employer until June of 2019. I officially exited [my old C-Suite role](#) in February of 2020 – yes, I grew both my business and maintained my C-Suite role for a little over a year. By the time I left my former employer the equity was worth \$537,530 and I was paid out on my last day of employment.

Since February of 2020, the “business equity” portion of our net worth has been entirely based on the value of the business I built. As I type this, I have cashed out \$2M in equity value (another \$700K to come later this year for a total of \$2.7M) and paid myself more than \$2.5M in wages and profit distributions. I expect the \$2.3M equity value to continue growing as long as the business continues growing but we will see a decrease of \$700,000 in September of this year, which will result in a corresponding increase of \$700,000 in cash. That said, I still expect to end 2022 with about \$2M in net worth value in the business equity. You may be wondering how I derive the value; sometimes this can be very discretionary and vary wildly but in my case when my partners and I sold the initial 60% of the business we agreed on a contractual formula for how the business would be valued. The acquiring company is contractually obligated to buy the remaining shares at that pre-defined formula on the five-year anniversary of the transaction.

Stocks

This is the one allocation that surprises me the most. I had initially thought this

would make up a much larger portion of net worth but have found that I've come to prefer illiquid investments and it shows. In absolute dollars, it is still up over the studied period but has shrunk from 15% to 6% of net worth. I do think this allocation is a little too low and will be working to move this closer to 10% through 2022 for as long as prices continue declining.

Real Estate

I fully acknowledge that our primary residence technically falls under real estate but I like to keep it separate to monitor its net worth concentration. We currently hold 19 separate investments across 18 different properties. These investments span Commercial, Hospitality, Industrial, and Multi-Family, which at full cash flow (not all have reached this yet) the entire RE portfolio is anticipated to produce ~\$200,000 per year (~14.6% CoC return). I expect to be at full cash flow by the end of 2023 and should be at \$120,000 for all of 2022. We have ~\$630,000 in the RE portfolio that is invested in Cannabis lease-back deals that use **zero** leverage and high CoC returns. My target in building the portfolio was to find deals that had an estimated CoC of 10% or greater and no more than a 65% LTV.

Note: Investment amounts range between \$25,000 to \$480,000 for each of the 18 different properties.

Primary Residence

In the early days of our wealth-building journey, I allowed this to swell to a larger concentration of net worth than what I was aiming for long term. Part of this had to do with my extreme focus on paying off the mortgage because I knew that one day I wanted to have the freedom to scratch my entrepreneurial itch and wanted to do it from a position of strength and freedom from debt. At the same time, I was climbing the corporate ladder and working very hard to increase my W-2 income. Mrs. GYFG was just as laser-focused on increasing her income as well. You can see from the table above that at the end of 2018 our primary residence made up 33% of our net worth and today it makes up 18%, while being more than 4X the prior value. My long-term goal has always been 10% or less, which I see happening in the next three to five years.

Other

You could say this is the catch-all bucket for everything else. It contains the following:

- Interest in seven separate life settlements.
- Equity in four private companies (Vertical Indoor Farming, Consumer Goods, Cannabis Technology, and Real Estate)
- A cannabis-focused fund that holds interests in four companies.
- Winery - really a wine village with three wineries, three restaurants, a hotel, bed & breakfast, casitas, and a spa (2/3 of the property is still being built).
- Private equity fund
- Debt fund focused in Asia
- A massive solar project on an Indian reservation - made mostly for the massive tax benefits.

Crypto

We've contributed ~\$225,000 to this allocation that's currently valued at ~\$241,000 and was **zero** back in 2018. Let's call it a hedge against fiat currency, the changing world order, and regular ol' FOMO. At one point we were holding both BTC and ETH but currently only hold BTC now. We currently hold 8.05 BTC with a goal of growing to 10 BTC within 2022.

Note: As I work to complete this post, the decline across all crypto has been significant and our position has experienced a significant drawdown.

Cash

When I look at our cash position at [December of 2018](#) it seems low but then I realize that's because we have gotten used to much higher levels of cash since starting the business. In fact, if you look back at the last 36 months our average cash holding has been ~\$500,000. It is currently sitting at about 7% of our net worth but it's only

that high because we have committed capital to an investment that hasn't been fully called and we are still working through home improvement projects that we are paying for with all cash. Long term I would like to see this at 5% or less as long as we maintain at least twelve months of living expenses. That said, we are also not afraid to let cash build until we find the right opportunity to put money to work.

Wrap Up

Well, there you have it, a deeper dive into our portfolio. It's been so interesting to see the portfolio grow and naturally diversify depending on where we see opportunity. We haven't had any hard and fast rules about diversification and to be honest, it has been concentration that has been one of our biggest levers in growing our net worth. It does feel good to have de-risked from the business I created while still holding onto a significant piece of equity for continued upside and what private equity refers to as "a second bite of the apple" that can be worth multiples of the first bite.

Every investment we make is our way of planting seeds for income, growth, and future liquidity events.

We feel well-positioned to take advantage of the current decline in assets across the board and will continually remind ourselves to [Save Like a Pessimist and Invest Like an Optimist](#). You never know if you are going to get the timing right but if you always have your eyes open for opportunities to de-risk I think you give yourself a much higher probability of being positioned to capitalize and thrive during declines rather than merely survive. I was just graduating college in 2008 during the last major decline and had no real money to put to work but I was determined to be well-positioned for each future decline I knew we'd surely experience over our lifetimes.

I somehow have programmed myself to be extremely happy during significant market declines and recognize it for what it is - an opportunity to buy assets at significant discounts from much higher prices.

- 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](#)