

# 2023 Annual Review

Sitting down to write an annual review like this is a little daunting. It was easier to do my prior monthly reviews because the information was fresher and more top of mind. It's also hard to have something like this be short and sweet, especially for someone like me who doesn't include brevity as a strong suit. It made me think of the quote below:

I didn't have time to write a short letter, so I wrote a long one instead.

**Mark Twain**

Since this post is probably more beneficial to me than it is to you, I don't blame you for skimming or skipping this post altogether. I have been so excited about getting to the end of the year to start this **first** annual review. Part of the pent-up excitement is due to eliminating the regular financial updates I did before we entered 2023, and another part is because I have grown so fond of review and reflection.

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## **Financial Update**

*Note: I began writing this section before the year was final, but the numbers are close enough. All figures were as of 12/26/23.*

## **Net Worth**

I am blown away when I review this table and acknowledge that we have compounded our net worth at a mind-blowing rate of 66.2% between 2012 and 2023. Unfortunately, I don't think that rate of return will be sustainable going forward and will continue to decline with each passing year; I do believe that we still have one more BIG year on the horizon when we experience another liquidity event from the value rolled over into the platform company that bought my business. My best guess is that it will be somewhere between 2025 and 2027. I rolled over \$2.5M of value, and I anticipate it to be worth 3X or more when we have the chance to

exit.

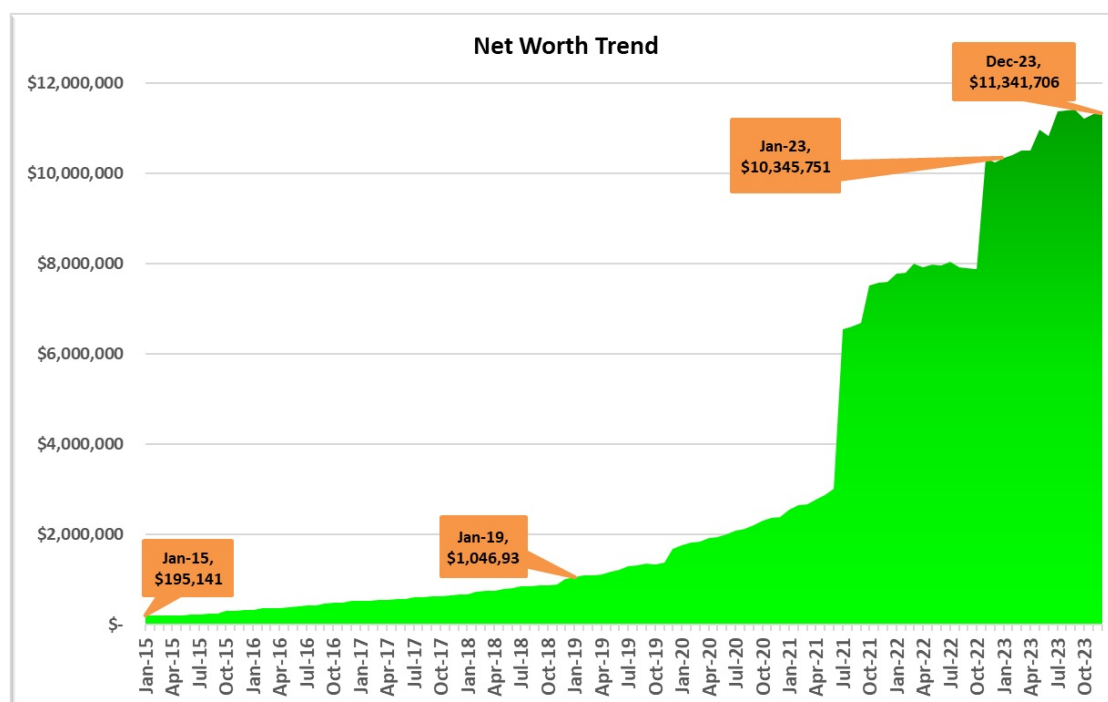
Year	Actual Net Worth	YoY % Change
2012	\$ 42,424	
2013	\$ 103,012	143%
2014	\$ 181,364	76%
2015	\$ 317,727	75%
2016	\$ 527,668	66%
2017	\$ 664,391	26%
2018	\$ 1,012,865	52%
2019	\$ 1,670,321	65%
2020	\$ 2,379,441	42%
2021	\$ 7,586,316	219%
2022	\$ 10,245,337	35%
2023	\$ 11,341,706	11%

To achieve a 10% gain in 2024, we will need to see our net worth increase by \$1,134,170 through a combination of new savings, dividends & interest, and asset appreciation. At first blush that seems daunting, especially since it took us ten years to reach our first \$1M in net worth. That said, realistically I think we can add about \$300,000 from new savings, \$200,000 from dividends & interest, and the remaining \$634,170 will have to come from asset appreciation. **Assuming the markets stay strong (anything can happen)**, I think I can achieve that with the equity I rolled alone...it was up 42% at the halfway mark of 2023. I expect the final year-end valuation will be even higher (I estimate a 75% total YoY increase).

In order for the equity I rolled over to 3X on my expected time frame (which aligns with the PE money that is invested) it needs to compound at 50%+. **LFG!!!**

They say that fortune favors the bold, and I feel like I made a bold move to sell the remaining 40% of my company 3.5 years early to trade up for a much larger compounding machine. I am pretty debt-averse when it comes to my own balance sheet, but I don't have the same issue when I have exposure to debt through an equity investment. Additionally, the PE firm that is invested is much more conservative than the PE firms I have experience with from past companies I worked at. The space is ripe for consolidation, and the business is in what I would classify as recession-resilient.

I've had a history of some pretty unbelievable runs and maybe we can keep the chart below going parabolic for a little longer!?! (The chart doesn't start until 2015 because that was the first year I began monthly tracking of our financial data; however, the GYFG household started our professional careers out of college in 2008 with **a negative \$300,000 net worth.**)



As much as I think about compounding, this quote from Warren Buffett still takes my breath away:

Over the 63 years, the general market delivered just under a 10% annual return, including dividends. That means \$1,000 would have grown to \$405,000 if all income had been reinvested. A 20% rate of return, however, would have produced \$97 million. That strikes us as a statistically-significant differential that might, conceivably, arouse one's curiosity.

The 10% return is a rounding error vs. the 20% return. At 10%, you are doubling roughly every seven years; at 20%, you are doubling roughly every 3.5 years. **You double your capital base an extra 18X over 63 years at 20%.**

This is the first year we've experienced what I would classify as a substantial slowdown in our net worth growth. Although I believe the equity I rolled over will continue to be a HUGE dial mover to our net worth between now and 2027, I've played out a few scenarios after reading Buffett's quote above. I still have yet to be able to adopt Warren's favorite holding period of "forever" because a human life - my human life - is finite. I'm comfortable thinking in 1-20 year time frames, and for this exercise, I went out as far as I can comfortably do while simultaneously acknowledging many unknowns between now and then. In what I see as the worst case, we compound our net worth at 5% and end up with a \$30M net worth in 20 years (I'd give this a 95% probability of happening). On the other end of the spectrum, I have what I see as the best-case scenario of compounding at 20% per year, which would lead to a net worth of \$434M (I'd give this a 25% probability of happening).

Current NW	Years	CAGR	Ending NW
\$11,341,706	20	5%	\$30,092,923
\$11,341,706	20	10%	\$76,301,327
\$11,341,706	20	15%	\$185,624,455
\$11,341,706	20	20%	\$434,813,787

What was so great about this exercise was that **it reminded me that I don't need to swing for the fences** to end up in a really fantastic place. All I have to do is not be too stupid with the net worth base we have built. I have no clue what inflation will look like, but assuming it averages 3% over the next 20 years, the range of ending net worth values in today's dollars is \$16.6M to \$241M.

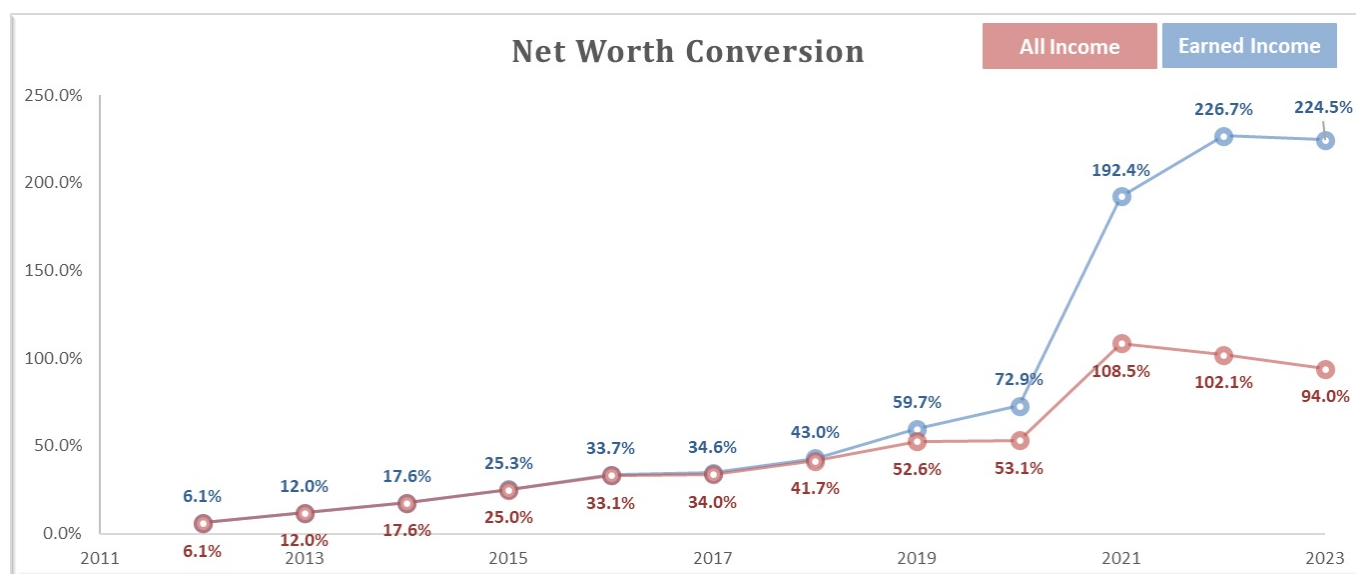
*Note: I should also note that because a large portion of our net worth (~72%) is illiquid, I hold many values at book value and that could also lead to lumpy outsized returns in the future when they do show up in net worth. I have always tried to be conservative with the net worth figure over time. That will become harder to do as we work towards shifting more of our net worth into liquid investments over the next five years.*

## Net Worth Conversion Ratio

My **FAVORITE** metric to track! We hit what I've dubbed as "Financial Nirvana" in 2021, which I define as the point at which your net worth exceeds your lifetime

earned income (see [Net Worth Conversion Ratio](#)). You can build wealth either through labor or capital. The goal is to reach a point where labor becomes optional, and your capital does all the heavy lifting for you.

I like to look at this metric on both an “Earned Income” and an “All Income” basis. The reason I also like to look at the “All Income” version is to get a sense of both savings and tax efficiency. It’s not perfect, but it gives me an idea of where I am – the closer I am to 100%, the more tax efficiency I’ve experienced (paired with a robust savings rate, of course), meaning that if both numbers produce a 100% or greater reading, I have lived for **FREE** inclusive of taxes. Now, I’ll point out that when the “All Income” metric is reading over 100%, it’s due to significant unrealized gains that have yet to be taxed by Uncle Sam – you can see this as I converted equity into real taxable gains between 2021 and 2023.

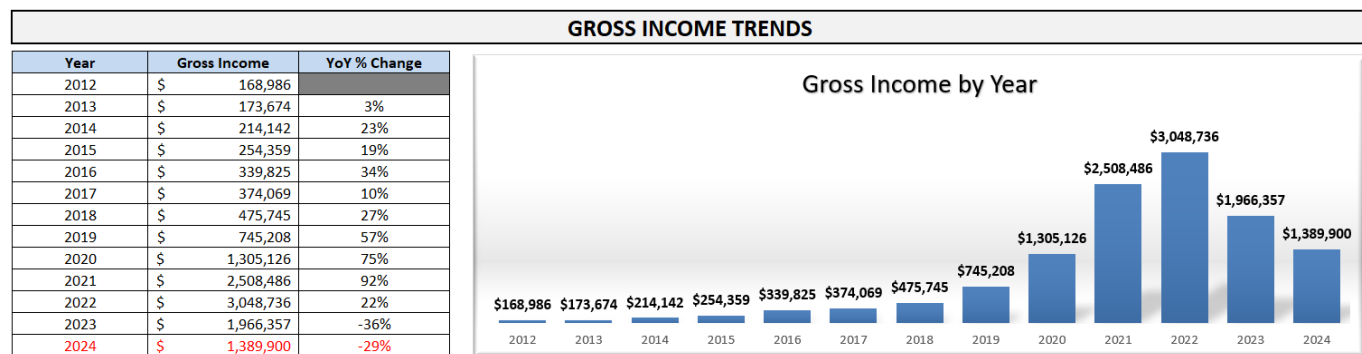


Note the gravitational pull [our goal of saving 50% of our after-tax income](#) (set in 2015) had on this metric for the preceding five plus years. If you pair the above chart with the actual numbers in the table below, you can see why a rising income was so magnetic in dramatically lifting the conversion rate between 2015 through 2022. There was not much delta in the early years on the chart between the red and blue lines. That delta started to increase dramatically in 2020 as we began experiencing liquidity events from equity we owned both in other people’s businesses and our own. Prior to this we were saving and paying down our mortgage with nominal amounts going into other investments. With the benefit of hindsight, I can also share that our net worth was significantly understated in 2019

through mid-2021 since we were not carrying any value for my business until a legitimate buyer showed up.

Earned Income				Year	Earned Income	Cummulative Earned Income	Net Worth	Net Worth Conversion	Year	All Income	Cummulative Income	Net Worth	Net Worth Conversion	
Mr. GYFG	Mrs. GYFG	Other	Total											
2002	\$ -	\$ 1,212	-	\$ 1,212	2002	1,212	1,212	-	0.0%	2002	1,212	1,212	-	0.0%
2003	\$ 3,471	\$ 1,782	-	\$ 5,253	2003	5,253	6,465	-	0.0%	2003	5,253	6,465	-	0.0%
2004	\$ 5,862	\$ 408	-	\$ 6,270	2004	6,270	12,735	-	0.0%	2004	6,270	12,735	-	0.0%
2005	\$ 15,767	\$ 5,642	-	\$ 21,409	2005	21,409	34,144	-	0.0%	2005	21,409	34,144	-	0.0%
2006	\$ 24,709	\$ 7,795	-	\$ 32,504	2006	32,504	66,648	-	0.0%	2006	32,504	66,648	-	0.0%
2007	\$ 28,227	\$ 4,198	-	\$ 32,425	2007	32,425	99,073	-	0.0%	2007	32,425	99,073	-	0.0%
2008	\$ 44,416	\$ 20,268	-	\$ 64,684	2008	64,684	163,757	-	0.0%	2008	64,684	163,757	-	0.0%
2009	\$ 62,788	\$ 38,548	-	\$ 101,336	2009	101,336	265,093	-	0.0%	2009	101,336	265,093	-	0.0%
2010	\$ 68,942	\$ 59,558	-	\$ 128,500	2010	128,500	393,593	-	0.0%	2010	128,500	393,593	-	0.0%
2011	\$ 80,332	\$ 61,755	-	\$ 142,087	2011	142,087	535,680	-	0.0%	2011	142,087	535,680	-	0.0%
2012	\$ 85,585	\$ 77,619	-	\$ 163,204	2012	163,204	698,884	42,424	6.1%	2012	163,204	698,884	42,424	6.1%
2013	\$ 90,000	\$ 70,929	-	\$ 160,929	2013	160,929	859,813	103,012	12.0%	2013	160,929	859,813	103,012	12.0%
2014	\$ 111,925	\$ 61,591	-	\$ 173,516	2014	173,516	1,033,329	181,364	17.6%	2014	173,516	1,033,329	181,364	17.6%
2015	\$ 128,800	\$ 91,728	16,781	\$ 237,309	2015	220,528	1,253,857	317,727	25.3%	2015	237,309	1,270,638	317,727	25.0%
2016	\$ 186,808	\$ 126,761	8,446	\$ 322,015	2016	313,569	1,567,426	527,668	33.7%	2016	322,015	1,592,654	527,668	33.1%
2017	\$ 231,681	\$ 123,673	7,641	\$ 362,995	2017	355,354	1,922,780	664,391	34.6%	2017	362,995	1,955,648	664,391	34.0%
2018	\$ 293,846	\$ 139,999	41,900	\$ 475,745	2018	433,845	2,356,625	1,012,865	43.0%	2018	475,745	2,431,394	1,012,865	41.7%
2019	\$ 327,039	\$ 113,761	304,408	\$ 745,208	2019	440,800	2,797,425	1,670,321	59.7%	2019	745,208	3,176,602	1,670,321	52.6%
2020	\$ 284,048	\$ 181,832	839,247	\$ 1,305,126	2020	465,879	3,263,304	2,379,441	72.9%	2020	1,305,126	4,481,728	2,379,441	53.1%
2021	\$ 300,000	\$ 379,611	1,828,875	\$ 2,508,486	2021	679,611	3,942,916	7,586,316	192.4%	2021	2,508,486	6,990,214	7,586,316	108.5%
2022	\$ 404,885	\$ 170,700	2,473,151	\$ 3,048,736	2022	575,585	4,518,500	10,245,337	226.7%	2022	3,048,736	10,038,949	10,245,337	102.1%
2023	\$ 444,500	\$ 88,050	1,491,041	\$ 2,023,591	2023	532,550	5,051,050	11,341,706	224.5%	2023	2,023,591	12,062,541	11,341,706	94.0%
Total	\$ 3,223,630	\$ 1,827,420	\$ 7,011,490	\$ 12,062,541	Total	\$ 5,051,050	\$ 5,051,050	\$ 11,341,706	224.5%	Total	\$ 12,062,541	\$ 12,062,541	\$ 11,341,706	94.0%

## Income: Active, Passive, Total



We've had an incredible run with our income, which peaked in 2022 and is expected to decline for the second year in a row. Remember that a large portion of the gross income in the years 2021 through 2023 was due to monetizing equity into taxable income. In 2024 we have our last \$500,000 payment related to the business sale and will expect a further decline in 2025.

When I set my [BHAG of a \\$10M Net Worth by 48](#), it was paired with the goal of a \$600,000 per year annual passive income. In 2015, when I set the goal, it was based on another 20-year time frame, which was condensed to about seven years.

That said, we have not yet achieved the \$600,000 passive income part of the goal. In 2023, our passive income was \$202,165, with a total potential of \$350,000 based on capital deployed and the expected/modeled yields. Entering 2024, the current full potential is ~\$400,000, of which I expect to see \$250,000 to \$275,000 in 2024.

The last time I calculated it, the weighted potential yield was about 9% across the cash-flowing portfolio but ranged from a low of 5% from treasuries to a high of 15%+ from specific real estate deals I've participated in. If I assume to maintain that 9% weighted yield, it implies that I need to deploy another \$2.2M to reach our goal. We will keep plugging away.

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## 2023 Goal Review & 2024 Preview

- 250 Days of Activity/Workouts - **I'm currently at 263 as I type.**
- Inside Tracker Bio Marker Optimization - **I did three blood tests over the course of 2023 and bought another package for 2024 to keep improving. My internal age was 29 vs. my biological age of 37.**
- 25 Books Read - **Read 36 books this year - see list below.**
- Write/Publish 12-24 new blog posts - **I published eight new posts on the blog this year and one guest post on ESI Money ([my 3-year update to the Millionaire Interview series](#)). I've got another 11 that are drafted in various stages.**
- Complete Major House Projects
  - Backyard - **Finally completed after several years of issues of all flavors.**
    - Pool & Spa
    - Outdoor Kitchen with Lattice Covering
    - Covered Outdoor Dining Space
  - Solar & Batteries - **We had been under contract since November 2020 but had to deal with an existing unpermitted pool before the county would allow us to pull these permits. We got this across the line this year as well.**
  - Sauna - **I built a barrel sauna in February of 2022. We finally got the electrical run to it and have been using it regularly.**
  - Steam Room - **We ran out of steam (no pun intended) on this one and pushed it to 2024.**

- Fire Places – **Also pushed to 2024. You could say our flame burned out** ☐
- 6-8 weeks of Vacation – **We made several trips as a family this year. We went to Texas, the local mountains, and Mexico. Those trips, paired with my month-long sabbatical, did the trick.**

For the first time in well over a decade, I am no longer setting annual goals but instead focusing on daily habits and themes for the year.

**Themes:** Simplify, Slow Down, Go Deeper

**Daily Habits:** Working out, reading, writing/journaling, meditating, sauna, cold plunge.

Mrs. GYFG and I are setting quarterly goals in place of annual goals. The idea is to set one goal in each category: personal, professional, and relationship.

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## **My 7-question Personal Annual Review (I borrowed this from Sahil Bloom)**

### **(1) What did I change my mind on this year?**

a. **Liquid vs. Illiquid Investments.** I had historically over-indexed on illiquid private investments. I once favored the lack of liquidity as a benefit vs. a bug to contend with. However, as our net worth has grown, so has the complexity due to all these private investments; the pendulum is now swinging in the other direction in favor of liquidity and simplification. It will take a good five years to balance out the net worth to be 50% liquid and 50% illiquid. In the [policy statement](#) I recently published, I've made a rule that there will be no more private investments beyond what has already been committed until 50% of net worth is liquid vs. the current ~28%. **I now favor liquid vs. illiquid investments for the foreseeable future.**

b. **All or Nothing.** I have historically been a pendulum swinger on certain things. One of those over the years has been fitness, where I have had some wild swings. I started making a shift in 2022 and solidified my new belief in 2023. I decided to go after consistency vs. extreme pendulum swings. I don't do extreme calorie deficits for some short-term aesthetic goal or crazy workout

schedules that I know I can't maintain for a long period of time. I've also learned to listen to my body, and although I aim to work out five days a week on average, I don't let one missed workout turn into several weeks of missed workouts. And if I'm not feeling it, I find some lighter activity to keep moving and momentum. I really enjoy food, so I haven't taken any extreme stances on diet. This also means that there are times I'm feeling really good, and I may work out nine days in a row before I take a rest day.

## **(2) What created energy this year?**

a. **Sabbatical.** I had intended to take a month-long sabbatical in October of 2022, but the timing didn't align. I had just hired my first sales guy and had an opportunity to sell the remaining 40% of my business several years early but for a forecasted value that was on the five-year anniversary - essentially getting credit for a **potential** future outcome a few years earlier as if it had come to fruition. I did, however, go down to four days a week in October of last year to try to create space to recharge and recover from a crazy couple of years. It was nice, but I needed longer to disconnect from work to gain perspective and truly recharge. This Sabbatical was exactly what I needed - I took off from 10/6 through 11/6 of 2023.

b. **Reading.** Prior to having kids and starting my business, I would read 40-50 books a year. That had slowed down significantly until this year. You can see in my reading list below that I was able to get through 35 books this year. I'm a student of life with an appetite for learning that needs to be satiated.

## **(3) What drained energy this year?**

a. **Big Company Dysfunction.** I sold my business in two transactions to a much larger firm. After selling the remaining 40% this year (January of 2023), the lack of efficient processes, little to no automation, and extreme risk aversion have taken their toll - especially this year. We had so much of our business prior to the transaction automated and streamlined. We are now forced to comply with how the rest of the firm does things, which is not a surprise, but it's been a harder adjustment than I imagined prior to being acquired. The sabbatical I mentioned above has helped me reset my mindset. I've come back with a different perspective to make the best of it while we await the next liquidity event on the horizon with our private equity investors. The silver lining is that I still have a ton of autonomy to run my part of the

business the way I see fit while making adjustments that ensure we are compliant with the rest of the firm's policies and processes.

b. **Home Improvement Projects.** Although we finally completed our projects this year and we are so happy with the end result, the duration and constant problems were wearing. In particular, our pool project took almost two years to complete when we mentally budgeted 3-6 months. We had to deal with permit issues, a crooked contractor, weather delays, labor availability, delays from an over-committed contractor, and other inconveniences. Although it drained a lot of energy, we have since received a lot of joy and use of the new space.

#### **(4) Who were the boat anchors in my life?**

a. **My Pool Contractors.** They were a huge step up from the crooked guy we fired in 2022, but they still tested my patience and optimism. I honestly don't know how a lot of contractors stay in business after our experience and the horror stories I've since heard from many others. The good news is that we made it through and they are out of my life.

#### **(5) What did I not do because of fear?**

a. I didn't leave the company that I sold to. I know that it is the last obstacle between my current lifestyle and my ideal lifestyle **BUT** it's my last **MAGIC TRICK!** I didn't, and I won't, walk away until we make it to the next liquidity event due to the fear of missing out on the incredible upside. The value of my stock stops accruing upside if I were to leave and freezes in value...and I still have to wait for the next liquidity event anyway. **Do you want to see my pretty golden handcuffs?** Instead, I've decided to stick it out until the finish line. I have a very flexible schedule and a lot of autonomy paired with a very cushy compensation package to carry me through the next couple of years. I also have my partners I want to see hit their financial goals between now and the next liquidity event.

#### **(6) What were my greatest hits and worst misses?**

a. **Greatest Hits:** (1) Re-designed this blog and made it much faster; (2) Took a month-long sabbatical from work on top of only working four days a week the 12 months prior; (3) [Sold the remaining 40% of my business](#); (4) Got in the best shape I've been in a decade.

b. **Worst Misses:** (1) We had our first YoY decline in the business, but at least it happened after I sold; (2) I left too much money in treasuries instead of the markets; (3) I didn't play with my kids enough.

## (7) What did I learn this year?

a. **It's okay to say No.** I'm guilty of saying "Yes" way too often. I don't regret all the "Yes's" I gave because it served me for a particular season of life. The season I'm in now favors the autonomy of time over everything else - mainly to spend with my family and on my health and interests.

b. **It's okay to set HARD boundaries.** This is tied to the above, but to accomplish a. it required a new level of discipline on my calendar to ensure it didn't get filled up with others' choices for how to spend my time.

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## Books I Read or Re-Read

Before 2023, the only book I had ever re-read was [The Slight Edge](#). This year, I decided it was time to start revisiting some of the 500+ books that I have read over the last 10+ years (my reading habit started in mid-2011). I stared at my bookshelves and grabbed 11 books that caught my eye and which my memory tagged as worthy of revisiting.

If you are looking for some good books to read, just ignore the ones that I said "wasn't as good as I remembered" or "wasn't great" and if you want to narrow the list even further, stick to the ones I noted as "Top 5." A lot of these are also available on audible if you prefer that medium.

1. [Skin in the Game](#) (re-read)
2. [Wealth by Virtue](#) (re-read)
3. [Psychology of Money](#) (re-read; **Top 5**)
4. [The Leverage Equation](#) (re-read)
5. [Automatic Wealth](#) (re-read; wasn't as good as I remembered when I first read in 2012)
6. [Intelligent Fanatics Project](#) (re-read; crazy that this is now \$250 on Amazon)
7. [The Outsiders](#) (re-read)
8. [Richer, Wiser, Happier](#) (re-read)

9. [The Geometry of Wealth](#) (re-read)
  10. [Atomic Habits](#) (re-read)
  11. [Good Inside](#) (great parenting book)
  12. [\\$100M Offers](#)
  13. [The Price Whisperer](#) (I didn't enjoy this book)
  14. [The Future is Fast Then You Think](#)
  15. [How to Get Rich](#) (re-read)
  16. The Background Homestead Bible (wasn't great)
  17. [The Sovereign Individual](#)
  18. [The Ultimate Gift](#) (read in a single evening, great fictional story to convey lessons)
  19. [The Power of Prediction](#) (wasn't great)
  20. [Excellent Advice for Living](#) (easy and quick read in about an hour or so)
  21. [Die with Zero](#) (excellent book; **Top 5**)
  22. Getting Everything You Can Out of All You Got (wasn't great, but I probably would have gotten more from it if in a different stage of life.)
  23. [Hidden Genius](#)
  24. [Chaos Kings](#) (great book; **Top 5**)
  25. [Solve for Happy](#)
  26. [Safe Haven](#)
  27. [The Power of Moments](#)
  28. [The Luck Factor](#)
  29. [Resilience](#) (great book; **Top 5**)
  30. [Make Your Bed](#)
  31. [Outlive](#)
  32. [The Greatest Salesman in the World](#)
  33. [Aretè](#) (great book; bought 10 copies to give away during launch; **Bonus Top 6**)
  34. [Checklist Manifesto](#)
  35. [Same as Ever](#) (great book; **Top 5**)
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## The Year Ahead

I've been very intentional about the decisions I've been making to make progress every day, week, and month to move closer to my ideal lifestyle. As I said above, the most important resource to me is time and the autonomy to allocate it how I want vs. letting others dictate that via my calendar.

The last couple of years have been fantastic regarding financial success, but it has also been paired with increased autonomy over time. Mrs. GYFG and I have drastically reduced our working hours - working about 30-35 hours a week on average.

I'm looking forward to more travel with the family. I plan to continue working to simplify our financial lives as I mentioned in the [GYFG Investment Policy](#) I shared recently.

**My new BHAG - To live well and give well to and through 100 years old.**

We've worked hard to reach our current destination, and I fully intend to **suck the marrow out of all this life has to offer**. I'm becoming obsessed with longevity and pairing healthspan with lifespan. My goal is to live life by example to inspire my kids (and maybe others) to maximize their own potential and impact in their corner of the world.

I wish you a happy, healthy, and fulfilling year ahead.

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](#)