Moving The Goalpost From $10M to $25M

For many of us humans, it’s in our nature to move the goalpost after reaching a prior goal. I’ve been doing it my entire life, both personally and professionally. For me, growth and never-ending improvement are core values. I had an old boss who took this to the extreme with his philosophy of “strive but never arrive.” I was on board with the concept, but he took it to such an extreme that he never let the team celebrate any major milestones or improvements because no achievement was ever good enough.

I prefer to leverage the philosophy over a long life of achievement and celebration. This way, it feels more like a game that never ends versus a life sentence from which I can’t wait to be set free. It’s another good reminder of the Law of 50/50 that I’ve applied to both time and money: it’s all about finding the right balance.

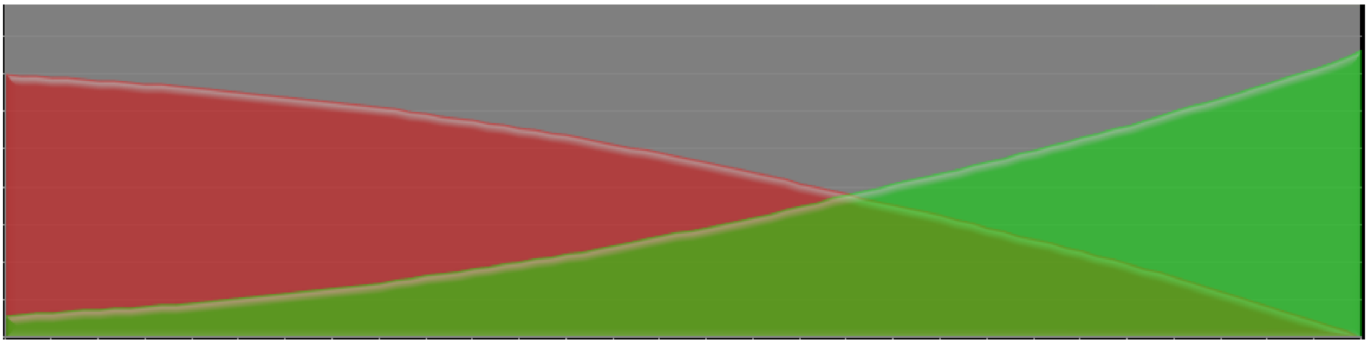
You could say that I’ve spent the last 18 months celebrating the major milestone of achieving an eight-figure net worth back in November 2022, when we hit our $10,000,000 BHAG. During this period of downtime, we have continued to see our net worth grow with a fraction of the effort it took to get here—the **MAGIC** of **COMPOUNDING**! In the last 18 months, our net worth has increased almost 20% to just shy of $12,000,000 with minimal effort.

This got the gears churning as I contemplated the likely outcome over the original 20-year timeframe we set for our $10M net worth target. In 2015, when we set this goal, our net worth was less than $200,000. Before I jumped back into a spreadsheet to visualize a conservative target, I made an agreement with myself, and that was that any new target would be much more passive in terms of my effort and time. In other words, I’m not willing or interested in returning to the hamster wheel to manifest this new target.

Instead, the plan is to complete my final transition to that of a full-time capital allocator. I have another 18-24 months remaining to run the business I sold before another anticipated liquidity event when their PE sponsor goes to market, and I can gain liquidity on the value I rolled over to the larger platform company. After that, I just want to manage my family’s wealth and pursue the things that interest me most, like family, fitness, reading, writing, investing, and travel.

All of this translates to the fact that the remaining 11 years of the original 20-year plan will shift the burden of effort from labor to that of capital, which ultimately means that the **POWER of COMPOUNDING** is expected to do the lion's share of the heavy lifting to achieve our new $25M target net worth by 2035.

The chart below shows how I visualize labor (red) decreasing and capital (green) increasing its effort in the continued compounding of net worth over time.



The Original Plan & Assumptions

I've brought in the original summary table of the 20-year plan to achieve the $10M target by age 48 in 2035.

				Net Worth			
Check Point	Age	Income	Contributions	Start	End	YoY % Growth	
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**		

The Updated Plan & Assumptions

In the table below, I have taken the original plan and updated it with actual numbers through 2023 and a forecast for 2024 and 2025. The astute observer may notice how conservative I am with the following assumptions that I have changed from the original plan:

- **Annual Rate of Return:** Decreased the annual rate of return to 5% + any new contributions, which is why you get more than a 5% YoY increase.
- **Annual Income:** I decreased our annual income to $500,000 starting in 2025. I expect our income to go down again in 2025 as I don’t know when the next liquidity event will be for sure, but I’m projecting (hoping) it will be in 2026. That said, my base salary is ~$400K, and if investments continue to cash flow, I should have $250,000+ in passive income. I still have an annual profit distribution that should be $75K to $150K and bonus potential. Although Mrs. GYFG is still working, she plans to go down to a couple of days a month starting in 2025, but the buyer still owes her $200,000 for the business, which

will supplement her decrease in salary.

I've always tried to build conservative plans to account for the unknowns. In this particular update, I also wanted to see what was possible in a scenario with fairly conservative return assumptions, thus the 5% annual rate of return. Plus, I'm protecting for the possibility, God forbid, that our income takes a major cut. Notwithstanding, I'm also not blind to the fact that the next liquidity event is very likely to blow this revised plan out of the water to the good.

The punchline here is that this plan relies on modest compounding at 5% with lots of wiggle room for income and liquidity to help surprise and accelerate to the upside.

Annual Income Increase	**$ 20,000**
Gross Savings Rate	**50%**
Annual Rate of Return	**5.0%**

				Net Worth			
Check Point	**Age**	**Income**	**Contributions**	**Start**	**End**	**YoY % Growth**	
2015	28	254,359	94,932	181,364	317,727	75.2%	**Humble Beginning**
2016	29	339,000	126,199	317,727	527,668	66.1%	
2017	30	372,477	98,673	527,668	664,391	25.9%	
2018	31	475,745	196,404	664,391	1,012,865	52.5%	**Millionaire**
2019	32	747,427	293,898	1,012,865	1,670,321	64.9%	
2020	33	1,305,126	565,126	1,670,321	2,379,441	42.5%	**Multi-Millionaire**
2021	34	2,508,486	810,000	2,379,441	7,586,316	218.8%	
2022	35	3,048,736	467,736	7,586,316	10,245,337	35.1%	**Original Finish Line**
2023	36	1,966,357	(57,643)	10,245,337	11,341,706	10.7%	
2024	37	1,359,266	403,266	11,341,706	12,312,057	8.6%	
2025	38	500,000	250,000	12,312,057	13,177,660	7.0%	
2026	39	520,000	260,000	13,177,660	14,096,543	7.0%	
2027	40	540,000	270,000	14,096,543	15,071,370	6.9%	
2028	41	560,000	280,000	15,071,370	16,104,939	6.9%	
2029	42	580,000	290,000	16,104,939	17,200,186	6.8%	
2030	43	600,000	300,000	17,200,186	18,360,195	6.7%	
2031	44	620,000	310,000	18,360,195	19,588,205	6.7%	
2032	45	640,000	320,000	19,588,205	20,887,615	6.6%	
2033	46	660,000	330,000	20,887,615	22,261,996	6.6%	
2034	47	680,000	340,000	22,261,996	23,715,096	6.5%	
2035	48	700,000	350,000	23,715,096	25,250,850	6.5%	
Totals		**18,976,978**	**9,488,489**		**25,250,850**		**New Milestone**

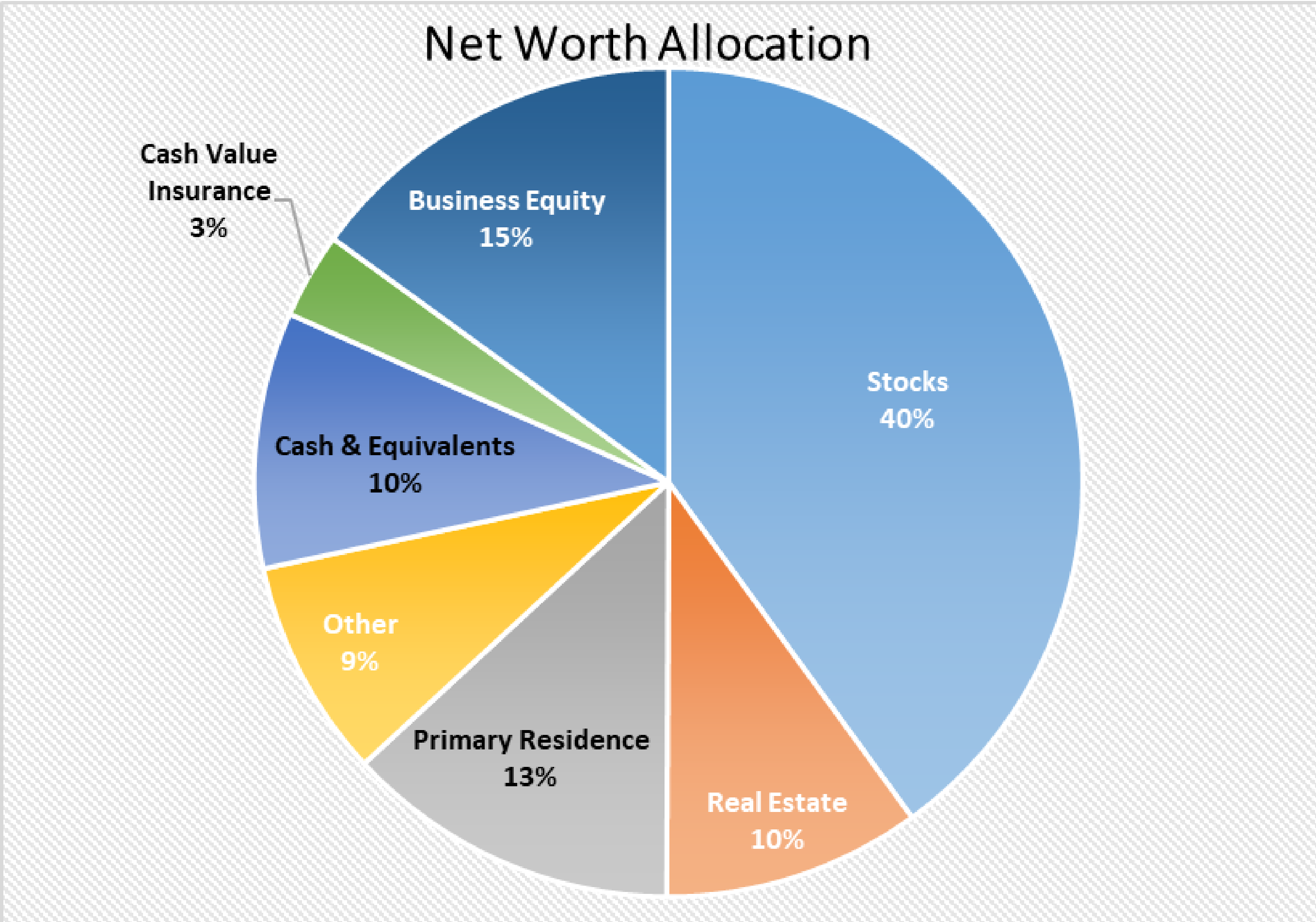
Note: In the contributions column, I have tried my best to pull out how much of my *income is not related to monetizing my business equity in the form of a liquidity event that contributed to the net worth increase (basically from all other earnings, not liquidity event-driven). Obviously, from the income column, that has to pay for living expenses and taxes.*

Target Allocation of $25M

In addition to updating the plan, I am being much more intentional about how net worth is allocated across asset classes now than in 2015. The original allocation on $10M was allocated per the below table and is compared to where we actually are today and where we are targeting in the future:

Asset Class	2015 Target	Today as of 4/30/24	New Target
Stocks	59%	6%	40%
Real Estate	22%	29%	23%
Primary Residence	*10%*	16%	13%
Other Real Estate	12%	13%	10%
Business Equity	4%	32%	15%
Cash & Equivalents	10%	21%	13%
Cash Value Insurance	*0%*	*2%*	*3%*
Cash & Treasuries	*10%*	19%	10%
Other	5%	12%	9%

In the table above, I have created it in a way that makes the original target comparable with both the current allocation as well as the new target by 2035. Below is the visual of the 2035 target.

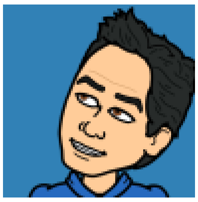


If feasible, I would like to shift the business equity into the stocks bucket. However, right now, I don't have enough visibility to know how long that will take me. I also have restrictions on how much of my equity I can sell at each liquidity opportunity. For example, in the anticipated liquidity event in 2026, unless it is a certain kind of transaction, I will only be able to liquidate 40% of my holding based on my age.

Next Stop: $25,000,000

All aboard!!! (choo choo)

– 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