Updated Investment Policy Statement (IPS)

In late 2023, I put together an Investment Policy Statement (IPS) for the GYFG family. Here is an update on where we are in the plan with any changes or tweaks noted.

The motivation behind this particular update and review is threefold:

1. We recently had another Liquidity event that I wrote about last month.
2. The equity markets have corrected a decent amount.
3. I've recently set up a personalized index strategy with Schwab.

Over the last 2 years and 6 months since this IPS has been in place, the following has happened:

- Increased our stock allocation from 6% to 12%
  - We deployed ~$700K into equities from 4/3/25 to 4/4/25) .
- Increased our net worth from $11.4M to $13.2M
- Our Bond allocation (all treasuries) has increased from 12% to 23% (increase driven by liquidity events listed below).
- We have experienced two additional liquidity events in this time:
  - In January of 2024, we received ~$500K.
  - In April of 2025, we received ~$2.2M.
- The liquid portion of our Net Worth has increased from 28% to 37%.

Had our net worth remained static at $11.4M, our liquid net worth would be ~44%. It's been an interesting experience because nothing *is* static, so it's a little like a dog chasing its tail. For example, when the original plan was pulled together, the business equity I held was worth $3.5M. After gaining $2.7M of liquidity 30 months later, my equity has continued to appreciate and, although a smaller percent of net worth, is still worth ~$3.5M (after $2.7M in realized liquidity).

Below is the revised version of the original Investment Policy Statement that I wrote in October of 2023:

Updated 4-9-2025

The GYFG Family IPS

The purpose of this policy is to govern the management of existing and future investments, liquidity, and capital deployment based on our goals, values, and risk profile.

Before creating this policy, our net worth had historically skewed heavily toward illiquid assets. This was both intentional and by necessity since a large part of our net worth was locked up in the value of our business and due to our focus on remaining debt-free by having no mortgage or other debts of material value. It also provided a forced discipline not to interrupt compounding unnecessarily. It provided the blinders needed to focus on hitting our $10M net worth goal. There is no daily re-pricing of illiquid investments like you get with the stock market. Out of sight, out of mind.

Although a majority of our net worth is still tied up in illiquid assets, we have managed to increase our liquid net worth from 28% at the end of October 2023 to 37% as of April 2025.

Today, we have a net worth of ~$13.2M, which exceeds our original goal of $10M. We not only exceeded our original goal, but we achieved it in seven years vs. the twenty years we had allotted for it.

We are plenty liquid at 37% with an 8-figure net worth, but the focus continues to be simplifying our financial lives. To simplify, we will deploy new capital in liquid assets **ONLY** and re-deploy returned capital similarly.

As of 4/9/2025, **our liquid net worth is ~37%**, and **the goal is to increase that to 50%**+ by the end of 2028 – five years from the start of this investment policy statement in October of 2023. This will be accomplished through both new investments (to dilute the illiquid concentration) while also re-deploying cash from illiquid investments as liquidity events present themselves. **Until that metric is achieved, the standard policy will be no new private/illiquid investments.**

To punctuate the size and scale of achieving this balance, I provide two scenarios to provide a range and magnitude of what is essentially a rebalancing:

Scenario 1 – If our current net worth stays precisely where it is at $13.2M and we make no new investment, we would need to shift ~$1.67M (down from $2.5M previously) from illiquid to liquid investment. This scenario also implies we spend all we earn and save none of our income – highly unlikely, but stick with me. It would likely take a minimum of three to five years to accomplish this rebalancing.

Scenario 2 – If, on the other end of the spectrum, we accomplished the rebalance purely through new investment alone, we would need to deploy ~$3.3M (down from $5M previously) in new capital. This, too, would also require at least five years – the only way we will get that level of investible liquidity is through another liquidity event.

That said, I expect it will come from a mix of both scenarios and take three to five years to accomplish. In fact, I expect to completely exit my equity position from the company that acquired my company in what will be our final liquidity event some time in 2028 to 2030.

Based on the above, all new investments will be made into the following four asset classes:

1. **Stocks –** A minimum of 75% index funds, with an initial target allocation of 25% of total net worth (currently 12%). **This is now being deployed through the Schwab personalized index strategy, which I've negotiated a 55% discount down to 18bps for the cost of the managed strategy.**
    - We now also have an automated investment of $15,000 every two weeks, or $30,000 per month. This is up from $10,000 per month, which we started six months ago.
    - We've instituted various levels on the S&P 500 to trigger larger capital deployments with a minimum of $100K. This is triggered at each 5% drop off of all time highs.
2. **Bonds –** A minimum of 75% notes and bonds from the federal government as they are the most liquid; otherwise, from the corporate debt of the Fortune 100, with a target allocation of 10% (currently 23% due to recent

liquidity event).

3. **Options** – Primarily selling cash-secured puts and covered calls. These activities will be used to either lower the cost basis of existing positions or to enter new positions at a lower cost basis than the current market price.
4. **Permanent Life Insurance Policy** – max $50,000 per year. Funding for the policy will be completed sometime between 2029 and 2032, depending on the Modified Endowment Contract testing. The target allocation for this is less than or equal to 5% (currently 2%).

Preferred Investment Characteristics:

1. Liquidity within 24-72 hours
2. Minimal to no personal debt is required to maintain the position. It's okay to obtain short-term leverage (i.e., pledged asset line or margin) due to the timing of cash flows and the seizing of an opportunity.
3. Tax efficient
4. Cash distributions in the form of dividends or interest

Note: these are just preferred not mandatory characteristics, except for #1 until we reach our 50% liquid target.

Planned Portfolio Changes:

- Closing out Life Settlement Contracts as they "mature" – will free up $110,000+. **(ETA is TBD as they are going through Ch. 11 but the policies are being maintained for the fractional investors.)**
- Withdraw the remaining funds from PeerStreet as they become available – will free up ~$20K. **(ETA is May 2025 – the remaining funds are expected to be distributed after April)**
- Liquidity event in 2028 to 2030 to cash out $6M+ for liquidating the remaining equity we hold in the platform company that bought my company. **(ETA is 2028 to 2030 based on typical Private Equity 3-5 year hold period)**

Goals:

In order of priority: (a) wealth preservation, (b) income generation, and (c) capital appreciation.

1. **Don’t lose money! [def #1]**
2. Generate $600,000 in annual passive income.
3. 5-10% annual returns overall
4. Tax minimization
5. Simple management
6. Gifting $18,000 to $36,000 to each kid annually for 18 years
7. Time autonomy
8. Luxury travel
9. Ultimate optionality
10. **To live life by design!**

The above is a revised version of the original, but below is a new section I want to add related to the wealth transfer we have started with our kids.

Wealth Transfer to Next Generation

As part of our long-term legacy and wealth preservation strategy, we are implementing a structured plan to transfer wealth to our children during our lifetime. This includes both annual gifting and investment of assets, along with a focus on financial education.

We will fund two vehicles annually per child:

- **Gift Trusts:** with contributions ranging from **$18,000 to $36,000** per child annually, invested in a diversified portfolio with long-term compounding in mind. These trusts are intended to provide a foundation for future financial independence, optionality, and access to capital aligned with family values and principles.

- **Roth IRAs:** funded annually with income from working in various family businesses, with the goal of maximizing tax-free growth and instilling the habit of saving early.

While I enjoy managing our personal portfolio and can’t justify paying traditional asset management fees for our assets, I recognize that our children may not share this passion or skill set. For that reason, we have chosen to **engage a trusted wealth advisor to manage the children's accounts**. This advisor serves two purposes:

1. **Investment Oversight** – ensuring the portfolios are appropriately allocated, rebalanced, and monitored.

2. **Financial Education Partner** – serving as an outside mentor and resource to complement the values and financial lessons taught within our family. This redundancy ensures our children have an ongoing, trusted relationship with a financial professional who can guide, educate, and reinforce good decision-making as they mature.

This structure is designed to give our kids the best of both worlds: a solid financial footing and a team to support their growth – whether they decide to take the reins themselves one day or prefer to delegate.

In time, this section may expand to include other vehicles like 529 plans, irrevocable life insurance trusts, or family foundations, depending on evolving goals, tax law, and our net worth.

Our intent is to give our children **an advantage, not a handicap** – to transfer wealth with wisdom and values, not just dollars.

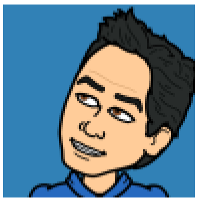
This revised IPS is more than just a blueprint for how we manage capital – it's a reflection of how we're thinking about legacy, stewardship, and the responsibilities that come with building wealth over time.

The truth is, wealth doesn't come with an instruction manual. But as a first-generation wealth builder, I see it as my job to write one – for my family, my kids, and maybe others walking a similar path if you're reading this.

The plan will evolve. Life will zig and zag. But for now, this is our compass.

Onward.

– 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