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**Sam:**At the end of the day, you can get rich quickly investing in indexes, index funds, you can get rich slowly or you just get rich with everybody else. The only way you can really get rich quickly is by investing in individual bets or you build your own equity in your own business or you're just a super out-performer, at your company and you rise through the ranks. In terms of happiness, I think happiness is progress. Progress is my one word definition of happiness, whether it's progress in your marriage, progress in your business, progress in your career, progress in seeing your children hit milestones, if you could make progress, I think that's happiness, especially if you're working hard to see that progress. And so, I think everybody needs to work on something to see progress.

**Narrator:**You're listening to the Millionaires Unveiled Podcast, where you'll hear the stories and interviews of everyday millionaires. We'll unveil their decisions, their strategies, and their current portfolio allocation. Now, to your hosts Clark Sheffield and Jace Mattinson.

**Jace:**Welcome back to another episode of the Millionaires Unveiled Podcast, this is episode number 132. Clark, how's it going?

**Clark:**Good. How are you doing man?

**Jace:**I'm great. What's going on in your world?

**Clark:** Oh, nothing just hanging out, staying at home. You know, we just talked about this a little bit before the show how it's about the time for the Berkshire Hathaway Conference in Omaha, I've never been, have you?

**Jace:**No, I haven't.

**Clark:**So, I don't own actually any Berkshire Hathaway, do you?

**Jace:**No, I do not.

**Clark:**So, I think you have to be a shareholder, but I think you can just have like one share Class B and I think it's like 240 bucks or something right now. But I was just curious, and I thought, you know what? This might actually be pretty interesting to go one time before Charlie Munger, I think that's his name, right? And Warren Buffett pass away. But I just pulled it up, and I just saw, it says, "Berkshire Hathaway will hold its 2020 annual shareholders meeting Saturday, May 2nd, beginning at 3:45pm central time.". So, I guess that's this last Saturday since we're going to release this after that. "As previously announced, we will not allow shareholders to be in person, it's going to be online.". So, you know, pretty interesting, but I saw that and thought it would be fun to go some time. But speaking of that, and traveling to go there, there's a lot of travel deals right now, right? Are you booking anything?

**Jace:**Yeah, you know, I had a couple things planned already that they got canceled. So, a couple, I took the airline credit, the others, we just cancelled and got our money back. And I went ahead, and I went on a crazy spending spree in terms of rebooking all of our travel. For the rest of this year, I still got some airline credit that I need to use up that I'm looking at booking our ski trip actually for next year into January or February already. And the deals are crazy, if you're willing to take, you know, if you're confident, and you know, a lot of these airlines, this is the thing too, and this is partly why I did it, you know, the airlines and cruises and stuff have put in kind of guarantees, right? So, like, let's just say for whatever reason, I got to cancel, I got to change it down the road for whatever reason, if we get a second wave of Coronavirus or if something changes and I don't want to go, you know, they're allowing you to just take that and cancel it, no fees and defer it again. So, I kind of thought it was a no brainer, I mean, I'm going to travel, we already had the money set aside to do it. So, to me, it kind of just was like a no brainer, just go ahead and book those trips and the deals are just crazy right now. I mean--

**Clark:**What are you seeing? Like, what's the reduction in prices? Because I knew you booked a few things.

**Jace:**Oh, you have 50-75% down, we booked a cruise for 60% off. I mean, it was like, they're just throwing, trying to get people to commit to something. So, we booked a cruise for like next year in November, I think. And then, got a trip, just my wife and I are going on one that we haven't canceled yet, in July that we needed to get flights for and do a little race together and, you know, there's a couple other smaller ones that we put together and booked. The deals were just so good, I just couldn't do it. But I will say, I did cancel all of our international travel for the time being so, we're going to stay domestic in Canada, I guess the cruise not totally domestic. But for the most part, you know, leave out of Miami and circle around the Caribbean there. And so, we're not taking off into, you know, Asia or Europe or anything else like Central America like we had planned, but what about you?

**Clark:**Yeah. And your thought is, on the cruise at least, right? If it gets canceled, then you could just, I mean, they're just refunding everybody so it's really not that big of a deal if the dates workout and same with the airlines.

**Jace:**Yeah. And I mean, here's the thing, I feel a little bit of responsibility, you know, luckily we've been blessed and you know, nothing's gone crazy yet with income situation and stuff and I feel like you know, as much as I've been blessed to travel and do some of the things, I kind of feel like a little bit of responsibility to try to help in a lot of ways too, hat's money I would normally spend anyway, as it is, in terms of, you know, booking travel and stuff. So, we just tried to book some of that early, take advantage of the deals, I don't mind putting, you know, the airlines get the money way farther in advance than they normally would from me, just because the deals are so good, that's fine. You know, I want them to survive, I think a lot of people want them to survive and be able to, you know, pay their employees and do the things they need to do to kind of uplift the economy as a whole. And obviously, I can't bail them out, but I can do a little bit of a part, you know? I know you guys hiked up a deal, right?

**Clark:**Yeah, we saw cheap enough flights that we booked to flight down to Austin, to come see you guys.

**Jace:**That's right man.

**Clark:**Obviously you're aware that. So, we spent, what was it? I think 130 bucks or something so, 65 bucks round trip per person, my wife and I to come down and visit you guys so, that'll be fun. We'll do our first podcast episode or intro together.

**Jace:**Yeah, finally got moneybags Clark to find a flight cheap enough to come down to Texas or I should say back to Texas?

**Clark:**Yeah, if it gets under 150, that's about the time I'll pull the trigger.

**Jace:**Yeah, when we were looking at it, it was like, and we were looking at different dates and one day was like $20 and Laura like, "Scratch that.".  Like, we got to the point where we'll be like, so price sensitive now, it's like, dude, you got to book the cheapest one. Like, they're going to put the flight down for 65 bucks, like, you can't book the one for 80.

**Clark:**Oh, exactly, like, you fly on a Friday, you come back on a Sunday, it's 65 bucks a person, you look at the next weekend, it's 87, you're like, "Ooh, that's steep.".

**Jace:**Exactly. So, that'll be good time, and that's in July. So, hopefully things kind of get back to normal. It think, today, Texas or this week, we're kind of getting back and hopefully, you know, as citizens we can do our part to continue to fight the virus but you know, get back to some sort of normal life and economically speaking, get people back to work so that we don't have suffering in all sorts of other areas in addition to our health. So

**Clark:**Right, with you on that.

**Jace:**Anyway, so, on today's show, we've got Sam from Financial Samurai, he retired from Finance Guru in 2012 with a net worth of 3 million and had about 80K passive income at the time. We discuss his stories, investing strategy and negotiating, it's a very interesting conversation, he was able to negotiate a severance that essentially paid for five to six years of his living expenses after he kind of retired. So, we talk about that, get into all of the details about his website, and about his desire now to actually kind of come back to work after a little bit of mini retirement. So, that-- very interesting conversation, it's going be a phenomenal episode today. Last week, we had our first update with a former guest on the show, the two Jeffs, we got a post retirement update from one and an update on allocation from both of them as we moved into interesting uncharted waters in terms of volatility in the marketplace and we get into how they've been able to increase their net worth and kind of what their thoughts are as it relates to investing based on where they are now in their different lives.

We appreciate you all tuning into podcast week after week. If you enjoy the show, we'd appreciate you leaving a five-star review on either iTunes or Stitcher, helps us continue to grow the show and reach new millionaire interviewees. Also, if you're interested in any of our multifamily opportunities, please reach out to us at millionairesunveiled@gmail.com, we'll get on a call, definitely starting to see some more opportunities come in the marketplace, we'll have a lot more discussions with some of you. I know some of you wrote in, we've had some calls with you, and we didn't have quite as many as we had in the past as of recent, but that is going to be changing here shortly. So, love to get involved and have those discussions with you. So, without any further delay, let's get into today's episode with Sam from Financial Samurai. Sam, do you want to just give us a little bit about your story and kind of brief background and kind of what you're doing now?

**Sam:** Sure. Thanks for having me on guys. My basic background is that I grew up overseas to US foreign service officers. I came to America in high school and college and then I went to work in investment banking for 13 years, specifically in the Asian equities department, and from 1999 to 2012, and then in 2012, I was able to negotiate a severance and get the hell out and I've been out ever since 2012. But I'm thinking about getting back in in 2020 since I've got a family to take care of now.

**Jace:**Wait, what? Getting back in? What does that even mean?

**Sam:**You know, what is that saying? Every time I try to get out, they suck me back in, what's that famous line?

**Jace:**Yeah.

**Sam:**I mean, I feel like I've been on a, you know, the three-month summer vacations in high school or college? And after the third month, you're like, "I need to go see people and go back to school even though school can kind of suck.", so, I'm kind of like that, but it's just an eight year timeframe. And a lot has changed since I left in 2012, one, I had a kid in 2017, two, we traveled everywhere, like everywhere you can imagine, we traveled to, well, not everywhere, but you know after like the hundredth church of Europe, they all start looking the same. We've done everything we've wanted to do and then, we had a daughter in December of 2019.

**Jace:**Oh, congrats.

**Sam:**Thank you very much. So, that really kind of emboldened me to review my numbers, and to just kind of keep on hustling again. There's a great saying that says, "Have children and the money will come.", and the saying is very true because once you have children, it's like, your motivation goes through the roof to provide and I think it's just a genetic disposition to ensure the survival of our species.

**Jace:**Totally. So, I kind of want to rewind here and get a little backstory on that and that decision that you've made and stuff. But roughly speaking in 2012, your net worth when you retired was sitting at what now?

**Sam:**3 million, about 3 million, it was generating about $80,000 a year in passive income, semi passive income. And then, I had some income coming from Financial Samurai, the website I started in 2009. So, I knew right then and there, I was like, "Well, I have like something I want to go to so, you know, I think I'd be okay.", instead of just retiring and doing nothing, I was like, "Alright, let's do Financial Samurai, write, go travel and then see what happens.". And then again, I had the severance package, which provided for five to six years of living expenses.

**Jace:**Oh, wow. Yeah, I want to get into that too because I think you're a major promoter of negotiating and severance, and it's been very successful for you obviously, if you had five to six years living expenses negotiated when you left that kind of gave you that cushion. But let's kind of rewind just a little bit, you left in 2012, in the last 8 years driven you to kind of maybe return other than having the two children?

**Sam:**Ah, let's see. Maybe just kind of wanting to try it again. So, I've always wanted to be an entrepreneur. So, even though I started financial Samurai in 2009 and it's grown consistently every single year, I never really treated it as a business where, you know, I see some people, all they do is focus on making money and so, they really treat their websites like businesses, right? They find new business partnerships, they write really boring articles, but that they're really geared towards affiliate income and all that stuff, and I never really wanted to do that. But I'll think to myself, "Why don't I do that too? I mean, I can write my stories in my old same fashion, you know, weaving a story and some lessons learned to make it entertaining. But I can also produce a lot of the boring stuff out there to try to make affiliate income as well. So, why not do both?". So, that's basically my plan for the next six months, is to try to optimize Financial Samurai a little bit better for revenue, and then see what I can do. And if I can do well, then maybe I won't go find a job but if I can't do well, then maybe I'll go back to the salt mines. I don't know.

**Jace:**That's interesting. So, roughly, how were you invested when you retired? And is that allocation changed at all over the last 10 years? This bull market we've been in.

**Sam:**So, I have been, it's always been kind of a third, a third, a third. So, a third stocks, a third, it's a little bit more than a third, like 40 to 45% of real estate and then the rest, more conservative investments like CDs, money markets, and also now, municipal bonds. So, I've always been pretty diversified because I worked in the finance industry in equities, so I didn't want to leverage my career, you know, my bonus, and all that. So, I wanted to go away from equities as much as possible so, every time I got a bonus, I would try to invest in things, mostly other than equities, so mostly real estate. But going forward, you know, it's really interesting because we've had a 10 plus year bull market, and I just have a different kind of allocation philosophy right now. And that philosophy is really focused a little bit more on real estate. Because real estate, I found has lagged the equity markets. S&P 500 was up 30% in 2019, but the real estate market at least here in San Francisco, but actually many parts of the country really lagged behind. And I think now with affordability up, because people are wealthier, thanks to the stock market, to the economy, to falling mortgage rates, I think the real estate market is going to try to catch up in 2020 and beyond. And so, I'm looking to allocate about 50% of my incremental income to real estate, only about 20% to the S&P 500, maybe 5% individual stocks, 20% maybe to bonds and about 5% to venture capital.

**Jace:**So, the real estate, what kind of real estate are we talking? Small business, multi or small-- single family, multifamily, something else?

**Sam:**So, I am, first of all looking at Panoramic Ocean View San Francisco property, physical property to own, residential single-family homes. Because I think single family homes in San Francisco, with views are at a huge discount relative to the world, the big international cities that have view homes, they always trade a premium at every other city like, Hong Kong, New York City, wherever. Whereas in San Francisco, these panoramic view homes are trading at discounts. And so, I think there's a real great arbitrage as San Francisco becomes more and more of an international city so, that's one. I think it's a no brainer to buy views homes on the ocean in San Francisco. And then two, I'm actively diversifying a lot of my real estate exposure to the heartland of America to what we call 18-hour cities or secondary cities, because there is no monopoly on building the next San Francisco, thanks to technology. San Francisco is also very expensive, right? And I think there's a an affordability cap in certain areas so, I think the growth is really going to come from the secondary cities, like perhaps Austin, Memphis, places in Utah, wherever that's much cheaper, but it's seeing good job growth and I think there's a great trend towards demographic shift there and I think that there's a great trend towards remote work. So, I think, this is a multi-decade trend.

**Jace:**Yeah, you see it even more too, with like Portland, Seattle, Charlotte, Raleigh, Durham, right? Some of those cities that are taken off. So, these a single-family panoramic view in houses in San Francisco, how much does it cost to get into one of those? Do you partner with a couple people? What's your hold period?

**Sam:**I would say my hold period would be forever. I think you're going to wake up 20-30 years from now and be like, "What? I can't believe you got it for this price.". So, everything is relative, San Francisco, the median price per square foot is about $1,050 but here's the thing, if you can get a single family home with panoramic ocean views, you can still get them for about 850 to $900 a square foot depending on condition, let's say 800 to 950, but if you try to buy panoramic ocean view home in another international city, they would be trading at 50% premiums already so, $1500 a square foot. So, right now, I think there's like a 15-20% discount, and I think that's going to converge, at least to the median, at the very least, if not to like a 30% premium. And then, when you add on growth, you know, just the normal growth of the housing market prices in San Francisco, in the Bay Area, I think it's going to be a great investment.

**Jace:**So, you're just buying them and then renting them out?

**Sam:**So, I would buy them, live in them, rent about or I would just buy it, rent it out, or I buy it, use it as like a Financial Samurai office or so forth.

**Jace:**Hmm, gotcha. And then, these investments in the other areas, I read an article on your blog that you do some real estate crowdfunding as well, right? Is that crowdfunding or with partners?

**Sam:**Yeah, that's crowdfunding and that is to help me diversify away from expensive coastal city markets. And so, that's the method I use to try to get exposure to places like in Austin, Dallas, Memphis and so forth. I've got about-- I got 18 different real estate, commercial real estate investments through crowdfunding.

**Jace:**Wow. And that's been pretty good for you, right? Because we've had a few people on that have had negative experiences with it, where they haven't met the people that you know, that sort of thing, they're not sure what to invest in, they put some money in, take a chance and lose it. But for you, it seems like it's been pretty good.

**Sam:**Also, what I did was, I first tried it out with a $10,000 investment in a country Pennsylvania commercial property, that's like a Class A, it's really probably more a Class B, it was only 10,000 bucks. And it's done well, it's probably like a 14-15% IRR. And then, so, I gradually legged in like, like you should do for any kind of a relatively new investment. So, I legged in about, oh, my first real investment was 250,000 because it was a fund, and for me, I didn't know exactly what to pick, I just wanted to pick the, hopefully the best of the best. And so, I invested in a fund and then, I just increased my exposure to the fund over time. And so, that fund has 17 investments, I think 14 are doing very well, so, hitting their IRR targets, 3 are providing a positive return but not hitting the IRR targets, and 1 is a total dud, it is down like 80%. Because it's one of those, you have to be careful about what you're invest in, I invest in all equities, but you got to look at the capital structure and how they raise. So, for example, let's say the $10 million deal, and they raise 8 million debt and 2 million equity, and you're part of the equity and let's say the $10 million deal, they're trying to sell it on $11 million, or whatever it is, but they only end up selling it for $8 million, right? So, the debt investors get all their money back, but the equity investors get wiped out. So, it's something that people really need to understand the structure of the deal and the corporate sponsorship and all that. So, for me, I decided, "Well, I'm going to invest in funds so, they're going to make the best decisions supposedly, it's best deals that they believe. And then, I'm going to learn from that and then I'm going to go from there.". So, it's been about three and a half years now, seems like it's about a 15-16% IRR, I won't know exactly for sure, or until I get all my funds back over the next couple of years. But this stuff, I allocate less than 10% of my net worth, and it's something that I'm interested in but I'm not going to go all in on yet.

**Jace:**So, you've stuck with, at least in these more recent deals, the same sponsor versus trying different sponsors or general partners?

**Sam:**So, it's multiple sponsors for multiple deals but the platform so, the platforms are the same. There are many platforms out there, but the sponsor is the one who raises the capital to do these deals.

**Jace:**Right. Awesome. Good for you. So, just jumping back, let's talk about the severance package a little bit, I know we wanted to talk about that. So, you left this job at age 31, is that right?

**Sam:**34.

**Jace:**Oh, 34, excuse me. And tell us about the severance package, maybe what that means for somebody that's not familiar with it and how you go about getting one of those.

**Sam:**Yeah. So, everybody, every employee needs to know that if you have a job, it means that you're providing more value than your costs, otherwise you wouldn't have a job. And if you want to leave your job, especially if you've been there for, let's say, more than three years, and if you want to actually retire early, or take an extended vacation, or whatnot, it behooves you to negotiate a severance instead of just give a two week notice and quit, because of the following reasons. One, if you quit, you don't get any unemployment benefits because you quit. Unemployment benefits are decent, you know, you can get something like, you know, 8-$900 every two weeks in San Francisco for 26 weeks. And during the financial crisis, you could have got unemployment benefits for 99 weeks. Granted, you need to still apply online for other jobs but that's part of the deal. Two, if you negotiate a severance, you can get a severance, right? It's an actual physical check that your company writes to you based on the number of years worked. So, the general math is about a severance equals 1-3 weeks’ worth of pay per year worked. So, if you worked there for 10 years, you get 10-30 weeks of pay. And then, depending on how your compensation is structured at work, you can negotiate your deferred cash and your deferred stock compensation. So, in banking, much of our, I would say a majority of our bonus was deferred compensation that would pay out over a three-year time period. So, if you left you would lose out on three years’ worth of bonuses if you've been there for at least three years. And so, I didn't want to do that and that's what we call the golden handcuffs in banking and in many other industries where you have deferred compensation. So, what I did was negotiated a severance to say, "Hey, guys, I've been here for how many years was I there for? 11 years. I'm going to transition all my accounts to my subordinate that I hired, I'm going to train him, I'm going to make it a smooth transition as possible, you guys are not going to lose any business and in return, I would like you to treat me well as a long standing employee, and pay out all my deferred compensation and give me the severance, and all would be good.", and that negotiation took about a couple months but it happened, and it was like winning the lottery. It was like the best feeling to be able to leave a job with money in your pocket, and you want to leave a job that you would have left for free anyway, because you want to go do something else.

So, anybody who wants to leave a job permanently and leave the industry probably, there's no downside in trying to negotiate a severance by asking how you can help your employer smooth out the transition process. I've consulted with so many people and a lot of people have read my book before and they've all said, "Man, I had no idea this could be possible.". And so, it just really makes me happy to hear people try to fight for themselves during the exit process because we're always fighting for ourselves during the entry process, right? We're like, "You got to hire me because I know this, this, this and that. You got to pay me this and give me this title.", but nobody really knows how to fight for themselves during the exit process, which is ironic because every entry has an exit.

**Jace:**So, what if they want to help, what if they don't want you to leave? And they say, "Hey, we're not going to entice you to leave early. If you want to leave, you can quit, but we're not going to pay you to, because we don't want to."?

**Sam:**Well, it's one of those, it's like a dance. No employer wants to have an employee who is just going to sit on their hands, right? But that's what you might do if you don't-- if they don't give you the severance package. So, it's one of those things where, and I talk about it in my book, but there are many, many different strategies and employers nowadays really, you know, they have the power but the employee is getting more and more power, thanks to social media, thanks to more transparency of information. An employer's number one fear is to have their reputation ruined by employees, you know, because they want to hire new employees and build your business and so forth. So, if you if use scorn, it's like, if you scorn a good employee who wants to leave anyway, it's just not good business. A good business practice for an employer is to work out some kind of agreement, I know, several employers who have come to me and said, "Man, I wish my employees negotiated severance because if they did, they wouldn't have left me in the lurch for, you know, three months, or four months.", because it takes time to find people to replace you and then, once you find them, you got to train them for months, right?

**Jace:**Okay, so they say, "Hey, give me a little bit more time and then I'm happy to pay you out a little bit."?

**Sam:**No, that's definitely one strategy. That's a basic strategy.

**Jace:**And then, do employers worry about making a case out of it? About everybody doing the same thing. Or maybe some of them would want it that way.

**Sam:** It's all private, all these discussions, you sign a nondisclosure agreement so, you don't tell anybody your exact details. I mean, you can and then you run the risk of getting your severance clumped back, but, it's a private matter. But what I want people to know, employees everywhere to know is that, you have the power, you have more power than you realize, it's not David versus Goliath. You have tremendous power as an employee, know your rights, read your employee handbook, know how to negotiate your exit package, and I think you're going to do well.

**Jace:**Nice. So, you've written a book on this, right? How to engineer your layoff, that's in the third edition, right? Where can people find that?

**Sam:**Oh, yeah, it's in the third edition for 2020, just incorporates new feedback and new strategies, and you just find it on my website, financialsamurai.com under negotiating a severance.

**Jace:**So, Sam, I want to, well just jumping back to your net worth actually real quick, the money that you have in securities is that mutual funds, index funds, bonds, what do you invest in?

**Sam:**About 25% of my net worth is in stocks, and I would say 80% of the net worth, of the stock allocation is just in index funds and S&P 500. And then, 20% of that are in individual stocks like Tesla, Amazon, you know, I live in San Francisco, right? So, I'm too stupid to be able to get a job in any of these companies so, at the end of the day, I just, I say, "Hey, I'm just going to still take advantage and I'm going to own a portion of your company just through stock ownership, and then just ride the wave with it.". And actually, that was one of the reasons why I bought as much San Francisco real estate as possible because I knew it was a play on the growth of the tech industry, which I had no credibility or credentials to get in so, I said, "You know what? I'm going to buy real estate as a derivative play on the tech industry and I'm going to buy as many tech companies that I believe in as possible.", and that's what I did.

**Jace:**Well, Tesla's been actually a pretty amazing one, right? I think this summer it got down to like, 187 or something, and now we're at 492 at the beginning of January, so.

**Sam:**I know, it's crazy. It was like, I have-- I play softball with a friend of mine who's a preschool teacher, he's a preschool teacher, and he bought like a Tesla 3 and it was 52,000 and I was like, "What? How can you buy a $52,000 car as a preschool teacher?", and I didn't ask him that, but I was like, "I'm not going to let a preschool teacher, you know, out hustle me.". So, I decided to go buy $52,000 worth of Tesla stock when he bought his car, and then it was good. And then, it went down to-- I bought it at 280 and it went down to like 200, and I was like, "Oh man, I should have listened to this preschool teacher.". But yeah, we just held on and it's fine. I mean, it's all a gamble, the way you invest in individual stocks is, I mean, the way I like to invest is, you look at the company, you look at the founders, you look at how difficult it is to get into these companies and you look at their product and their future and their, and you know, you look at the financials, of course, and then you make a bet. And so, for 5% allocation, I just make a bet and at the end of the day, you can get rich quickly investing in indexes, index funds, you can get rich slowly or you just get rich with everybody else. The only way you can really get rich quickly is by investing in individual bets or you build your own equity in your own business or you're just a super out-performer at your company and you rise through the ranks. So, my whole philosophy on Financial Samurai is, financial independence sooner rather than later, and so, that's what I've been trying to do, and help other people too.

**Jace:**Yeah. So, let's dive into your story a little bit, because you did retire early and then you actually came back and I think you're one of the few that, at least that I've heard that said, "Hey, maybe I retired either a, little bit too early, or b, I want more money.". I mean, tell us I guess from the beginning here, what was your thinking and saying, "Hey, I want to retire early, and I have this amount of money and I think that's going to be enough.".

**Sam:**So, in 2012, I had $80,000 in relatively passive income plus online income that was growing, and I thought this would be enough, I didn't have any kids. And I thought, "Okay, let's see what life's not working is like.". And again, we fulfilled all our dreams and goals for those eight years and then since then, we've had two children. And when you look at the cost of raising children in a place like San Francisco, or New York, which are the only two cities that I've worked and lived in after college, it's very expensive. For example, our health insurance bill is around $2400 a month, that's just healthcare premiums. And then, you know, preschool for two kids is about 4000 a month. And so, I thought to myself, look, we're fine right now, we live-- our passive income is around $250,000, $50,000 of which are book sales. And we live comfortably off less than 200,000 gross in passive income, but in three years, will this still be the same? I doubt it because tuition, health care costs, all sorts of important things are growing at 3-7% per annum and I always want to stay ahead of the curve. So, I know I've gotten a lot of push back and ridicule saying, "Aha!", you know, what a failure I am, and that's fine. But I'm not thinking about just right now, I'm thinking about always three to five years in the future, to see what else might happen out there, you know, because you just don't really know. And at the end of the day, I think it's really exciting to try to provide for a family, I think there's no greater honor. And so, my goal is to try to accumulate another one and a half million dollars in capital without having a day job, really, my wife and I don't work over the next three years, and that'll be $500,000 a year on average, right? And I think it's going to be fun, because if I can get to one and a half million, it'll generate about $60,000 in gross passive income, which would cover all these incremental costs after we've had our baby girl.

**Clark:**Sam, that's kind of an interesting perspective, you want to generate an additional 60K in incremental income, you know, and I know we talked a little bit before the show about that 60K number, that's basically kind of what the average household income is in this country. How are you going to go about doing incremental income? And how would somebody who's just starting out, think about generating incremental income, whether or not they have a day job or not?

**Sam:**Well, I think it's important, first of all, if you have a day job, to not believe that that's the only income source you should have. You should have multiple income sources, especially in 2020 when the Internet, and allows you to make more money so much easier. This is not you know, 1990, it's 2020. So, you should have at least one other income stream besides your day job income, at least. And then, you should have goals like, I have specific reasons why I want to generate an extra 60,000. And those specific reasons are, to cover healthcare costs and tuition costs, and also probably more food costs and probably more costs for a bigger house because you know, we have more people in our family now. And so, I have a specific reason why I want to generate $60,000 more in passive income or retirement income, or one and a half million dollars. And then, you systematically break it down after you have a target date. So, I have a three-year target date, and then so, I break down on, "Okay, after, you know, six months, I should be generating an additional $850 a month in incremental revenue to get to my $6,000 target. You know, after six months, I should be generating, or I should accumulate an extra 250,000 in capital to get to my $1.5 million target.". It's a very systematic way of doing things and you've got to look at your strengths, and you've got to work on your weaknesses. So, for myself, I know that I spent 10 years building the Financial Samurai platform, I've treated it more 70-80% fun, 20-30% business and now I'm thinking, 'Well, you know what? Why don't I treat it more like a business?", like, 50-50 at least to see if I can monetize the brand, build the brand, grow the site, see if I can find more partnerships and so forth. And if I can do that, great, and then I'm going to look at other employment opportunities, because employment is actually fun if you really find something that's awesome, that gives you the flexibility and pays you well and provides all these benefits. And I think employment is really fun if you don't actually have to really work too, think about that. If you're just doing it because you love the team, you love the mission, and they're going pay you 250 grand a year, that's pretty good to me.

**Clark:**Yeah. So, if people approach early retirement, and if they take a similar path to you, based on what you've lived through and kind of described here on the show so far today, do you think the 4% rule holds true to somebody who wants to retire? Is that enough?

**Sam:**So, the 4% rule is an old rule when Interest rates were much higher, you look at the 10-year bond yield now it's at 1.9%. So, I would say the 4% rule is aggressive, you probably want to do more the 3% rule to be more conservative or more real. But math is easy, and it's easy to kind of fall in old ways, 4% is fine. My ideal withdrawal rate in retirement is to never touch principle. It's either never to touch principle or start touching principle after you've achieved 11.58 million per person because that's the estate tax limit, I believe for 2020. So, every dollar over 11.58 million is taxed at around 40%. So, why hoard money after that? You should spend it, give it away, help other people.

**Clark:**Do you think it's valuable for somebody to look into geoarbitrage as they approach a potential early retirement or even just retirement in general? Is that something that should be part of somebody's plan or and if so, how would they plan for that?

**Sam:**Yeah, I think geoarbitrage is a no brainer, if you can do it. I think the proper geoarbitrage strategy is to geoarb your city first, and then your country and then the world. I don't think you have to go from your city to a different country. Just right here in San Francisco, there's a 40% spread in terms of rent and housing price, average housing price costs within a seven by seven-mile radius. So, when you hear all these people just kind of complain about high housing costs, I'm always just kind of scratching your head and wondering, "Why don't you just spend another 15 minutes, a 15 minute longer commute, it's not that much longer, and you could save 30-40% on housing costs?". So, I think people need to explore their cities first, because that's what they're familiar with. But a lot of us just kind of stick to our little neighborhood and our same old friends and it just kind of inertia. So, explore your city because I bet you can find at least 20%-30% cost variance and then explore the country. Explore the country, you can go, there's so many cheaper places than the coasts, and there's a lot of beautiful places, but the only problem is, you're going to lose your friends and network. And then, finally last resort, you know, go to Mexico, go to Thailand, go to Vietnam or whatever but obviously go try and try before you buy.

**Clark:**Yeah, I totally agree with you. And then, in each city, I think there's up and coming areas that are appealing that you can get in early, right? For a cheaper price maybe.

**Sam:**Yeah. So

**Clark:**Just Sam, just in closing here, what stood out to you, and I know there's a great article on your website and I encourage everybody to go read that, but what stood out to you in early retirement as you know, one of the things being that you didn't have as much social interaction, right? As you would have liked, maybe. What stood out to you, a and then b, like, what are some of these things that maybe some people might be overlooking if they're considering early retirement?

**Sam:** Oh, let's see. There's so many things that you just don't know until you experience it yourself. Yeah, one is social interaction or the lack thereof. You really need to make an effort to find people because work is an installed base of social activity, right? The weekend barbecue at your co-worker’s place, you know, the softball league team of your company and so forth. Let's see, what are the things that really kind of stood out to me? Well, one of the things is that I really was able to, it was like water, I flowed to where there was opportunity. So, I had so much free time that and I wanted to spend my time purposefully doing something that I really enjoyed, that's just rational. And so, I basically did everything that I really wanted to do, I worked on my tennis game and I worked very hard to get bumped up to a 5.0 level, which is a tough level, it's like division one college athlete level. And I did that for, I trained for two years and I got there, and it was so rewarding, it was like more rewarding or equally as rewarding as getting a huge promotion or huge raise or whatever. And so, it's not just about the money, it's like working on something you really care about and making progress, that was very rewarding. The other thing was, you might end up wealthier or you might end up making more money than while you were working, because you just find something you just really love to do, where you don't have that stress of trying, or needing to make lots and lots of money. And so, what I've been doing for 10 plus years is writing on Financial Samurai three times a week, and the site has grown. And I never would have thought that the site would be able to generate a livable income stream, but it has. And so, that is kind of an X Factor, there are a lot of these unknown x factors that happen once you get out of the workforce, where you realize there is so many other ways to live, and so many other ways to make a lot of money, and there's so many better ways to live too. It's really hard to go back to the grind once you've left, and that's why I'm kind of hesitant when I say you know, I think it could be cool if I could find the right fit to go back to a job and make extra money for the next 2-3 years, but I don't know if I'll be able to, you know the commute, being able to sit in on meetings about other meetings, being able to learn about you know, office politics and compliment your colleagues on a job well done even though you might not believe it's a job well done. You know, all these things that I kind of left behind, it might be really hard to adapt to again.

**Clark:**Yeah, all the things that people want to leave because of, right?

**Sam:**It's interesting because after the first year of leaving my day job, I never told anybody that I retired early, I felt like an idiot, especially in San Francisco, where everybody's go, go, go a lot of Type A, a lot of people coming from the most overpriced universities trying to make a name for themselves, right? And so, as soon as I stopped telling people I retired early, and as soon as I said, I was a writer, or an entrepreneur or blogger or a high school tennis coach, which I've been doing for the past three and a half years, I felt great. I felt like I had like an identity again, which I think is really important because we spend so much time working and doing what we want to do or need to do to provide for our family, that that work identity is much stronger than I think people realize once they've left it.

**Clark:**Yeah. So, what is that for you? Or I guess maybe the better question is, what does happiness mean? What is financial independence, right? It's, I would assume you'd say it's not X amount of money. Is it financial freedom to you? What is it to you?

**Sam:**So, I do believe in the strict definition of financial independence is to have enough passive income to cover your desire, your best life living expenses, it's that simple. So, if your best life living expense-- if your best life costs $100,000 a year after tax, you should probably have about $130,000 in retirement income, you're good. Financial independence, I don't think is scraping by and living really, really frugally because you don't have enough capital to generate enough passive income and that you're forcing yourself to switch careers, I think that's just switching careers, right? And I think that's a criticism a lot of us have in the community, get in the community where people say, "Oh, you just went from working in marketing to blogging or podcasting or whatever.", and that's a really valid criticism. But the criticism is invalid if that person has enough capital to generate enough income, where he or she doesn't have to work. In terms of happiness, I think happiness is progress. Progress is my one word definition of happiness, whether it's progress in your marriage, progress in your business, progress in your career, progress in seeing your children hit milestones, if you could make progress, I think that's happiness, especially if you're working hard to see that progress. And so, I think everybody needs to work on something to see progress. It's like, I get tremendous joy out of planting plants, and watering them and seeing the progress of them growing over the, you know, 1, 2, 3 years, it's just really rewarding. And so, it's just like anything, anything you do, if you're progressing, I think that's happiness.

**Clark:**Yeah. And I think it's great and I think you can progress obviously at multiple things at the same time, right?

**Sam:** Yeah, for sure.

**Clark:**What age did you hit a millionaire status; you remember?

**Sam:**I was 28. I remember getting into the office at 5:30 in the morning in 1999, and then working until like 7:30 and then sometimes until 9:30 because I worked international equity so, I had to like talk to the people in Hong Kong and stuff. And then, I remember after a month I was like, "There's no way I can last this long.", and I just remember having to tell myself, "I couldn't last. I better save as much money as possible.". So, I saved from the get-go, half my paycheck or every other paycheck, right? Which leads to 50% savings rate and then, I saved or invested 100% of my year in bonus, because I just had to get out.

**Jace:**Awesome, well good for you and congrats on your success financially and both with the website. I need everyone to get on that, Sam from Financial Samurai, check it out, financialsamurai.com. Sam, thanks so much for your time. for coming on the show and sharing your story.

**Sam:**Hey, thanks a lot guys and I'd love to speak to you guys again.

**Clark:**Thanks, Sam.

**Narrator:**Thanks for listening to the Millionaires Unveiled Podcast with Clark Sheffield and Jace Mattinson. For more stories, investment opportunities and information, check out our website at millionairesunveiled.com. See you next time when you'll hear from another everyday millionaire.