APPENDIX I

THE ENRICH TOOL KIT: A CHEAT SHEET

STEP I: ESSENTIALIZE—THE EIGHT ESSENTIALS

- Interpersonal connectivity
- Independence
- Identity
- Intentionality
- Impact
- Integration
- Inspiration
- Invigoration

STEP II: NARROW

- Mission
  - Amazon approach
  - Epitaph approach
- Hierarchy of Priorities
  - ENRICH method: identify nonnegotiables
  - ABC method
  - Warren Buffett method
- How to avoid the default setting
  - Take care of a personal priority first
  - Do not delay nonnegotiables
  - Make peace with your priorities

STEP III: REACH

- SMARTA goals
  - Specific
  - Measurable
  - Accountable
  - Realistic
  - Timely
  - Authentic
- To set a compelling goal
  - Visualize
  - Incrementalize
- *Your* Aspirational Life Plan
- The Life List
- Cultivate cash cows
- Financial Fitness
  - Know your numbers
  - Create a cash cushion
  - Save before you spend
  - Live below your means

    - Eliminate debt
    - Automate and find joy in saving
    - Start early
    - Always think TAKE-HOME income, net after taxes, and other expenses
    - Consider arbitrage
- Visualize and incrementalize to build financial security—the Aztec model
- Big Picture Budgeting
- Annual Financial Plans

STEP IV: IGNITE

- Set up for success: write down and schedule goals
- Get started
    - Take a baby step
    - Incrementalize
    - Specificity
    - Immerse yourself
    - Create a catalyst
    - Rehearse the beginning
    - No fanfare, no fuss
    - Summon motivation sparks
- Keep going
    - Integrate, don't segregate
    - Add accountability
    - Schedule, create reminders and visual cues
    - Impose deadlines
    - Go public and social
    - Focus on what you can control
    - Aim for consistency, not perfection
    - Why and Why Not
    - Get some gratification

- Measure and Monitor
- Mix it up

- Overcome the fear factor
- Overcome present bias

STEP V: CALIBRATE

- Work-hacking strategies
    - Take money out of the equation
    - Work fewer hours
    - Leverage your strengths
    - Craft your job, on your terms
    - "Help me help you"
    - Innovate your career arc
    - Create optionality
- How to Essentialize:
    - Practice discipline—The Five Ds
        - Demarcate
        - Discern
        - Delegate
        - Daily Downtime
        - Detox
    - Invest in the Essentials
        - Interpersonal connectivity
        - Invigoration
        - Inspiration
    - Integrate
    - Add some happiness boosters
        - Shared experiences
        - Anticipation
        - Vacations
        - Unscheduled, unstructured time

STEP VI: HARNESS TIME

- Create Time Wealth
    - Pivot to abundance
    - Be unwilling to postpone
    - Simulate urgency
    - Prioritize your Time expenditures
    - Mind the opportunity costs
    - Avoid Time creep

APPENDIX II

ELEVEN TAKE-ACTION EXERCISES

STEP II: NARROW STRATEGIES

- Craft Your Mission Statement (chapter 3)
- Build Your Hierarchy of Priorities (chapter 3)

STEP III: REACH STRATEGIES

- Convert Priority to Compelling Goal (chapter 4)
- Construct Your Life Plan (chapter 5)
- Build Your Financial Security (chapter 8)
- Build Your Annual Financial Plan (chapter 8)

STEP IV: IGNITE STRATEGIES

- Get Into Action (chapter 9)
- Vanquish the Fear Factor (chapter 9)

STEP V: CALIBRATE STRATEGIES

- The Magic Hour (chapter 11)
- Add What's Missing (chapter 11)

STEP VI: HARNESS TIME STRATEGIES

- The Time Audit (chapter 12)

APPENDIX III

LONG-TERM SAVINGS MODEL

This model demonstrates that modest levels of saving can build significant wealth over time—especially if you start early.

LONG-TERM SAVINGS MODEL

Assumptions

Initial savings rate: 5.00% | Growth in savings: 1.00% | Earnings on investments: 5.00%

			SAVINGS					
YEAR	AGE	SALARY	**RATE**	**AMOUNT**	**EARNINGS**	**CUMULATIVE**	TAKE HOME	
1	22	40,000	5%	2,000		2,000	38,000	
2	23	41,600	6%	2,496	100	4,596	39,104	2.90%
3	24	43,264	7%	3,028	230	7,854	40,236	2.90%
4	25	44,995	8%	3,600	393	11,847	41,395	2.90%
5	26	46,794	9%	4,211	592	16,650	42,583	2.90%
6	27	48,666	10%	4,867	833	22,350	43,800	2.90%
7	28	50,613	11%	5,567	1,117	29,034	45,045	2.80%
8	29	52,637	12%	6,316	1,452	36,803	46,321	2.80%
9	30	54,743	13%	7,117	1,840	45,759	47,626	2.80%
10	31	56,932	14%	7,971	2,288	56,018	48,962	2.80%
11	32	59,210	15%	8,881	2,801	67,700	50,328	2.80%
12	33	61,578	16%	9,853	3,385	80,938	51,726	2.80%
13	34	64,041	17%	10,887	4,047	95,872	53,154	2.80%
14	35	66,603	18%	11,989	4,794	112,654	54,614	2.70%
15	36	69,267	19%	13,161	5,633	131,447	56,106	2.70%
16	37	72,038	20%	14,408	6,572	152,427	57,630	2.70%
17	38	74,919	21%	15,733	7,621	175,781	59,186	2.70%
18	39	77,916	22%	17,142	8,789	201,712	60,774	2.70%
19	40	81,033	23%	18,638	10,086	230,435	62,395	2.70%
20	41	84,274	24%	20,226	11,522	262,183	64,048	2.60%
21	42	87,645	25%	21,911	13,109	297,203	65,734	2.60%
22	43	91,151	26%	23,699	14,860	335,762	67,452	2.60%
23	44	94,797	27%	25,595	16,788	378,146	69,202	2.60%
24	45	98,589	28%	27,605	18,907	424,658	70,984	2.60%
25	46	102,532	29%	29,734	21,233	475,625	72,798	2.60%
26	47	106,633	30%	31,990	23,781	531,396	74,643	2.50%
27	48	110,899	31%	34,379	26,570	592,345	76,520	2.50%
28	49	115,335	32%	36,907	29,617	658,869	78,428	2.50%
29	50	119,948	33%	39,583	32,943	731,395	80,365	2.50%
30	51	124,746	34%	42,414	36,570	810,379	82,332	2.40%
31	52	129,736	35%	45,408	40,519	896,305	84,328	2.40%
32	53	134,925	36%	48,573	44,815	989,693	86,352	2.40%
33	54	140,322	37%	51,919	49,485	1,091,097	88,403	2.40%
34	55	145,935	38%	55,455	54,555	1,201,108	90,480	2.30%
35	56	151,773	39%	59,191	60,055	1,320,354	92,581	2.30%
36	57	157,844	40%	63,137	66,018	1,449,510	94,706	2.30%
37	58	164,157	41%	67,304	72,475	1,589,290	96,853	2.30%
38	59	170,724	42%	71,704	79,464	1,740,458	99,020	2.20%
39	60	177,553	43%	76,348	87,023	1,903,828	101,205	2.20%

Courtesy of Ken Jacquin

APPENDIX IV

COMMON ASSET CLASS INVESTMENTS TO GENERATE CASH COWS

Real Estate: Among all asset classes, real estate best supports the ENRICH philosophy. Refer to Appendices V and VI.

Dividend stocks/funds: Look for funds/ETFs with attractive and consistently growing yield. Consider a fund that targets companies with a track record of increasing dividends.

Preferred stocks: Often overlooked, these equities can provide a dependable source of yield in low interest-rate environments. Preferred shares are a hybrid between stocks and bonds. They typically pay more than US treasuries, and offer more safety than ordinary shares, since preferred shareholders get priority on distributions.

High-grade corporate bond funds/ETFs, especially short to Intermediate duration (five to ten years): These are investment-grade corporate bonds. Be wary about the so-called junk bonds, which carry high yields to compensate for low credit quality. These companies are often highly levered, and in a market dislocation, junk bonds typically behave like equities.

Fixed income: Explore a broadly diversified bond fund that blends different types of government and investment-grade corporate issues, plus commercial mortgage-backed securities and other debt.

Exchange-traded bonds: These are individual bonds that trade on stock exchanges, with the yield on investment-grade offerings typically higher (in some cases, two or three times higher) than Treasury yields. The return is higher because issuers can call the bonds at par value at any point five years or later after issuance. However, bond interest taxes at ordinary income levels, rather than as dividend income.

Municipal bonds: Munis offer lower yields than other bonds. However, always look at returns after-tax. Munis merit some allocation for high tax bracket investors, especially those who live in high-tax states. Munis generate income that is exempt from Federal taxes, and generally from state taxes in the state issuing the bond.

Closed-end funds: These funds are usually levered 30-40 percent at institutional rates, which boosts yield. However, these funds have a fixed number of shares that trade each day. As a result, there may be a discount or premium to the value of the underlying holdings, and these funds may be less liquid than other types of funds. Closed-end municipal funds are an overlooked sub-category of munis, and offer substantially better after-tax yield, sometimes nearly double the return on municipals.

Annuities: Annuities provide lifetime income. Historically, several drawbacks have limited their appeal. Annuities are not inflation-adjusted, and they can be complicated and costly. However, all this is changing, which may make annuities a more viable option to engineer lifetime income going forward. The SECURE Act of 2019 relaxes some rules governing annuities in retirement plans such as 401(k)s. Moreover, companies such as BlackRock, the world's largest money manager, are getting in on the annuity action. Watch this space.

Charitable gift annuities: These under-the-radar annuities may have a role for investors seeking to multitask their investments. American educational institutions and other nonprofits typically offer these charitable gift annuities. They provide fixed lifelong payments, favorable annuity rates, tax benefits, and the opportunity to contribute to a worthy cause.

This list excludes two asset classes. Venture capital is not a prospective asset class for cash cows. VC investing, either in your own company or someone else's, can create real wealth. But such investments, especially early-stage companies, can drain cash as much as they can generate income. Similarly, gold, oil, commodities, and undeveloped land do not generate cash flow and therefore exclude from this list. Focus instead on productive, cash-producing assets.

APPENDIX V

WHY REAL ESTATE ENRICHES

Real estate is the most efficient asset class to generate passive, recurring, predictable, automatic tax-friendly cash flows because of the following factors:

Tangible Assets: Single-family homes, apartment buildings, condominiums, and commercial buildings are real assets.

Appreciation: The priority is cash flow, and real estate delivers tax-advantaged cash flow. As a bonus, real estate has also been historically one of the best asset classes for long-term capital appreciation.

Rising Demand: Since 2008-9, owning a home has become less critical to the American dream. According to Yardeni Research, since 2008-9, one-third of would-be homeowners opt to rent instead of buy. Because of this demand curve shift, the national median rent hit an all-time high in 2019, according to *The Wall Street Journal.*

Inflation-Protected Cash Flow: Generally, rents rise as inflation rises.

Exponential Wealth Creation: If you finance, your tenants will pay off your debt. If you do not finance, rental revenue streams can fund future acquisitions.

Long-Term Focus: You can dump stocks or bonds in an emotional instant. The friction and illiquidity in buying and selling real estate force a long-term focus. Real estate, not stocks, is the preferred long-term investment asset class in the United States, according to Bankrate.

Control: Unlike capital markets, in which you're along for the ride, you can exert 100 percent influence over your direct real estate investments. You can choose whether to rent long term or short term, whether to sell, and whether to add value. With real estate, you create more optionality.

Tax Advantages: The United States tax code favors real estate in some tangible ways:

Depreciation: The ability to deduct depreciation, a non-cash expense, from rental income is HUGE, as Donald Trump might say. During the October 2016 Presidential debate, he proclaimed, "I love depreciation!"

Capital Gains: Through a mechanism called the 1031 exchange, it is possible to defer capital gains taxes on real estate appreciation when exchanging like-for-like properties.

FICA: There is no payroll tax on rental income.

One More Sweetener: As a real estate professional, you can claim real estate losses—including losses due entirely to depreciation—to offset other income. To qualify, you cannot hold a full-time job doing something else, or have more than $125,000 annual income.

This example illustrates the compounding power of these dramatic tax advantages:

Step 1: Purchase a real estate asset. All expenses to operate and manage the property can deduct from rental income.

Step 2: Write off the depreciation of the building over 27.5 years.

Step 3. Tax loss. Although the property generates positive cash flow, after depreciation, the real estate produces a tax loss. In other words, rental income tax-defers. Tax losses carry forward, and, depending upon your circumstances, may offset other income.

Step 4: Defer capital gains. When the property sells through the 1031 process, the capital gains defer and reset with the replacement property.

Step 5: Repeat the process.

American inheritance laws respect these taxation benefits. The 1031 exchange mechanism allows heirs to defer capital gains taxes. When they inherit the property, its value steps up to fair market, thereby sidestepping the capital gains taxes on the property's appreciation. Real estate is thus a compelling means to create and transfer generational wealth. Wherever you invest, be sure to understand the tax laws, which can dynamically change.

APPENDIX VI

REAL ESTATE INVESTMENT STRATEGIES TO GENERATE CASH COWS

To create real estate cash cows, you'll need to address four issues:

1. Where
2. What
3. How
4. Debt

WHERE

Real estate is about location, location, location. Prime locations for real estate investing may surprise you. Consider these criteria for promising income property markets:

- Long-term population growth
- Long-term job growth
- Rising rental demand and prices (in other words, no over-supply)

- Home prices relative to incomes
- Tax/cost friendliness
- Livability (is this a city people want to move to, or from?)
- Education and skill of the workforce
- Economic diversification (is the city too heavily reliant on a single industry or company?)
- Resilience to economic shock

Geographically, focus on markets with robust *net* rental demand and healthy yields, where plenty of real people have plenty of real jobs. *These markets will likely be unsexy and investors may overlook them.* For income properties, I encourage you to look beyond the coastal cities at locations that consistently have population and job growth prospects. Be wary of so-called "hot" investment markets.

In July 2019, *Business Insider* collaborated with Zillow to survey the one hundred largest cities with the highest growth in one-bedroom rents. The locations may surprise you. Cities in the southern and western parts of the US make up the majority of the top twenty-five markets. Indianapolis, Orlando, Oklahoma City, Fort Worth, Lexington, Tucson, and other midsize cities like these have the fastest-growing rents in the country.

In determining location, strip away any emotion. This investment is to generate dependable, recurring income. Be clear on this purpose, and do not mix pleasure with business. Under no circumstance should you confuse a vacation or weekend property with a 100 percent income-generating strategy. (If you opt for a vacation property and rent it out to defray the running costs, recognize this as a lifestyle decision, not an investment strategy.)

WHAT

There are many types of real estate cash flow strategies:

Direct Investments. Purchase and then lease single or multifamily homes, or commercial properties. Single-family homes are simpler to finance, and tenants pay all the utilities. Investments in single-family homes are also easier to exit if you do not buy and hold for the long haul.

Indirect investments. There are many vehicles for passive real estate investing through third parties:

- Real Estate Investment Trusts (REITs) specialize and own a particular type of real estate. REIT holdings include office towers, hotels, shopping complexes, apartment buildings, nursing homes, warehouses, and even storage facilities. Ninety percent of REIT earnings pass through to owners through dividends. REITs are pure passive investments; many tend to concentrate on major metro areas. There are two types of REITs: publicly traded and nontraded. Publicly traded REITs have easy liquidity and can be bought and sold like stocks. This means they also behave like stocks. Nontraded REITs are less liquid and less volatile. Prominent sponsors of such nontraded REITs include Blackstone Group and Starwood Capital.
- Private market investing, such as private equity real estate.
- Fintech crowdsourcing platforms, such as Crowdstreet, Fundrise, Realcrowd, and Cadre. Yes, you can own a small slice of a skyscraper. These platforms focus on commercial properties—multifamily, retail, office, hotel, industrial. Crowdstreet, for example, aims to bring institutional-quality deals to individual investors and offers the flexibility of directly investing in a specific opportunity or

a portfolio. These investments are 100 percent passive, but they do not have the liquidity features of traded REITs. These platforms offer diversification and the benefit of professional expertise. Some crowdfunders offer liquidity programs, after say five years, or impose a penalty on withdrawals after less than five years. Fintech firms such as JWB, Real Estate Capital, and Roofstock focus on single-family homes. These firms slice the ownership of single-family homes to cater to entry-level investors. If you are starting in real estate investing, these fintech platforms might be a place to get some initial experience. For any investment, conduct due diligence, including scrutinizing sponsor historical performance.

- Debt funds. The current restrictive lending environment creates a credit market gap for short-term real estate loans. Debt funds bridge this gap and can generate stable, passive monthly income—so long as there are no defaults and the loan-to-value threshold is moderate. Be sure to invest only in high-quality funds secured by first liens on the underlying real assets in the event of a default. Generally, the tax benefits of investing in debt are not as attractive as real estate equity. Distributions on debt usually tax as interest. They do not offer any depreciation benefits, since the debt fund does not own the underlying property, except in default.

HOW

You may think there is no way you can afford to invest directly in real estate. Two tactics—house hacking and condominium conversion—may alter this perception and present a realistic opportunity for beginner real estate investors.

House hacking offers an enticing starter solution by giving you a place to live—often, rent-free—*and* to engineer some rental income. To house hack, buy a duplex, triplex, or four-unit complex and live in one of the units. Rent out the others.

Condominium conversion is a variation of house hacking. With condo conversion, buy a multifamily property (typically two to four units). Rent them out. Then later sell off the units individually.

No matter how you invest, aim to achieve sufficient scale and diversification such that you are not overly reliant upon any single property or position. In the event that the property remains vacant for a while or requires maintenance expenses, cash flow from other properties can smooth the lumpiness in revenues and expenditures.

One real estate strategy I do *not* recommend is the fix-and-flip approach popularly portrayed on TV. Fix-and-flipping relies on capital gains rather than cash flow and is highly speculative. Speculation undermines financial security. I know many house flippers who have lost their pants sinking capital to rehabilitate homes that don't sell.

Whatever method you choose, do your homework.

DEBT

Capital requirements deter some prospective real estate investors. This brings us to the topic of debt. Recall from chapter 6 how eliminating consumer debt is crucial to fiscal fitness. This refers to credit card balances and car loans. What about investment debt, such as a mortgage on an income property?

Personally, I eschew all forms of debt. However, there are compelling financial benefits to leverage, especially when the cost of capital is low. If you choose to add leverage to start or to build a real estate portfolio, make sure you have holding power in the long run. Also, avoid bubbly, investor-popular real estate markets. Too much debt can destroy financial security in a flash.

In thinking about what's right for you, configure investment debt and equity to get to your targeted cash flow and to ensure an acceptable level of diversification. The goal is peace-of-mind and an enriched life. The optimal mix of debt and diversification is a personal decision based on individual comfort levels and risk tolerances. Do what will help you sleep well, so as not to worry about having too much debt or too little diversification.

APPENDIX VII

A REAL-LIFE LIFE PLAN

LIFE PLAN

Deepest Values: Family First // Enjoy Life Experiences // Explore the World

Mission: Be passionate about life experiences, commit to family for life and to deep friendships, and above all never settle for average

	2020, age 53	2022, age 55	2030, age 63
THE BIG THING:	Enjoy Life with Spouse	Financial Independence	Prepare for Advanced Age
TOP PRIORITIES:	Achieve balanced life from this year forward (and get used to it) Maintain health (particularly with COVID-19) Work towards getting a meaningful full-time job Be happy and positive at all times	Enjoy time with spouse, loving close family Kids achieving succes at Uni Be successful at my job (from my boss's view) Start planning for retirement	Enjoy time with spouse, loving close family Kids having happy careers & families Time and $$$ to travel extensively
FINANCIAL:	Re-balance & optimize our financial portfolio Sell primary residence Sell underperforming or unused assets and reduce spending	Achieve financial security $____K net passive recurring cash flow by 12/31/21 $____MM net worth $____K net savings by 2021 Be debt free	Financially secure for future
PROFESSIONAL:	Land job that I really enjoy, and can meaningfully contribute Be a better leader (ex. more empathy, more humor) Don't work on weekends Help ____and____startups	Invest in 2nd startup Get involved in startup community	Become trusted advisor to startups or companies Have 2 meaningful board roles
FAMILY:	Treat weekends like mini-holidays (something to look forward to) Ensure kids' happiness Be a parent kids can talk to Replace health insurance providers Have more fun and better communication with wife Build respected relationship with kids	Treat every weekend like a holiday Have the best loving relationship with spouse Prepare younger daughter for college Prepare older daughter for successful career Epic and memorable annual family trips Loving close family	Retire before 60 in a different country Treat every day like a holiday Have the best loving relationship with family Epic and memorable annual family trips Loving close family
QUALITY OF LIFE/ ENRICHMENT:	Complete Yale's "The Science of Well-Being" course Aim for 1 family trip this year (when it's safe to travel again) Monthly connection with friends	Enjoy annual holidays with friends Be a good friend and accessible Travelled to more than 50 countries	Live in Europe at least a year Learn something new every day about the world Attend Superbowl, Wimbledon, March Madness, World Series, NBA Championship, Olympics Travelled to more than 75 countries
HEALTH/FITNESS:	Maintain fitness & health: 150 min/week & daily vitamins Weekly fitness training with family	Maintain fitness I had at 40	Maintain fitness I had at 40