

Real Estate Investor Rubicons

Rubicon: a bounding or limiting line;
especially: one that when crossed commits a person irrevocably.

Definition and furthermore from Merriam-Webster:

In 49 B.C., Julius Caesar led his army to the banks of the Rubicon, a small river that marked the boundary between Italy and Gaul. Caesar knew Roman law forbade a general from leading his army out of the province to which he was assigned. By crossing the Rubicon, he would violate that law. "The die is cast," he said, wading in. That act of defiance sparked a three-year civil war that ultimately left Julius Caesar the undisputed ruler of the Roman world. It also inspired English speakers to adopt two popular sayings -crossing the Rubicon and the die is cast-centuries later. Rubicon has been used in English as the name of a significant figurative boundary since at least the early 1600s.

Or, if you prefer use: Milestone.

Milestone: an action or event marking a significant change or stage in development.

The Gap and The Gain

The Gap and The Gain book by Ben Hardy and Dan Sullivan and one by Dan Sullivan:
<https://REFP.com/gap>

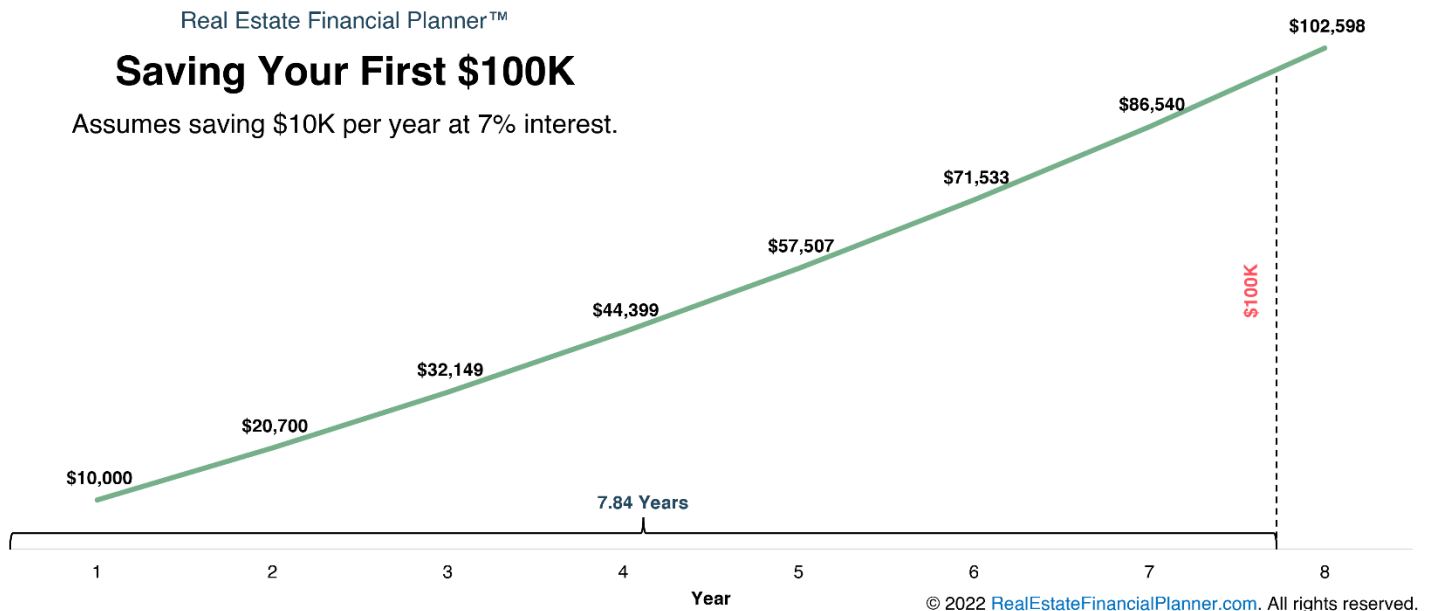


The First \$100K Is Hardest

"[Charlie] Munger has said that accumulating the first \$100,000 from a standing start, with no seed money, is the most difficult part of building wealth. Making the first million was the next big hurdle. To do that, a person must consistently underspend his income. Getting wealthy, he explains, is like rolling a snowball. It helps to start on the top of a long hill—start early and try to roll that snowball for a very long time."

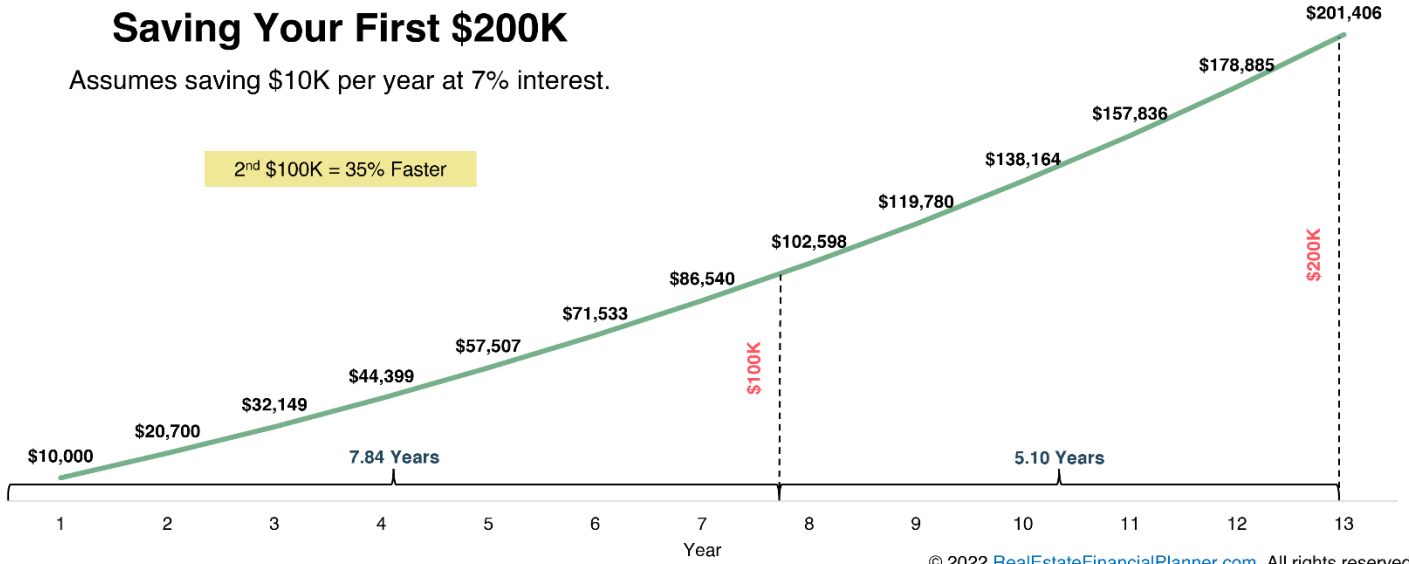
— Janet Lowe from
Damn Right!: Behind the Scenes with Berkshire Hathaway Billionaire Charlie Munger

IMPORTANT NOTE: I recreated all but one of these charts/tables based on the work of Zach from FourPillarFreedom.com.



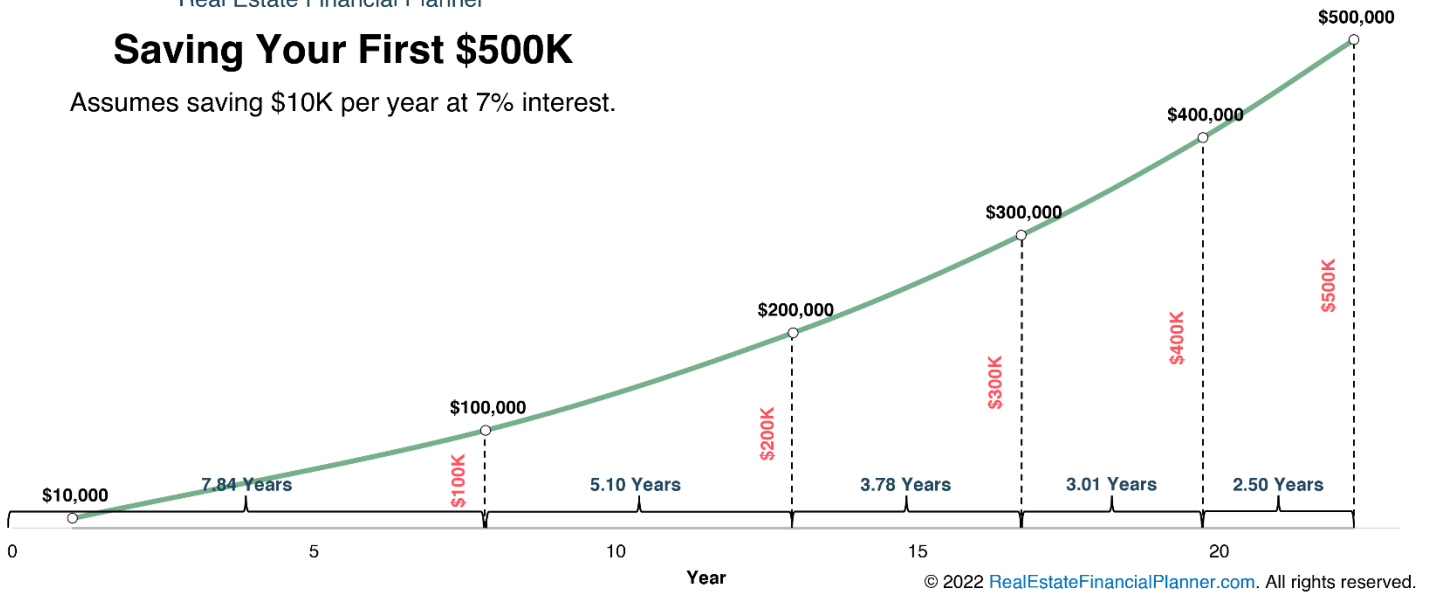
Saving Your First \$200K

Assumes saving \$10K per year at 7% interest.



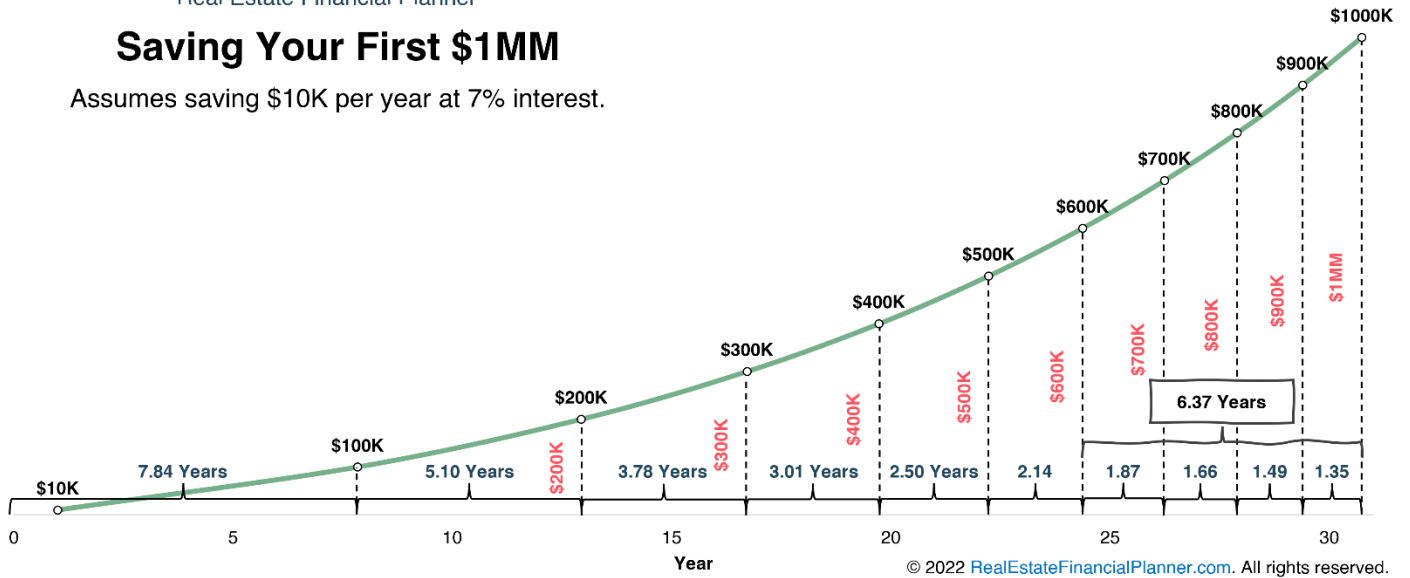
Saving Your First \$500K

Assumes saving \$10K per year at 7% interest.



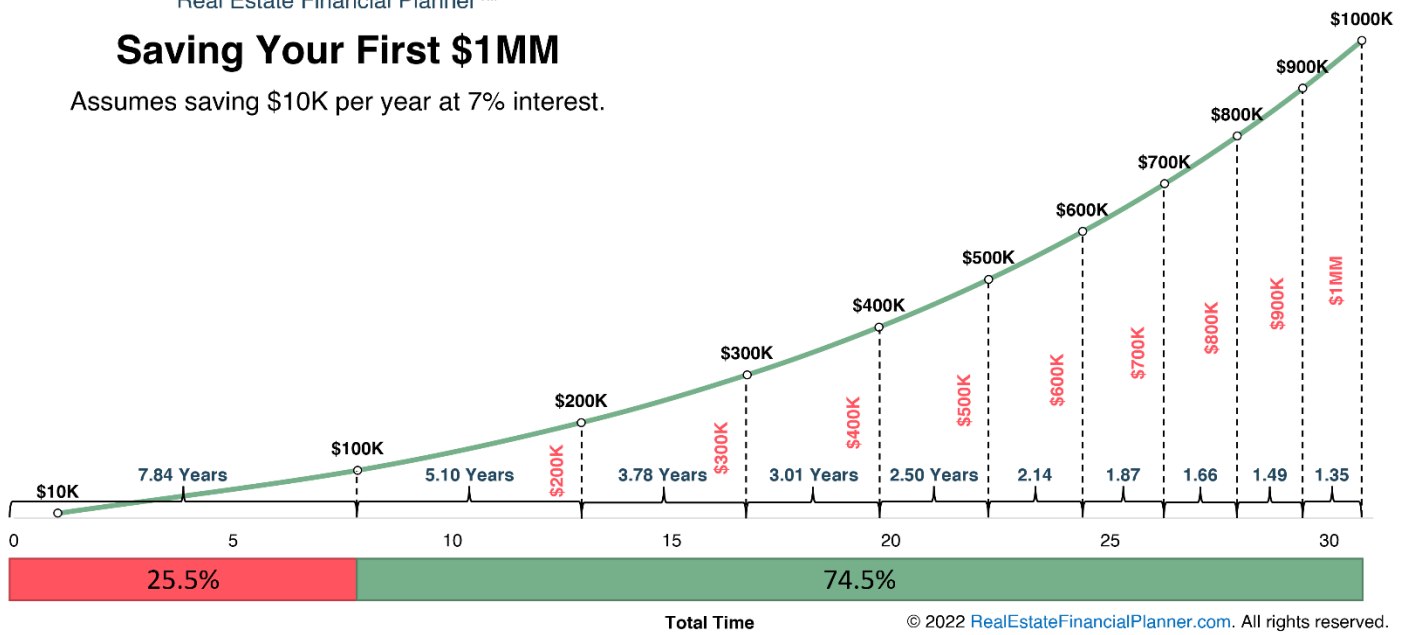
Saving Your First \$1MM

Assumes saving \$10K per year at 7% interest.



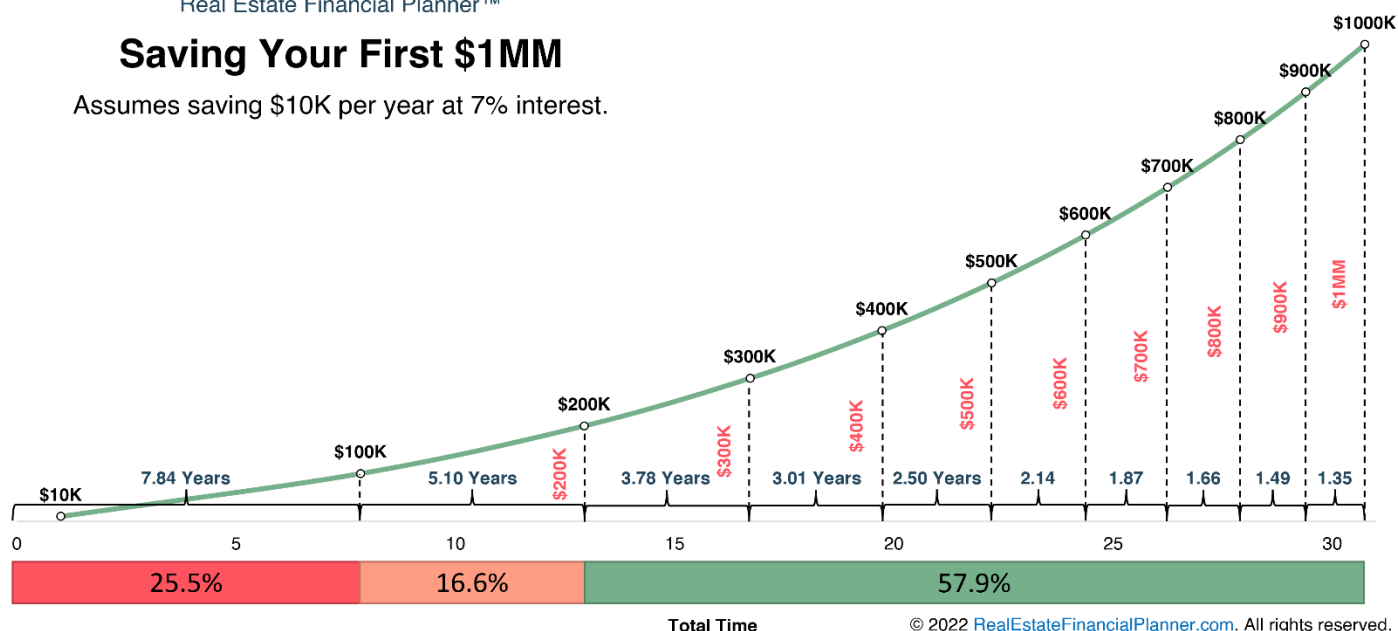
Saving Your First \$1MM

Assumes saving \$10K per year at 7% interest.



Saving Your First \$1MM

Assumes saving \$10K per year at 7% interest.



Time to \$1,000,000

Net Worth Change	Years To Achieve	% Of Total Time
\$0 - \$100K	7.84	25.5%
\$100K - \$200K	5.10	16.6%
\$200K - \$300K	3.78	12.3%
\$300K - \$400K	3.01	9.8%
\$400K - \$500K	2.50	8.1%
\$500K - \$600K	2.14	7.0%
\$600K - \$700K	1.87	6.1%
\$700K - \$800K	1.66	5.4%
\$800K - \$900K	1.49	4.8%
\$900K - \$1M	1.35	4.4%
Total Time:	30.73	100.0%

Assumes investing \$10K/year at 7% interest.

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% of Total Time Saving Your First \$1MM

Net Worth Change	Saving Per Year							
	\$1,200	\$2,400	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000
\$0 - \$100K	47%	40%	32%	26%	22%	20%	18%	17%
\$100K - \$200K	15%	16%	17%	17%	16%	15%	15%	14%
\$200K - \$300K	9%	10%	12%	12%	12%	12%	12%	12%
\$300K - \$400K	7%	8%	9%	10%	10%	10%	11%	11%
\$400K - \$500K	5%	6%	7%	8%	9%	9%	9%	9%
\$500K - \$600K	4%	5%	6%	7%	8%	8%	8%	8%
\$600K - \$700K	4%	4%	5%	6%	7%	7%	7%	8%
\$700K - \$800K	3%	4%	5%	5%	6%	6%	7%	7%
\$800K - \$900K	3%	3%	4%	5%	5%	6%	6%	6%
\$900K - \$1M	3%	3%	4%	4%	5%	5%	6%	6%
Total Time (Years):	60.3	50.4	40.0	30.7	25.6	22.2	19.7	17.8

Assumes 7% interest rate.

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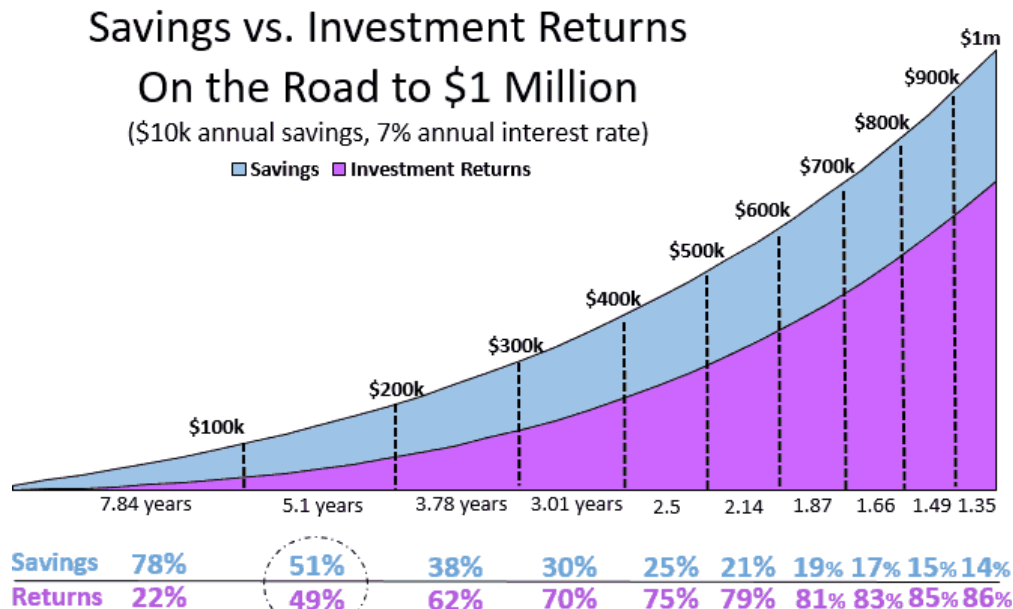
Years to Save Next \$100K

Net Worth	Interest Rate											
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%
\$0	9.58	9.21	8.88	8.58	8.31	8.07	7.84	7.64	7.45	7.27	7.11	6.96
\$100,000	8.74	7.78	7.02	6.41	5.90	5.47	5.10	4.78	4.50	4.25	4.04	3.84
\$200,000	8.04	6.74	5.81	5.12	4.57	4.14	3.78	3.49	3.23	3.02	2.83	2.67
\$300,000	7.45	5.95	4.96	4.26	3.74	3.33	3.01	2.75	2.53	2.34	2.18	2.05
\$400,000	6.93	5.32	4.32	3.65	3.16	2.79	2.50	2.27	2.07	1.91	1.78	1.66
\$500,000	6.49	4.81	3.83	3.19	2.74	2.40	2.14	1.93	1.76	1.62	1.50	1.40
\$600,000	6.09	4.39	3.44	2.84	2.41	2.10	1.87	1.68	1.53	1.40	1.30	1.21
\$700,000	5.74	4.04	3.13	2.55	2.16	1.87	1.66	1.49	1.35	1.24	1.14	1.06
\$800,000	5.43	3.74	2.86	2.32	1.95	1.69	1.49	1.33	1.21	1.11	1.02	0.95
\$900,000	5.15	3.48	2.64	2.13	1.78	1.54	1.35	1.21	1.09	1.00	0.92	0.85
\$900,000	5.15	3.48	2.64	2.13	1.78	1.54	1.35	1.21	1.09	1.00	0.92	0.85
\$1,000,000	4.90	3.26	2.45	1.96	1.64	1.41	1.24	1.11	1.00	0.91	0.84	0.78
\$1,100,000	4.68	3.06	2.28	1.82	1.52	1.30	1.14	1.02	0.92	0.84	0.77	0.72
\$1,200,000	4.47	2.89	2.14	1.70	1.41	1.21	1.06	0.95	0.85	0.78	0.71	0.66
\$1,300,000	4.28	2.73	2.01	1.59	1.32	1.13	0.99	0.88	0.79	0.72	0.67	0.62
\$1,400,000	4.10	2.59	1.90	1.50	1.24	1.06	0.93	0.83	0.74	0.68	0.62	0.58
\$1,500,000	3.94	2.46	1.80	1.42	1.17	1.00	0.87	0.78	0.70	0.64	0.58	0.54
\$1,600,000	3.79	2.35	1.71	1.34	1.11	0.94	0.82	0.73	0.66	0.60	0.55	0.51
\$1,700,000	3.65	2.24	1.62	1.28	1.05	0.90	0.78	0.69	0.62	0.57	0.52	0.48
\$1,800,000	3.53	2.15	1.55	1.21	1.00	0.85	0.74	0.66	0.59	0.54	0.49	0.46
\$1,900,000	3.41	2.06	1.48	1.16	0.95	0.81	0.71	0.63	0.56	0.51	0.47	0.43
\$1,900,000	3.41	2.06	1.48	1.16	0.95	0.81	0.71	0.63	0.56	0.51	0.47	0.43
\$2,000,000	3.30	1.98	1.42	1.11	0.91	0.77	0.67	0.60	0.54	0.49	0.45	0.41

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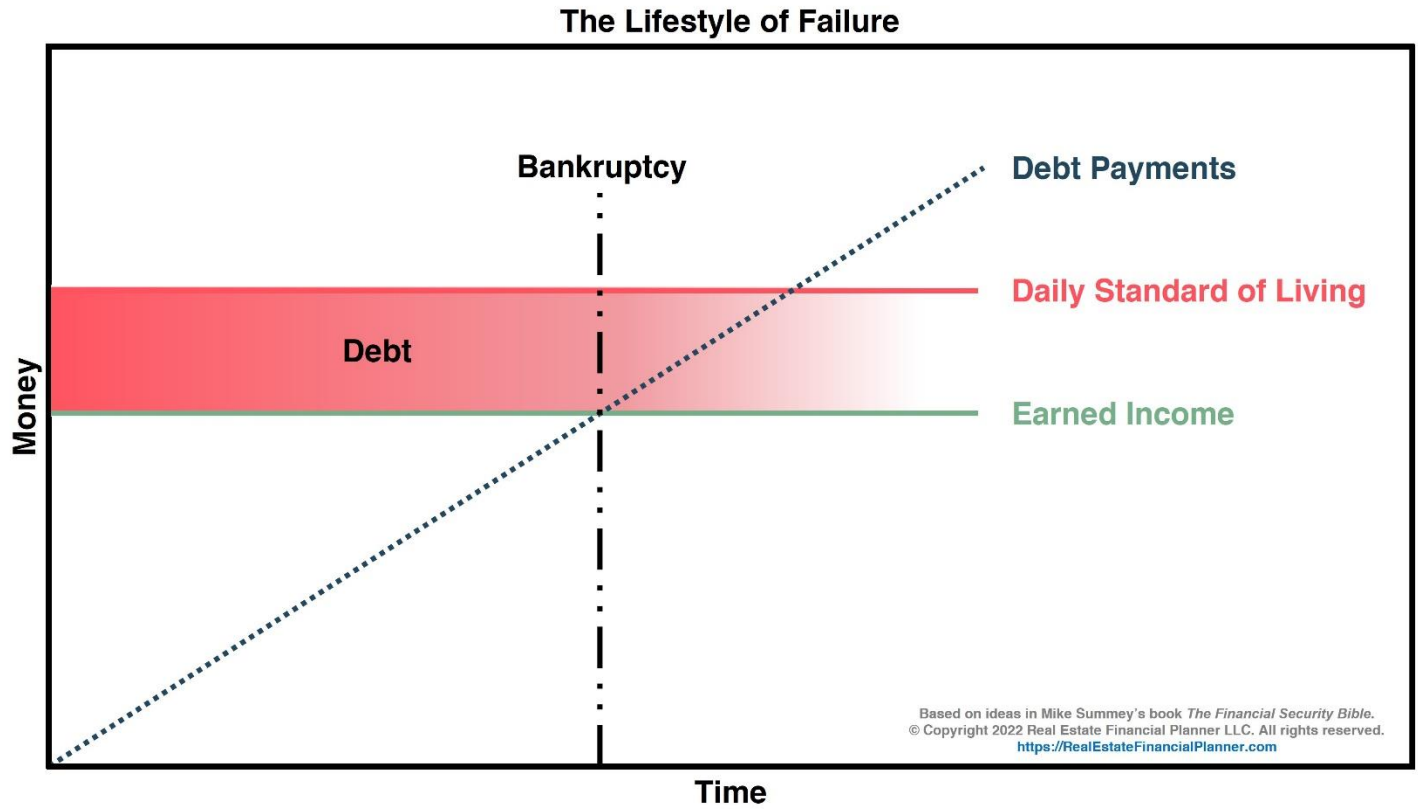
And the following image is directly from FourPillarFreedom.com and is for illustrative purposes only. The idea that you contribute a smaller portion for each subsequent \$100K is true, but the math is not quite correct for at least one reason. Here's why it is not quite right:

The way they calculated the years it takes to generate each \$100K, you are putting in the \$10,000 at the end of the year. You're not putting in money continuously. So, for example, for the first \$100K, you did not save \$78,400. You really saved \$70,000 for the first \$100K and so 70% (not 78%) was from savings and 30% (not 22% was from interest.

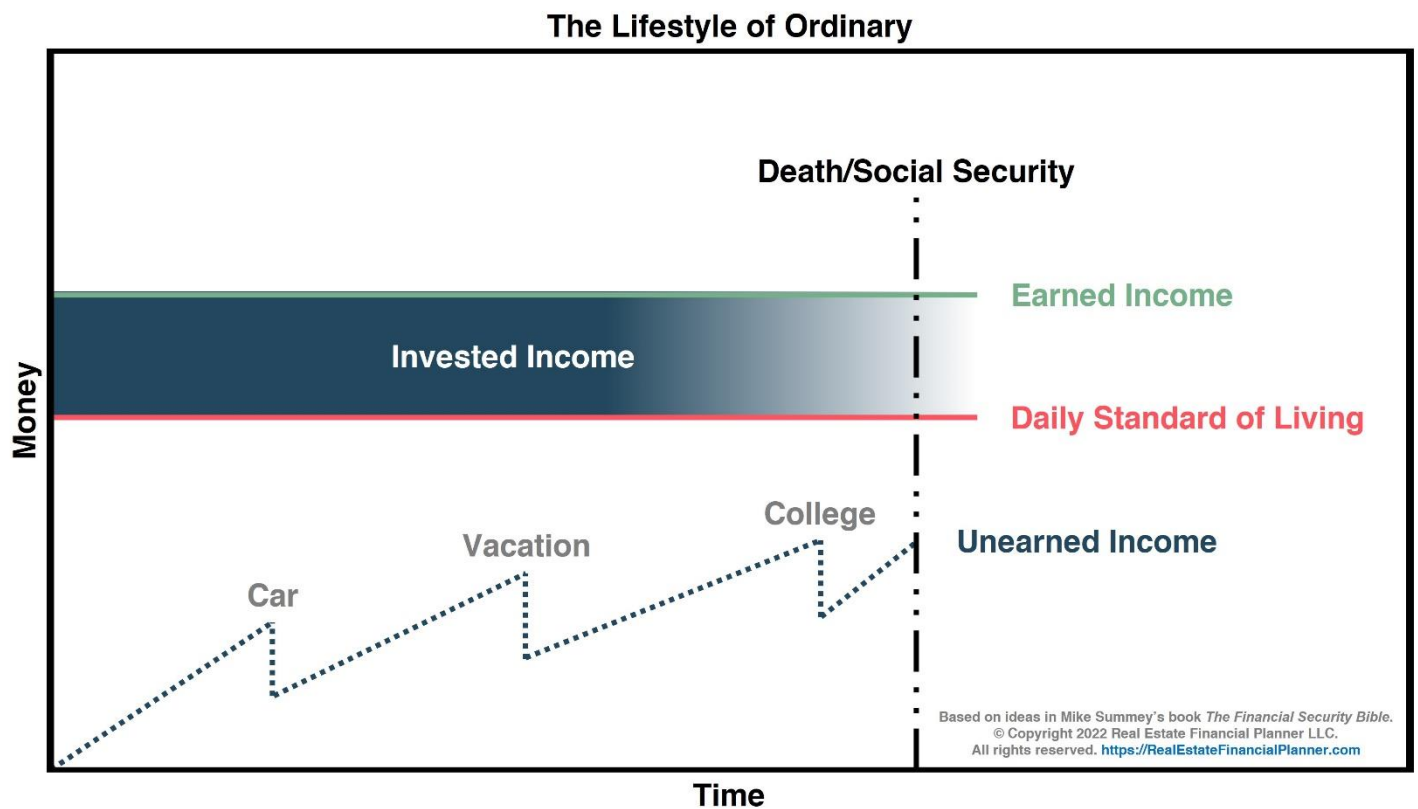


When you increase your net worth from \$100k to \$200k, 51% (\$51,000) of that increase will come from savings and 49% (\$49,000) will come from investment returns.

Lifestyle of Failure

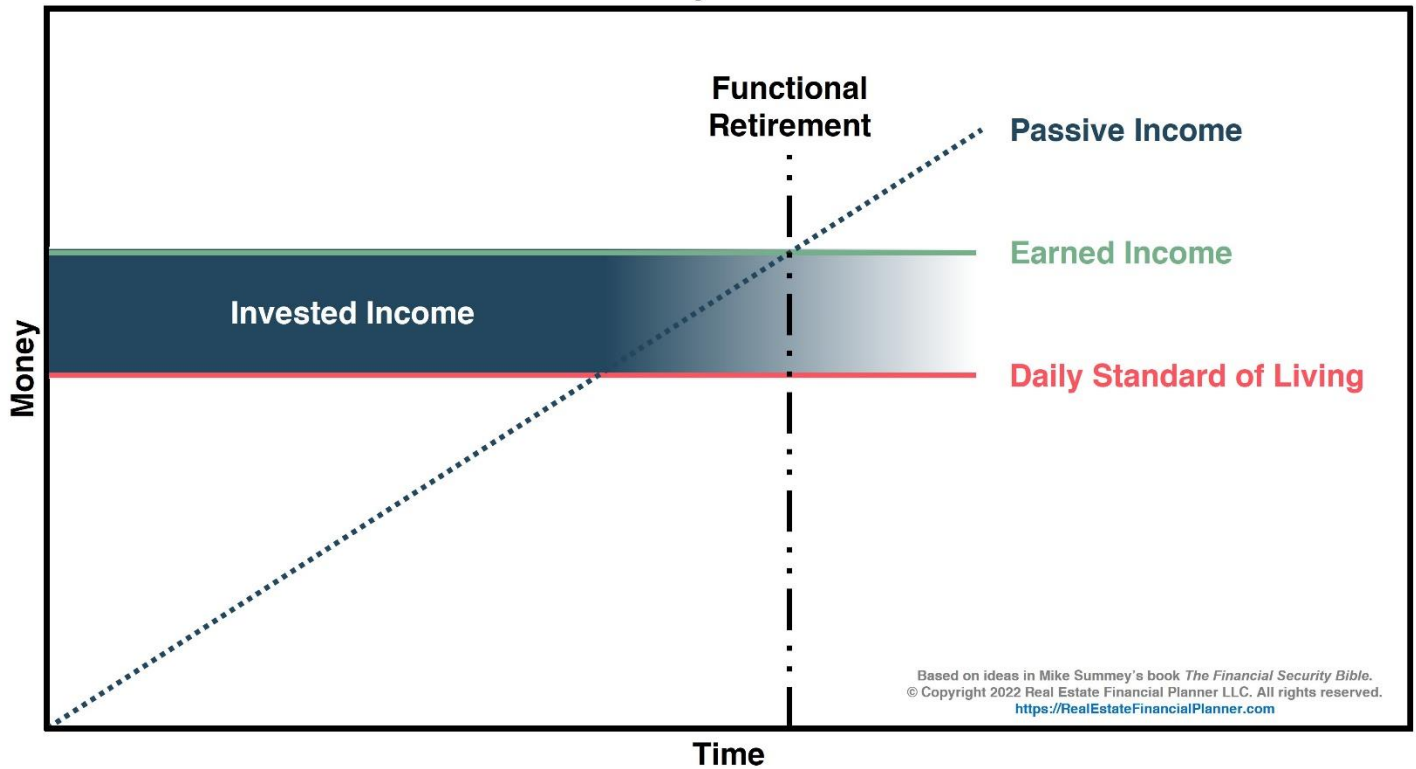


Lifestyle of Ordinary



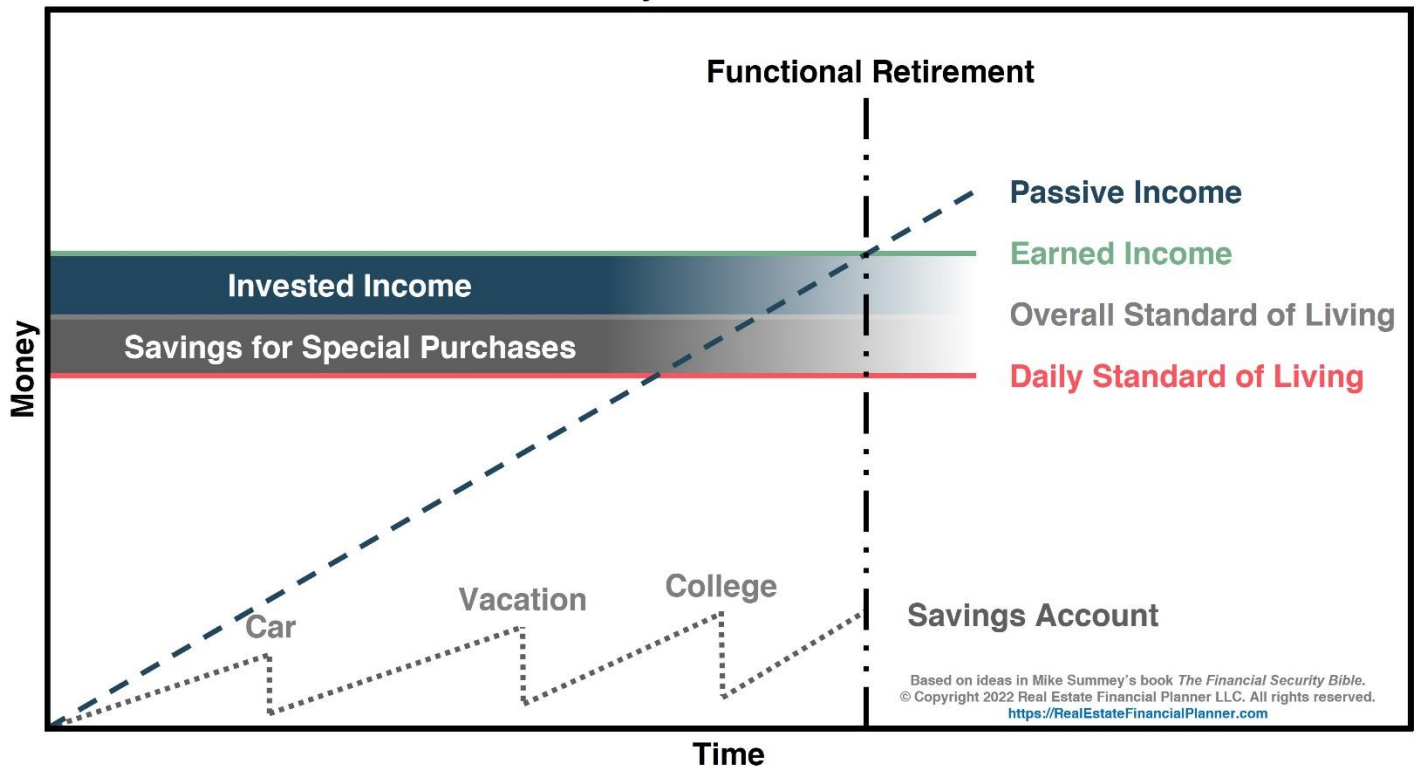
Lifestyle of Success

The Lifestyle of Success



Lifestyle of Success Secret

The Lifestyle of Success Secret



Achieving Your Goals

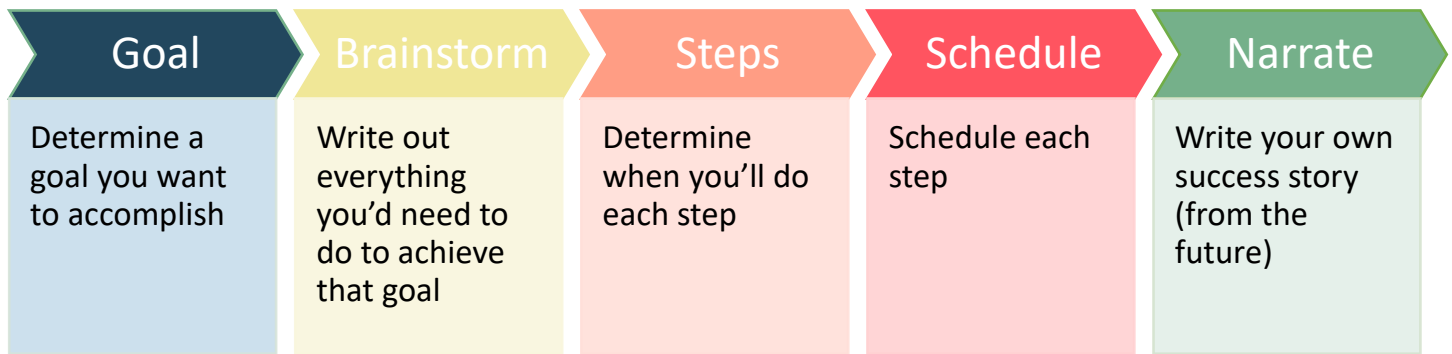
From **Succeed: How We Can Reach Our Goals** by Dr Heidi Grant:

- “If you could remember only one thing you read in this entire book, I would want it to be this one: make a plan for how you will achieve your goal.”
- “Don’t visualize success. Instead, visualize the steps you will take in order to succeed.”
- It helps a lot to imagine it will be hard, but that you’re up for the challenge: “Plan more, put in more effort, take more action in pursuit of goals”

Future Narrative Process

From **The World’s Best Real Estate Investing Goal Setting Class**:

<https://REFP.com/the-worlds-best-real-estate-investing-goal-setting-class/>



Input vs Output Goals

Prioritize inputs that you can control over outputs you can't control.

Begin with the End in Mind

Habit #2 from **The 7 Habits of Highly Effective People** by Stephen R Covey: Begin with the End in Mind.

Rubicons/Milestones

Do whatever makes sense for you.

Possible rubicons you might consider using for your own goals.

Getting Started

- Pick a market
- Improve my credit
- Pre-qualified for my first mortgage
- Find my real estate agent
- Call X sellers
- Find my mortgage broker
- Find property manager
- Pick a strategy
- Define deal criteria
- Go look at first property

- Analyze first deal
- Make first offer
- Make X offers
- First offer accepted
- First closing
- First tenant

Beginning Cash Flow

- First *True Cash Flow*™ positive property
- First \$100 per month in cash flow (without depreciation)
- Positive cash flow can pay my car payment
- Positive cash flow can pay my personal mortgage
- Have \$X/month cash flow

Net Worth

- Back to zero net worth (from being negative/in debt)
- Emergency fund
- Saved \$X in cash
- Save enough to buy owner-occupant
 - Saved 3.5% down payment in cash (owner-occupant)
 - Saved 5% down payment in cash (owner-occupant)
- Save enough to buy investment property
 - Saved 20% down payment in cash
 - Saved 25% down payment in cash
- Save enough to buy property for all cash
- Positive net worth
- Net worth > \$X

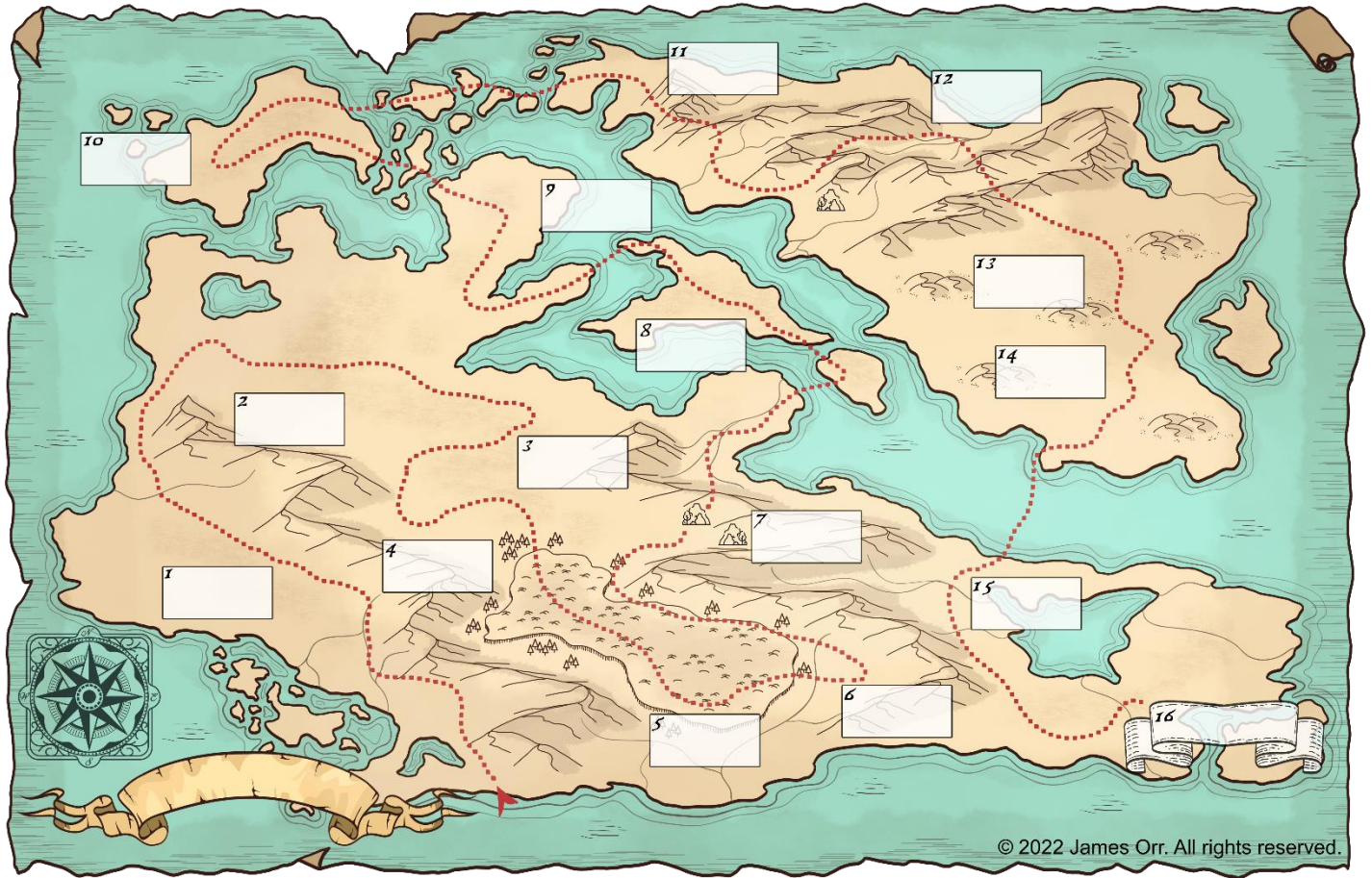
FIRE and Retirement Cash Flow

From the **Real Estate Investor Fire** class: <https://REFP.com/real-estate-investor-fire/>

Phase I: Minimal FI					Phase II: Ideal FI		Phase III: Safe FI	Phase IV: Legacy FI
Negative Net Worth	Zero Net Worth	Emergency Fund	CoastFIRE	BaristaFIRE	LeanFIRE	FIRE	FatFIRE	

- Have enough for Coast FIRE
- Have enough for Barista FIRE
- Have enough for Lean FIRE
- Have enough for FIRE
- Have enough for Fat FIRE
- Have \$X/month cash flow

Rubicon Treasure Map



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