

# The Big Open Project

*by: Guy R. Fleury*

I call it the **The Big Open Project** because it is BIG. It is so big it could change the world's wealth distribution as we know it over the next half-century. And it is a wide-open invitation to anyone who can carry it out.

It will require entrepreneurs and their organizations to design stock trading software of significance. We have models like the Medallion Fund of Renaissance Tech, which has generated outstanding results for years and years.

The objective is to build some of the largest fund management organizations of modern times, all within 30 years or less.

It is an ambitious project, and it can be duplicated by many. I will provide the background, the methods, and the equations to guide you on your way. You be the entrepreneur you can be.

In my recent papers: [Reflexions On A Retirement Fund](#) and [The Age Of The Individual Investor](#), I used equations to show how anyone from an estimated 400<sup>+</sup> million people could better manage their retirement/investment funds to at least outperform market averages. Not much was required to do so, as can attest this other title: [Sitting On Your Bunnies Might Be Your Best Investment Yet](#).

The above papers showed that thousands upon thousands of individuals buying QQQ, its enhanced equivalent, or developing better-performing programs could raise their retirement fund performance and change how the world will evolve over the next century. Individual investors, by their sheer number, and as a group, could gradually acquire all assets within 50 to 60 years while looking for their best self-interest.

All the individual investor would have to do is build his or her retirement fund as described in [Reflexions On A Retirement Fund](#) and in other of my papers over the past two years or so.<sup>1</sup>

As an entrepreneur, you could also set up a company to do this job for the people who do not have the time to undertake such an endeavor themselves. People could still do it themselves if they wanted to or have someone do it for them, knowing they would reach their long-term goals.

Should you want to go further, you will have to put in some expertise and develop an above-average performing trading and investing program. Something designed to at

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<sup>1</sup> In particular, look at the QQQ series and the outcome of all its 44 simulations.

least exceed the QQQ's performance level. That should not be too hard to do.

Even so, investing in stocks over the short term is not a guaranteed success story. It is only over the long term, with a time horizon greater than 20 years, that you are almost assured of winning the game, meaning getting out with a profit.

There will be losses over the years, and your trading program should be there to avoid most of them or alleviate their adverse effects as much as possible. Program for safety first; at least, get out of the way if you do not see a profit coming from your positions.

If you invest using other people's money (OPM), you better ensure you will not lose. Otherwise, do not even attempt it. You cannot play with other people's life savings and fail because you were unprepared or not qualified to do the job. Learn what you will need to do, and do the job honestly and correctly.

## ***The Business Dynamics***

We will look at the dynamics of a stock trading management company trying to make its clients rich by building the retirement fund they need. And make it substantial enough so they will have a significant income stream while in retirement. At the same time, we will design their retirement funds to enable them to leave a substantive legacy fund for their loved ones.

There are at least 10 million millionaires in the US alone. We do not need to look at such large numbers as potential clients, even though you will still have to work to get them. To give a sense of proportions, according to Bing's ChatGPT: *Robinhood has 23 million accounts, half active monthly, and is only ten years old.* And that is only one firm. Survey large financial institutions and determine how many accounts they take care of. Even a ballpark figure will surprise you. The point is: there is more than enough room for you.

Let's reduce our potential list of clients to a more manageable size, say, 100,000. You will not have them take you on instantaneously, so give yourself five years to reach that level and continue increasing that number as you go. For simplicity of calculations, I will use \$100k as an IOU unit. This way, an individual could take more than one unit at any time. Using the term unit will become more apparent as we get into it.

From the above-cited papers, I extracted the formula of interest and adapted it to the predicate you could deliver an average return from 30% to 50%<sup>+</sup>. It is getting closer to the overall return the Medallion Fund is presumed to have achieved over the last 30 years.

The following equations present the application of three versions of the same formula where the average rate of return goes from 50% to 40% and then down to 30%.

$$A) \quad 100,000 \cdot \$100,000 \cdot (1 + 0.50 - 0.15)^{30} = \$81,285,495,013,815$$

$$B) \quad 100,000 \cdot \$100,000 \cdot (1 + 0.40 - 0.15)^{30} = \$8,077,935,669,463$$

$$C) \quad 100,000 \cdot \$100,000 \cdot (1 + 0.30 - 0.15)^{30} = \$662,117,719,567$$

The above assumes that your investment methodology can deliver near those rates of return. These rate estimates might be the outcome of your market analysis and simulations on your investment procedures of choice. The 15% is the rate you would give to your clients on each \$100k unit taken.

The higher the CAGR over the period, the harder it will be to reach that level. Higher returns come with higher risks, as the saying goes. But maybe not for the 15% return, which is easily achievable.<sup>2</sup>

Even though we are taking 10% steps in the above three equations, the outcome difference is colossal. It is over 120 times more reaching the 50% level compared to the 30%.

The difference becomes even more dramatic if you raise the CAGR to 60%, as Medallion Fund claims to have done over the last 30 years:

$$100,000 \cdot \$100,000 \cdot (1 + 0.60 - 0.15)^{30} = \$693,489,782,900,318$$

The above is more than the planet's current total wealth, which is about \$470T, and is estimated to reach some \$3,000T in 30 years. The \$693T is the remainder after paying the 100,000 units their 15% return, which would give each unit over \$6 million in 30 years on the \$100,000 investment unit.

$$\$100,000 \cdot (1 + 0.15)^{30} = \$6,621,177$$

The total payout for all the units would be \$662,117,719,568. It would represent about 0.0955% of the total. The cost of money would be less than 1% of what could be achieved.

The above is for paying back each participant as you go. But at times, sudden withdrawals might interfere with your daily operations, and often at the worst times. You might prefer another approach.

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<sup>2</sup> Refer to [Retire A Multi-Millionaire](#) and its roadmap.

## ***A Different Approach***

You could feel more generous and give each participant a higher return to thank them for their confidence in your business by raising their return to 20% in exchange for a lump sum payment at the end of their respective time contract.

$$\$100,000 \cdot (1 + 0.20)^{30} = \$23,737,631$$

Each participant would get over \$23 million on the 30<sup>th</sup> anniversary of their contract for each unit taken. And still, it would only represent 0.3423% of the total.

The above scenario is based on a 60% return (getting close to Medallion's return) and would leave you and your company with:

$$100,000 \cdot \$100,000 \cdot (1 + 0.60 - 0.20)^{30} = \$242,014,323,554,845$$

You could again opt to pay everyone back as you go along. Still, it would leave you with about 8% of the world's total assets in 30 years from now. The amount would decrease as you reduce the achieved CAGR over the period. For instance, at the 40% rate, you would have:

$$100,000 \cdot \$100,000 \cdot (1 + 0.40 - 0.20)^{30} = \$2,373,763,137,998$$

But still, \$2T is better than nothing. An average long-term 40% CAGR is much easier to get than a 60% one.

## ***Paying Later Over Paying Along***

It could be best to pay back your investors at the end of each contract (30 years). It would make quite a difference according to the following formula, also based on the 60% CAGR:

$$100,000 \cdot \$100,000 \cdot [(1 + 0.60)^{30} - (1 + 0.20)^{30}] = \$13,289,906,194,711,200$$

Medallion Fund has a 4/40 fee structure. It was required to operate at an equivalent average annual rate of return of about 62% to get its net average 39% CAGR over those 30 years.

However, only the partners of Renaissance Tech can participate in that fund; there are no outsiders. Once a partner of the firm, no one is in a rush to quit that fund. Meanwhile, their other funds, open to the HNWI crowd, are not operating at the Medallion Fund level and are not doing as great.

Of note, the above equation states that the 60% CAGR is not sustainable since, in 30 years, it would represent more than 340% of total worldwide assets. So, a more

subdued outcome of a 40% return might be more realistic.

$$100,000 \cdot \$100,000 \cdot [(1 + 0.40)^{30} - (1 + 0.20)^{30}] = \$239,640,560,416,848$$

Here is a more general equation allowing you to make different scenarios of what could be more feasible using your estimates from your investment program:

$$100,000 \cdot \$100,000 \cdot [(1 + \bar{g})^{30} - (1 + \bar{r})^{30}] = \$X$$

where  $\bar{g}$  is your expected average portfolio growth rate over the period, and  $\bar{r}$  is what you will pay your participants.  $X$  is the total anticipated profit from the operation. Having  $\bar{g} > \bar{r}$  is sufficient for you to be profitable. You could determine at what level you would feel more comfortable:  $\bar{g} - \bar{r} > \Delta$ . Put your values in the above equation, and look at ways to make your program perform at that level.

Note that  $(1 + 0.20)^{30} - (1 + 0.20)^{30} = 0$ , meaning that only achieving a 20% CAGR is not sufficient to undertake this big project. Your clients would make money, in fact, all the money, and you nothing. It wouldn't be that wise to do all that work for nothing. So, you should pass on this one if you are uncertain you will outperform a long-term 20% CAGR.

### ***The Investment Unit***

You can exchange participants for money. For example,  $10,000 \cdot \$1,000,000$  or  $100,000 \cdot \$100,000$  give the same total. It will depend on which kind of participants you would like to have. You are in totally open territory, and you can make it possible. It all depends on what your program or investment methodology can do over the long term.

Different programs will be required depending on the average size of the investment units. It is not a one-size-fits-all. You will have to adapt your program to operate at the investment unit size.

With all the uncertainty on where the world is going, offering a 20% return over 30 years could be considered outstanding. I do not see financial institutions promoting that kind of return. Over the long term, such as 30-year intervals, most money managers get about the average market return of 10% before fees.

$$\$100,000 \cdot (1 + 0.10 - fees)^{30} \leq \$1,744,940$$

For example, even a 2% annual fee can make a difference over the long term.

$$\$100,000 \cdot (1 + 0.10 - 0.02)^{30} = \$1,006,266$$

In 30 years, looking back, you might realize that the cost of money was not that high

and that the OPM accelerant provided by your clients to your endeavor made it all more than worthwhile.

The problem I see might be more of a marketing problem than anything else. All big players need return accelerators, especially on long-term dormant funds used in their long-term reserves. Whether consequential institutional funds, country generational funds, or large corporations having huge low-return bond funds, there might be over \$60 trillion of such funds in long-term low-return bonds bearing less than 5%. The pool of available funds is enormous. Also, consider the number of individual investors wishing for returns higher than the expected long-term market average.<sup>3</sup>

Compare a 5% rate to a 20% rate over 30 years:

$$\$100,000 \cdot (1 + 0.05)^{30} = \$432,194 \quad \text{or} \quad 100,000 \cdot (1 + 0.20)^{30} = \$23,737,631$$

Which would your client choose? Would the difference be that hard to sell? It remains their choice to make.

Why not use blockchain technology to your advantage and make each unit an IOU, NFT, or retirement token with a predefined buyback in 20 or 30 years? Make each \$100k unit act like a zero-coupon bond, with no payback before the 20<sup>th</sup> or 30<sup>th</sup> anniversary when you will repurchase all those tokens or NFTs at the predefined and agreed-upon price. These tokens would be neither bonds nor stocks and should not be treated as such.

You will have the advantage of not being bothered during all those years without fear of having early withdrawals during market turmoil, free to execute your program as you like.

You will have the responsibility and obligation to be true to your clients and pay them out by repurchasing their tokens at the agreed price when the time comes.

I emphasize this point: all of it can be done honestly, without cheating anyone, and honoring all promises made. All your token participants would be counting on you to deliver; you must pay them all back. Make it an ironclad contract that you will pay them back.

Since these tokens would be repurchased only by your firm, governments could not tax the unreceived interest from the undelivered interest equivalent. Using blockchain, each contract would have its unique signature, and no one could duplicate any of your tokens since you would be the only minter and guarantor.

I am too old to embark on such a long-term project. At best, I could give advice.

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<sup>3</sup> There are at least 400 million people who wish to build a retirement fund.

Regardless, I can easily see people younger than I am doing it.

The ball is in your camp. Try adapting the above equations to your preferred numbers; they should give you a ballpark figure that you might find more than interesting.

What will the big project do? It will redistribute the planet's wealth to many more people than the course it is already on. It will change the world since all those small investors will promote companies and industries to do better for the greater good. Those companies will prosper, backed by those investing in them. It will no longer be one country that wins it all (China) and puts in its rules and mandates. The world will again belong to the people.

### **Related Files:**

**[Catching Up On Your Retirement Fund](#)**

**[How To Make It Anyway](#)**

**[Retire A Multi-Millionaire](#)**

**[Sitting On Your Bunnies Might Be Your Best Investment Yet](#)**

**[Self-Managed Retirement Funds](#)**

**[Make Yourself A Glorious Retirement Fund](#)**

**[The Age Of The Individual Investor](#)**

**[QQQ To The Rescue](#)**

**[Use QQQ - Make the Money and Keep IT](#)**

**[Take the Money and Keep it – II](#)**

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