

# Perpetual Sustainment Capital (PSC) Fund Guide

By Scott D. Medlock – A Blueprint for Debt-Free Growth

November 2025 Edition



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## Introduction

The Perpetual Sustainment Capital (PSC) fund generates 5-7% annual returns to underwrite core expenses (e.g., payroll, maintenance) without debt, adaptable from \$5k bootstraps to \$1B+ Fortune 500 pools. Inspired by Tesla's hybrid outsourcing-to-in-house model, it begins with a lean audit and cash war chest for stability. This guide offers 14 steps with metrics (e.g., Sharpe Ratio >1, Seed Ratio 5-10%) and a custom spreadsheet to track progress, ensuring scalability and resilience against 2025's 40% recession odds and 3.2% inflation.

**Callout Box:** *Key Metrics: Sharpe Ratio >1, Seed Ratio 5-10%, LCR 1.5-2x.*



# Step 1: Conduct a Lean Audit

## Optimize Before You Invest

Identify waste to maximize capital. Bootstrappers save 20-30% (e.g., \$10k on \$50k revenue) via vendor cuts in a 1-week audit with Trello. Fortune 500 firms, like Tesla’s 20% battery savings pre-2015, use 30-day audits.

**Metrics:** Lean Savings Ratio (15-25%).

**Action:** Log waste:

Expense Category	Annual Cost	Identified Waste	Lean Savings	Adjusted Cost
Payroll	\$100k	10% Overtime	\$10k	\$90k
Materials	\$50k	15% Excess	\$7.5k	\$42.5k

**Tesla Insight:** Pre-2015 lean cuts freed \$1B+.

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# Step 2: Create a Cash War Chest for 6 Months of Operations

## Ensure Stability Before Investing

Build a 6-month reserve to weather 40% recession odds. Bootstrappers save \$5k-\$10k (e.g., for \$4k/month burn) in high-yield savings (4-5% APY). Fortune 500, like Tesla’s \$50B, use money markets.

**Metrics:** Liquidity Coverage Ratio (LCR) = 1.5-2x.

**Action:** 2-3 month buildup:

Business	Monthly Expenses	Target War Chest	LCR	Time to Build
Bootstrap	\$4k	\$24k	2x	2-3 mo.
Tesla	\$8.3B	\$50B	1.5x	6 mo.

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## Step 3: Identify Funds to Invest

### *Seed the PSC Fund*

Use audit savings and surplus post-war chest. Bootstrappers allocate 10-20% of profits (e.g., \$5k from \$50k). Fortune 500 tap excess cash (e.g., Tesla's \$10B+).

**Metrics:** Seed Ratio 5-10% (e.g., \$180k for \$90k payroll at 5%).

**Action:** Update table:

Expense	Adjusted Cost	Target Coverage	Seed Needed (5% Yield)
Payroll	\$90k	10%	\$180k
Maint.	\$42.5k	20%	\$425k

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## Step 4: How to Approach an Investment Firm *Outsource Expertise*

Use Vanguard, Fidelity, or Betterment for bootstrappers; RIAs for Fortune 500. Pitch a one-pager with goals (e.g., "Sustain \$1M payroll"), risk tolerance, scale (\$100k). Negotiate 0.5-1% fees.

**Metrics:** ROI >5% net.

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## Step 5: Types of Investments to Consider

### *Diversify for Income*

- **Dividend Stocks:** 3-5% (e.g., SCHD).
  - **Bonds:** 4-6% (e.g., Treasuries).
  - **REITs:** 5-7% (e.g., VNQ).
  - **Peer-to-Peer/Venture Debt:** 6-8%.
  - **Inter-Corporate Stakes:** <20%.
  - **Allocation:** 40% stocks, 30% bonds, 20% REITs, 10% alternatives.
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## Step 6: Understanding Risks

### *Mitigate Volatility*

- **Market Risk:** Diversify; hold 6-12 months cash.
  - **Inflation Risk:** Use TIPS (3.2% PCE).
  - **Regulatory Risk:** Stay <20%.
  - **Operational Risk:** Fees <0.5%.
  - **Liquidity Risk:** 20% liquid.
  - **Metrics:** Sharpe Ratio >1. Stress-test: 20% drop.
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## Step 7: Actually Making the Investments

### *Execute with Discipline*

Open accounts via Fidelity or RIA. Use Morningstar for due diligence. Batch 20-30% initially. Auto-reinvest dividends.

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## Step 8: When to Expect Returns Based on Investment Type

### *Plan Compounding*

- **Dividends:** 3-7%, 1-3 months (e.g., \$4k/year on \$100k SCHD).
  - **Interest:** 4-6%, immediate.
  - **Venture Debt:** 6-8%, 1-2 months.
  - **Timeline:** Year 1: 4-5%. Year 3+: 6%+. IRR >5%.
  - **Tip:** Reinvest until 100% coverage.
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## Step 9: Building a Unique Spreadsheet with a Column for Investment Income

### *Track and Project*

- **Columns:** Investment Name, Type, Amount, Yield %, Expected Income, Q1-Q4, Total, Coverage %, War Chest Balance.
- **Formulas:** Income = Amount \* Yield. Coverage = (Total / Expenses) \* 100.
- **Example:**

Investment	Type	Amount	Yield	Exp. Income	Q1	Q2	Q3	Q4	Total	Coverage %	War Chest
SCHD	Div.	\$50k	4%	\$2k	\$50 0	\$50 0	\$50 0	\$50 0	\$2k	10%	\$24k

- **Download:** <https://docs.google.com/spreadsheets/d/1hBAVGKZJ3eBwB4HrVmG6HYoKAw1rqoHZ9asIEZliW40/edit?usp=sharing>
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## Step 10: Allocating the Income for the Expenses Designated to Underwrite

### *Direct to Costs*

Match income to expenses (e.g., REITs to maintenance). **Metrics:** Coverage Target (20% by Year 2).

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## Step 11: Reinvesting the Costs Saved from Earnings into the Investment Vehicle

### *Compound Growth*

Redirect savings (e.g., \$2k less payroll) into investments. **Metrics:** Reinvestment Rate (75%).

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## Step 12: Mapping the Road to Complete Expense Underwriting

### *Timeline to 100% Coverage*

- **Milestones:** Year 1: 5%. Year 10: 100%.
  - **Metrics:** TFC <10 years.
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## Step 13: Mapping Growth Post-Underwriting

### *Expand with Surplus*

- **Metrics:** Growth Rate (5-10%).
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## Step 14: Planning for Future Costs to Be Underwritten Before They Are Incurred

### *Pre-Fund Upcoming Expenses*

- **Metrics:** Pre-Funded Ratio (20%).
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## Appendix: Industry Volatility Data

### *Tailor Your PSC by Sector*

Use beta and std. dev. to adjust war chest and investments. Update quarterly via Yahoo Finance. Estimates months of savings to survive a downturn.

Sector	Beta	Std. Dev. (%)	Small-Cap Premium	PSC Tips
Tech	1.3	25	+50%	9-mo LCR
Retail	1.25	23	+40%	8-9 mo.
Energy	1.2	28	+25%	7-mo
Industrials	1.1	20	+30%	7-mo
Financials	1.0	17	+20%	6-mo
Healthcare	0.95	16	+35%	8-mo
Utilities	0.75	13	+15%	6-mo
Staples	0.8	14	+20%	6-mo

**Callout:** *Adjust LCR by Beta (e.g., 1.3 Tech → 9 mo.).*

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## Conclusion

From lean audits to perpetual growth, the PSC fund turns data into action. Download the spreadsheet at [link] and pre-order *The Golden Age of Business*.



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## References

BLS JOLTS (2025), MERIC (2023), FTSE Russell (2025), S&P Dashboard (Oct 2025), Vanguard (2025).

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