

FIRE

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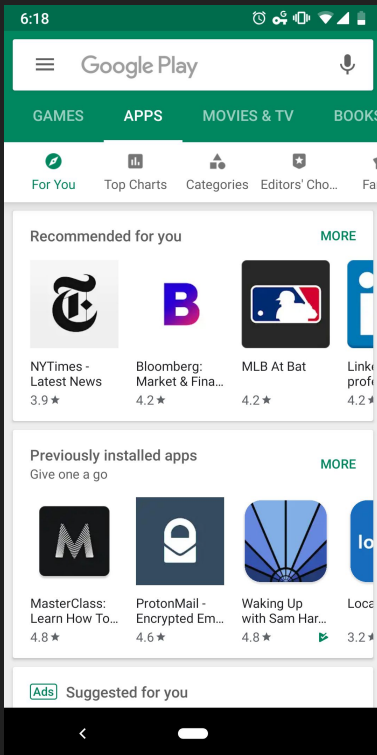


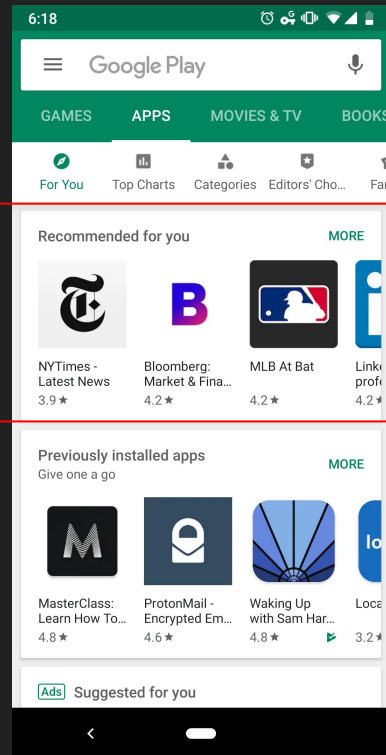
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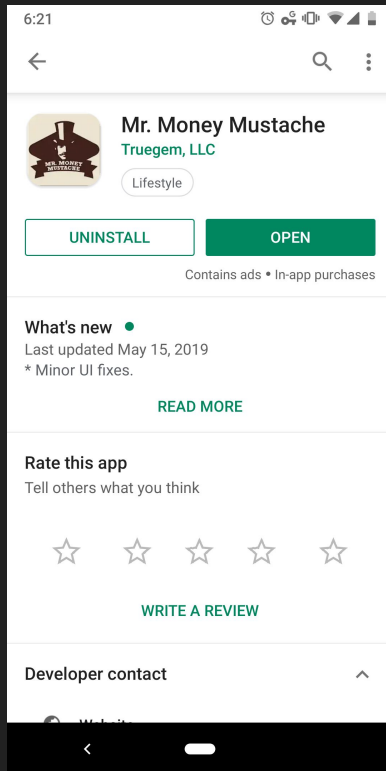


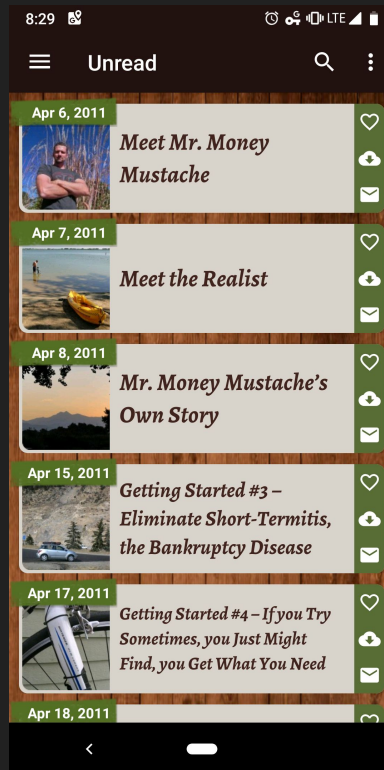
# FIRE

Financially Independent/Retire Early











# My First Epiphany

It's actually possible to become financially independent at 30 without being born into wealth or winning the lottery?

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**START  
HERE**

**ABOUT**

FINANCIAL  
FREEDOM

THROUGH  
BADASSITY

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**START****MMM  
RECOMMENDS****THROUGH  
BADASSITY****FORUM****MMM  
CLASSICS****MR. MONEY  
MUSTACHE**

Apr 6, 2011

117 comments

## Meet Mr. Money Mustache

*"What do you mean you retired at 30?"*

This is a blog about money. We're going to cover a lot of ground and make plenty of amusing side trips into lifestyle and culture issues, but when it boils down to it, we are talking about money, and the freedom it can give you. Freedom from worry, and freedom from most forms of bullshit. And the best way to illustrate such freedom is to have an opinionated but wise role model guide you through your daily life from this point onwards. That role model is ME, Mr. Money Mustache.

I'm going to teach you a radical new way to think about and enjoy money that will get you off of your current debt-powered treadmill and into a lifestyle that is completely unimaginable to most people where I live, which happens to be in the United States, ground zero for self-imposed treadmills.

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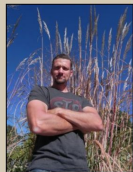
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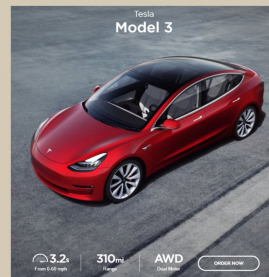
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 Search

May 8, 2019

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## Our Shared Ongoing Battle To Not Buy A Tesla



Like you, I am pretty much resigned to the fact that I'm going to have to buy a Tesla at some point.

I can tell because I have read every last scrap of Tesla news and inadvertently memorized every last technical [detail](#) about the company and their cars and [energy storage](#) systems that has ever been printed or YouTubed. Since about 2012. When this happens to me for *any* product, whether it's a new laptop or a different vehicle or a house in a certain neighborhood, I usually end up buying it.

The purchase tends to happen when the list of justifications builds up to a tipping point where it starts to seem sensible. For the Tesla, these justifications are things like:

- *"I strongly support the company and its mission. Unlike almost any other big company on Earth,*

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# Second Epiphany

Not only can I become financially independent, but HOW I achieve that goal will actually make me happier NOW

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Not only can I become financially independent, but HOW I achieve that goal will actually make me happier NOW



# What is FIRE?

A movement to become Financially Independent and/or Retire Early

## Goal

Become financially independent by accumulating assets until the resulting passive income provides enough money for living expenses in perpetuity.



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A STEP-BY-STEP GUIDE  
TO HOSTING A SUCCESSFUL EVENT



## BOOK YOUR OWN SCREENING

Fri, May 10, 2019, 8:00 AM – Wed, Jul 31, 2019, 9:00 PM

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TO HOSTING A SUCCESSFUL EVENT

## CAMP MUSTACHE

HOME

GUIDING PRINCIPLES



# How can this be?

So, what one must do to become a financially independent badass?

Recall - the goal of FIRE is grow your assets such that you can live off the passive income. This implies at least two important questions:

1. How do you know you have enough assets such that you can live off the passive income they generate?
2. How does one go about accumulating those assets?

# The 4% Safe Withdrawal Rule

The [rule](#) that you can safely withdraw 4% of your total assets per year without depleting your assets\*.

In other words, you will need 25 times your estimated annual living expenses in assets to safely retire:

- If my net expenses are \$30,000/year, that means I need  $25 \times \$30,000 = \$750,000$  in order to safely retire.

\* as with all things financial and in life, nothing is guaranteed

# The 4% Safe Withdrawal Rule

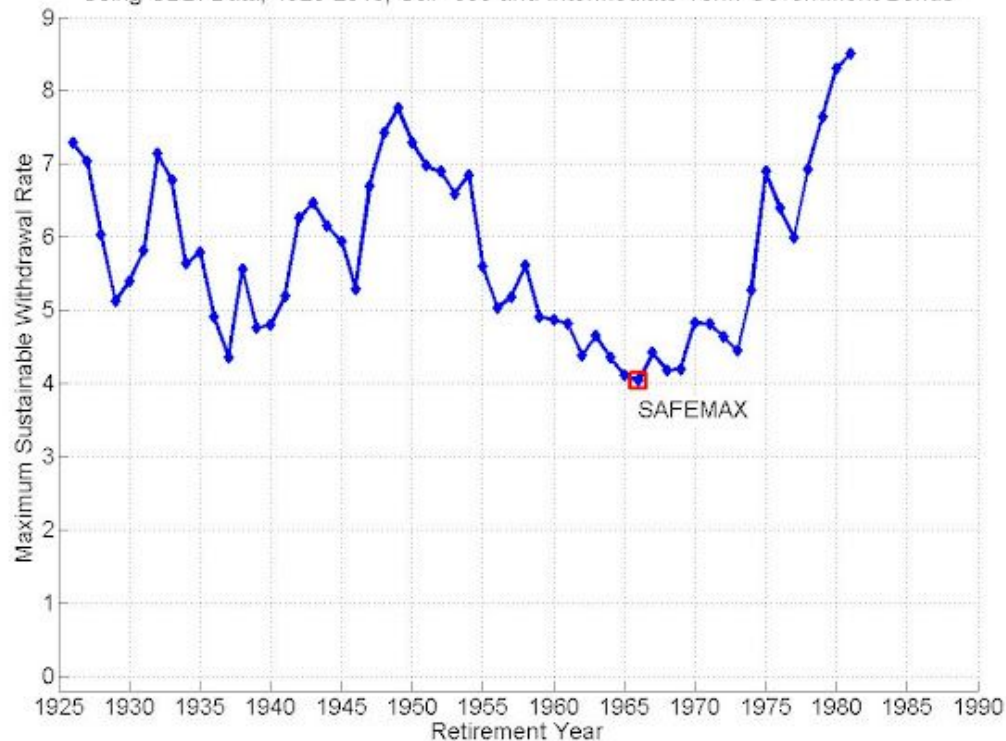
How do we know this? The data, of course.

- The [Trinity](#) study
- Other [simulation](#) studies

**Figure 2.1**

Maximum Sustainable Withdrawal Rates

For 50/50 Asset Allocation, 30-Year Retirement Duration, Inflation Adjustments, No Fees  
Using SBBI Data, 1926-2010, S&P 500 and Intermediate-Term Government Bonds



<b>Table 2.1</b> Portfolio Success Rates Inflation-Adjusted Withdrawals For Various Withdrawal Rates, Asset Allocations, and Retirement Durations Using S&P 500 and Intermediate-Term Government Bonds										
	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%
<b>100% Stocks</b>										
15 Years	100	100	100	90	82	73	70	59	46	37
20 Years	100	100	91	80	70	61	47	42	30	17
25 Years	100	98	80	69	59	49	38	30	20	8
30 Years	100	93	75	63	50	36	30	18	7	5
35 Years	100	90	73	53	47	29	24	12	6	2
40 Years	100	89	70	54	37	30	24	11	2	0
<b>75% Stocks</b>										
15 Years	100	100	100	97	85	75	63	52	42	23
20 Years	100	100	94	79	67	52	44	27	15	5
25 Years	100	100	82	66	54	41	26	13	3	0
30 Years	100	98	75	54	41	29	7	2	0	0
35 Years	100	92	65	49	31	20	2	0	0	0
40 Years	100	91	65	43	30	7	2	0	0	0
<b>50% Stocks</b>										
15 Years	100	100	100	100	83	73	54	39	24	3
20 Years	100	100	98	77	59	38	29	6	2	0
25 Years	100	100	84	56	38	20	8	2	0	0
30 Years	100	100	66	39	16	4	0	0	0	0
35 Years	100	96	53	27	0	0	0	0	0	0
40 Years	100	85	43	15	0	0	0	0	0	0
<b>25% Stocks</b>										
15 Years	100	100	100	99	75	59	41	21	8	1
20 Years	100	100	94	61	42	23	9	2	0	0
25 Years	100	100	62	39	16	10	2	0	0	0
30 Years	100	86	38	11	4	2	0	0	0	0
35 Years	100	67	12	0	0	0	0	0	0	0
40 Years	98	39	4	0	0	0	0	0	0	0
<b>0% Stocks</b>										
15 Years	100	100	99	89	61	35	25	14	3	0
20 Years	100	94	74	35	27	12	3	0	0	0
25 Years	97	77	31	20	10	3	0	0	0	0
30 Years	80	38	13	4	2	0	0	0	0	0
35 Years	69	18	0	0	0	0	0	0	0	0
40 Years	57	4	0	0	0	0	0	0	0	0

Source: <https://retirementresearcher.com/the-trinity-study-and-portfolio-success-rates/>

# Soooo... How?

So, what one must do to become a financially independent badass?



# Soooo... How?

How does one become a financially independent badass?

1. Eliminate all\* debt
2. Reduce your spending
3. Invest your savings
4. Get philosophical

That's it.

\* mortgage debt can be the one exception

# Disclaimer

My intention is not to judge anyone's lifestyle or imply that anyone's spending choices are "wrong". Ultimately, how you spend your money is your decision and should be based on what you value.

# Eliminate Debt

All consumer debt is bad. Pay off any debt you have IMMEDIATELY.

If you borrow even one dollar for anything other than your primary house or a profitable investment, the very next dollar you can get your hands on should go to paying that back.

# Eliminate Debt

All consumer debt is **NEEDLESS** and should be **ELIMINATED IMMEDIATELY**.

If you borrow even  
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any house or a  
ds on should go to

# Reduce Spending

There are two ways to increase your wealth: earn more or spend less.

Reducing your spending is an easier short-term route and something that YOU have control over. Also, it is MUCH more impactful than you may realize.

# Reduce Spending

Think of the impact your spending habits have over a long period (10 years):

- To calculate a weekly expense compounded over ten years, multiply the price by 752
  - Bring your own lunch instead of buying:  $\$8 \times 4 \times 752 = \$24,064$  saved
  - Skip the morning Starbucks/DD coffee run:  $\$3 \times 5 \times 752 = \$11,280$  saved
- To calculate a monthly expense compounded over ten years, multiply by 173
  - Reduce monthly cable bill from \$140 to \$40:  $\$100 \times 173 = \$17,300$  saved
  - Get rid of your car payment:  $\$330 \times 173 = \$57,090$

Total savings over 10 years: \$110,000

# Reduce Spending

Think of the impact your spending habits have over a long period (10 years):

- To calculate a... multiply the price  
by 752
  - Bring your c...
  - Skip the m...
- To calculate a... multiply by 173
  - Reduce mo...
  - Get rid of y...

Total savings over 10 years: \$110,000



# Reduce Spending

Other ideas...

- Move closer to work
- Don't borrow money to buy cars - and only buy reasonable ones
- Cancel (or drastically reduce) your cable service
- Cut back your cell phone plan
- Reduce number of times dining out for lunch and dinner



# Reduce Spending

Try:

Audit your weekly and monthly recurring expenses. How many of these are expenses that you could do without? Give it a shot.

# Invest your Savings\*

## Do:

- Invest in boring stock index funds
  - Vanguard STI, Betterment Total Stock Market Fund
- Work towards maxing out your 401k

## Don't

- Put your money in a “savings” account. The best ones these days won't even beat inflation

\* I am not a financial expert

# Invest your Savings

Why invest in stocks? Historically, very few investment types beat the stock market:

- The stock market average yearly rate of return is 7%.

Why invest in indexes? You can't beat the stock market. You're fooling yourself if think you can.

# Invest your Savings

Why invest in stocks? Historically, very few investment types beat the stock market.

- The average yearly rate of return is 7%.

Why not invest in bonds? They don't beat the stock market.



# Invest your Savings

Why invest in stocks? Historically, very few investment types beat the stock market:

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Why invest in indexes? You can't beat the stock



# Invest your Savings

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- 

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# Get Philosophical

Ask yourself:

If I didn't have to work... what would I do? How would I spend my time?

That leads to... what actually makes me happy? What do I value? Things like meaningful work with lots of autonomy, a fulfilling private life, sense of community, physical and mental health, freedom of choice, and a philosophy of life.

# Objections

“You can’t take your money with you when you die, buddy. How’d you like to die tomorrow after scrimping and saving for your whole life, never having spent your money?”

“I happen to like driving around in a nice car. There’s no way I’m going to bike to work all week and work hard every day just so I can drive around in a \$5,000 POS on the weekends”

“I like to buy myself something nice a few times a year. What’s the harm as long as I’m staying within my budget?”



# Objections

“Why would I want to retire? My career is fulfilling and I love my job!”

“I have kids! There is no way I can afford to do this while supporting my family. How will I ever afford to put them through the outrageously expensive liberal arts college that they will undoubtedly be attracted to?”

“What about health insurance? It's it like a gazillion dollars a month for an individual or family health insurance plan when not through an employer?”

“I'm already close to retirement so I don't really have to think about this stuff anymore. It's already taken care of.”

# Objections

“I like my life just the way it is. I don’t need to become financially independent to be happy.”

“Wait... what if everyone in the United States adopted a FIRE mentality? Isn’t our economy primarily driven by expectations of increased consumption on a population and per-capita basis over time? Wouldn’t society as we know it collapse?”