

Financial Independence

DISCLAIMER

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What is FI?



- Financial Independence is closely related to the concept of Retiring Early and pursuing to do what you want with your time.
- At its core, it is about maximizing your savings rate to achieve FI and have the freedom to retire as fast as possible.

"Work is better when you dont need the
money."

-- Mr. Money Moustache

The 10,000 Foot View

"Spend less than you earn.

Invest the surplus.

Avoid debt."

-- JH Collins

The Simple Math Behind Early Retirement

Time to reach retirement depends on one factor:

Your savings rate,
as a percentage of your take-home pay

Savings Rate (Percent)	Working Years Until Retirement
5	66
10	51
15	43
20	37
30	28
40	22
50	17
70	8.5
80	5.5
90	under 3
100	Zero

The 4% rule

You are ready to retire
once you can live on 4% of your savings per
year.

Phases of FI

1. Getting out of debt
2. **Building wealth**
3. Preserving wealth

How?

Get Out of Debt

- Pay off highest interest loans first
- etc...
- See Dave Ramsey for more info

Get Frugal

Reduce Phone Costs

Average phone bill = \$73

"Unlimited" plans are not worth it

Use a cheap no-contract MVNO instead

Pay \$0 to \$30 per month

Yearly savings (\$25 vs \$60) = ~\$400 / per line



Eat Out Less

On average Americans spend \$1000 to \$3000
a year on eating out for lunch

Yearly savings (BYOL) = ~\$700

Buy a Gently Used Car



Yearly savings of buying a 2 year old car =
~\$700

Ride a Bicycle



- Bikes are inexpensive
- Require no insurance, registration, license, parking spaces
- Easy to own (storage, upkeep, replacement)
- Saves time and money for not going to the gym
- Reduces medical spending
- Bonus:
 - Biking is statistically safer than driving
 - **Increases your lifespan!**

Yearly savings by biking instead of driving =
~\$8000

Budgeting



YNAB.



**PERSONAL
CAPITAL**

Couponing

Investing

Put your savings to work

Investment Risk vs Reward



Risk Tolerance



Emergency Fund

Keep 0 to 9 months of your living expenses in liquid cash (bank account) depending on your tolerance.

Low fee, Total stock market, Index funds

- An index mutual fund is said to provide broad market exposure and low portfolio turnover.
- Total stock market means it tracks all publicly traded US companies, weighted by the market. When companies get too small, they get filtered out of the index.
- Index funds usually have only %10 the management fee of managed mutual funds.

Warren Buffett says for most people their
investments should be:

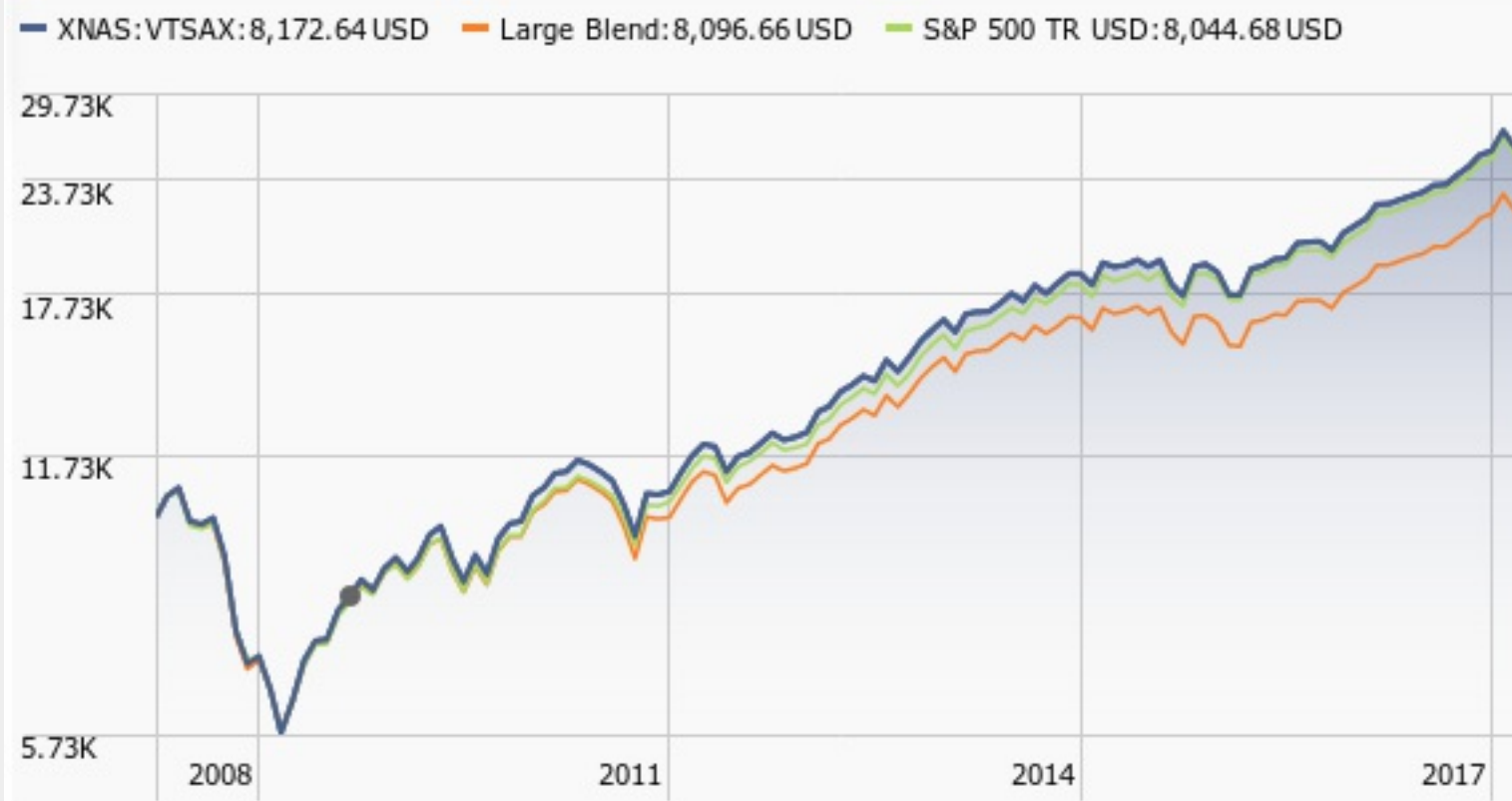
90% index funds, 10% bonds

Example funds

- Vanguard: VTSAX, VTI
- Schwab: SWTSX, SCHB
- Fidelity: FSTMX

If you dont have access to Total stock market:

- Find a broad market index
- Or something that tracks S&P 500 or Dow Jones, etc.



Top Holdings VTSAX

	Weight %
⊕ Apple Inc	2.95
⊕ Microsoft Corp	2.59
⊕ Amazon.com Inc	2.22
⊕ Facebook Inc A	1.52
⊕ JPMorgan Chase & Co	1.44

Example returns

Start with \$10k in a saving account

- Bank savings rate = %0.5
- Federal interest rate (40 year avg) = %5
- Stock market growth = %8

Put in an total stock market for 30 years:

do nothing = \$100k

add \$500/month = \$855k

Index Investing Principals

There Is a Major Crash Coming!

- Crashes are inevitable
- Always expect them

You Cannot Time the Market

- No one can tell the future
- Don't believe anyone on TV who says they can

The Market Always Goes Up

Invest for the long term

- Over the last 40 years the average yearly market increase is %12.6
- over the last 100 years the average yearly market increase is %12

— \$INDU (Monthly) 17873.22
Volume 6,445,230,592

© StockCharts.com

The history of "This is the top."

DOW Jones 1900 - 2016



Dont Get Cold Feet

- Those who leave money in the market longer tend to have better returns.
- The people who perform best with funds are:
 - people who forgot about their investments
 - people who are dead

Keep Disciplined

- Dont wait to invest
- Put money in regularly

Low Effort Self Management

Takes a couple hours a year to check up on and
rebalance if you want

Diversification

- Total stock market index has 3000+ US companies.
- But if you want more diversification there are index funds for developing countries and developed non-US countries, specific sectors.
- Or bonds, gold, real estate, etc. (see risk vs reward)

My Plan

- Treat the index fund like my 401k and put in a fixed amount every month
- Keep 90% in total stock market (including retirement accounts)
- %10 in cash
- When I turn 50 I will start to rebalance %25 into bonds (wealth preservation)

Tax Optimization

Reducing Taxable Income

- 401k - retirement = \$18.5k / year
- IRA - retirement = \$5.5 / year
- HSA - like a long term investable FSA = \$3.4k / year
- 529 - college savings = \$475k / lifetime in CA
- 457 - teacher savings plan = \$35k / year
- deductions, stock donations

Credit Card Rewards

Churning is the practice of signing up for credit cards that offer large signup bonuses in the form of miles, points, or straight cash back for the purpose of obtaining the bonus before canceling the card.

**Will this Affect my
Credit Score?**

Example

- Get a Chase credit card
- Spend \$2k in the first 3 months
- Recieve bonus of 50k travel points

Every 3 months open a new card and repeat

Example plan

- Chase Southwest Premier Business = 60k points
- Chase Southwest Plus = 50k
- Chase Sapphire Preferred = 50k
- Chase Sapphire Reserve = 50k
- Chase Ink Business Preferred = 80K
- United MileagePlus Explorer = 50k
- Chase Freedom = \$150

2 years later you have ~300k points worth
~\$4k in flights/hotels/car rentals

Read the entire chart and all notes before starting to apply for credit cards! If you have any questions or are looking for a very specific award redemption, post in What Card Wednesday or the Daily Question thread!

flowchart by /u/kevlarlover

last updated on 3/9/2018

made prettier by /u/goatfresh

Are you under 5/24?

Yes

No

Do you want the SW Companion Pass?

Yes (or your focus is cashback)

No

Are you focusing on travel or cashback?

Travel

Cashback

Get however many of these cards you can (given your 5/24 status) in the order most valuable to you. Except for CSP/CSR and final double-dip, recommended application rate is 1 new card every 3 months***! My suggested app order:

1. SW Business OR Ink Preferred
2. SW Plus**
3. SW Premier**
4. CSP **and** CSR*
5. United MPE (or Chase Freedom, if focusing on cashback)
6. Marriott (or Chase Freedom Unlimited, if focusing on cashback)

Check the bonuses for the SW Plus and Premier - they typically range from 40k-60k. Since you need 110k in the same calendar year for the SW companion pass, you may need also \$10k-\$30k of MSed or organic spend on the personal cards, or you need to get the SW Biz card instead of (or, if you're lucky, in addition to) the Ink.

Unless you are 4/24, you can be somewhat flexible in the order you apply for cards!

When under 5/24, you can decide how many Chase biz cards to go after - see box "Notes on Chase Cards".

Get however many of these cards you can (given your 5/24 status) in the order most valuable to you. Except for CSP/CSR and final double-dip, recommended application rate is 1 new card every 3 months***! My suggest app order:

1. Ink Preferred
2. CSP **and** CSR*
3. United MPE
4. Marriott
5. SW Plus**
6. SW Premier**

(Even if you never fly SW, SW miles can be redeemed for Amazon credit for 1 cent per mile.)

Unless you are 4/24, you can be somewhat flexible in the order you apply for cards!

When under 5/24, you can decide how many Chase biz cards to go after - see box "Notes on Chase Cards".

This is where things get even more subjective - essentially, you should start working your way down the list from biggest sign-up bonus to smaller bonuses (while taking into account banks' application rules and sensitivity to inquiries), which is both subjective and an ever-changing target. However, here's a good default list to follow; please tailor to your needs.

To maximize your odds of approval, you'll want to spread applications around among banks over time (except where strategically combining HPs), and respect banks' application rules (Amex's 2/90, Citi's 8/65 and 6/6, Chase's 2/30, BoA's 2/3/4, etc. Check out the guide to banks' anti-churning rules here: <http://redd.it/819r08/>):

1. Barclays Arrival+ (if desired, apply immediately after applying for final Chase cards, due to 5 or 6/24 rule)
2. US Bank Altitude (don't buy gift cards [not even retail GCs] on this card)
3. Citi AA Platinum if under 6 inquiries in past 6 months
4. Barclays AA
5. CitiBusiness AA if under 6 inquiries in past 6 months
6. (US Bank, Citi, and Barclay are usually more inquiry sensitive than other banks on this list - the order of the cards below this line is more flexible)
7. Targeted 100k Amex personal platinum offer (if you have no Amex cards at the moment)
8. Non 5/24 Chase cards, if desired (IHG, Hyatt, Ritz, BA Visa, Marriott biz) - **TREAD CAREFULLY** (read Chase Card notes***)
9. Some Citi TY card if under 6 inquiries in past 6 months - hold out for a 50k+ TY point bonus
10. A BoA app-o-rama - Premium Rewards, Alaska Biz, and one of the Alaska Pers., Asiana, or Virgin Atlantic
11. CNB Crystal Visa (bonus disappears and reappears - get it when the bonus is 50k+)
12. Amex SPG (combine with 1 or more charge card applications)
13. Amex SPG Biz (combine with 1 or more charge card applications)
14. The Amex charge cards - PRG, BRG, Biz Plat, 25k Green, etc. (and personal Plat, if no 100k offer for you)
15. Amex Delta and Hilton cards
16. Capital One Venture

The list of great cashback cards is shorter (send me additions, if you have them).

For cashback sign-up bonuses:

1. Capital One Spark
2. Wells Fargo Business Platinum (be sure to pick the cash back option in app for the \$500 bonus)
3. Wells Fargo Propel World (avail. via phone app ONLY until March 31- call 1-800-932-6736)
4. Arrival+ and Capital One Venture (they're "travel" cards, but there are ways to redeem the bonuses essentially for cash)
5. US Bank Altitude
6. BoA cards - Premium Rewards and cards with \$200+ cashback bonuses - apply for 2 pers. and 1 biz in one day)
7. CNB Crystal Visa (bonus disappears and reappears - get it when the bonus is 50k+)
8. Amex MR cards (start with a targeted 100k personal Plat) - with a Schwab Platinum, MRs can be redeemed to a Schwab account for 1.25 cents each
9. Amex BCP

For ongoing cashback earning (you'll probably want to grab several/most of these so you can be earning 3-5% on as much of your spending as possible):

1. Amex BCP or BCE
2. Discover It
3. Chase Freedom (PC a CSP or CSR to this)
4. US Bank Cash+
5. Alliant Visa Signature
6. Fidelity 2% Visa or Citi DoubleCash (DC only worth it if it's a PC from a Citi TY Premier or AA with a 50k+ sign-up bonus - there's usually no DoubleCash sign-up bonus, but TY points can be redeemed for 1 cent/point)
7. Citi Costco Visa (only worth it if it's a PC from a TY Premier or AA with a 50k+ sign-up bonus)
8. Wells Fargo Rewards (5X on \$12.5k in gas, grocery, and drugstore for first 6 months)

NOTES FOR NEWBIES:

If you are new to credit card churning: Please go read all of the resources on the /r/churning sidebar before starting to apply for cards.

If you are just starting out with CCs in general and have a thin credit file, you will probably need to build credit history before going for the bigger cards listed in this guide.

In that case, the best starter cards (in my opinion) are the Chase Freedom and

Discover It - get one (or both), use them responsibly for several months / a year to build your credit history, and then you can start with the other cards in this guide.

If you're a student and need to build credit history, the best starter cards are the Discover It Student and/or a Capital One student card. You might also be approved for a Chase Freedom, but you're almost guaranteed to be approved for Discover and Capital One student cards.

If denied, call recon. If denied again, HUCA!

GENERAL NOTES:

This flowchart obviously won't cover every situation, and it doesn't take into consideration reaching a specific destination; **the advice here aims to maximize your points and miles in general (particularly flexible points) with an eye toward travel**, especially international F and J travel. But, it will not account for every increased sign-up bonus going on at any given time - **this is a general (and subjective) guide, not absolute truth.**

To be clear about my point of view, **this guide treats flexible, transferable points (URs and MRs) as the most desirable currencies.** (Citi TYs are also desirable, but with Citi's 24 month rule, it's hard to acquire large numbers of TY points easily, so TY points don't feature prominently in this guide.)

This guide treats AA, SW, United, and Alaska miles as roughly equally desirable, with Delta, BA, and other currencies slightly less desirable. **Valuation of airline miles is personal, highly subjective, and very dependent on your individual travel goals**, so you should take this list as a general guide but customize your plan based on your travel goals (e.g., AA miles may be less useful to you if you can't easily get from point A to point B with AA miles).

Also, **this guide assumes that you have no problems meeting any minimum spends** - if meeting minimum spends is an issue for you, you have additional value considerations to make that are beyond the scope of this flowchart. **The guide also assumes you're fine with grabbing business cards** - there's really no reason to avoid them, so this guide doesn't.

Obviously, **it is your responsibility to evaluate the pros/cons of any particular credit card for yourself and to plan to meet the minimum spend** - you shouldn't be applying for credit cards just because some guy on the internet told you to.

Keep in mind that **credit card churning is a marathon, not a sprint** - it will take multiple years to grab most/all of the cards listed on this page.

It's also your responsibility to **ensure you're applying for the best bonus available**, especially for Amex cards.

If there are terms, jargon, etc. that you don't understand, read the /r/churning wiki: <https://www.reddit.com/r/churning/wiki/index>

And be sure to **use referral links where possible**, to pay it forward to a member of the sub: <https://churning.rankt.com/referrals/>

Send any comments on or improvements to the flowchart to /u/kevlarlover - and **good luck with your apps!**

-/u/kevlarlover

16. Capital One Venture
17. US Bank FlexPerks (when the Olympic promo is going on)
18. Other cards - Club Carlson, Wyndham, etc.

Specialty card: if you travel a lot for work, can book your own hotel, pay for it with your own card, get reimbursed, and **have a lot of paid hotel stays of 4+ nights**, get the Citi Prestige ASAP - the 4th night benefit will be more valuable to you than any other single card.

Best travel cards for ongoing/unbonused spend - pick your favorite currency:

1. For SPGs: Amex SPG Biz
2. For MRs: Amex Blue Biz Plus
3. For URs: Chase Freedom Unlimited (get by PCing CSP or CSR)

NOTES ON TIMING:

If you are near 5/24, it might be worth waiting until you are under 5/24 again, instead of grabbing a ton of new cards immediately. **It's up to you how long a wait is worth it** - personally, I would definitely wait a few months; I probably wouldn't wait 8+ months. Inbetween...?

You should regularly check BOTH online AND in a Chase branch for any Chase CC preapprovals - **these get around the 5/24 rule** (but do not appear to get around the new "one Sapphire" product bonus rule).

Citi targeted mailers get around Citi's 24 month limitation, and Amex sends out targeted mailers that don't have the once-per-lifetime limitation.

The optimal time to get the SW cards is so that all **bonuses** post in Jan/Feb, giving you the CP for almost 2 years.

Some of the premium cards (Amex Platinum, Amex PRG, Citi Prestige, Ritz, etc.) offer calendar-year airline/travel credits - if you apply at just the right time (usually Nov.-ish, depending), **you can triple-dip the credit** in your first card year before downgrading/canceling.

My thanks to /r/churning in general for being a great community and for all the info needed to keep this chart up-to-date, **to the mods**, and **to these users in particular** for comments that improved the flowchart or notes: /u/aoechamp, /u/the_fit_hit_the_shan, /u/pizzywoah, /u/PeteyNice, /u/Renaud04, /u/BrainSurgeon, /u/Idontwantaname123, /u/mk712, /u/blinyellow, /u/milespoints, /u/GamingBuck, /u/bullfrog23414, /u/Soulsandwich, /u/sidek021, /u/preston_f, /u/AtSomePointItMatters, /u/Blaize122, /u/pawfee, /u/dragonflysexparade, /u/duffcalifornia, /u/DanmakuLife, /u/nmperson, /u/mikep4, /u/Foxua, /u/Heartlanta, /u/Chong786, /u/akdb8r, /u/caedin8

NOTES ON CHASE CARDS:

* In spite of Chase's new "One Sapphire" product rule, DPs suggest that **you can still get both the CSP and the CSR (and sign-up bonuses)** if you do same-day, different-browser apps for both cards and if it's been at least 30 days since your most recent Chase app. (Note that getting both will require \$8k of minimum spend in 3 months!) This does seem to be somewhat YMMV, but you can maximize your chance of success by starting early in the day, on a non-holiday weekday. Apply for the card you want the most first. Get it approved (call recon if not auto-approved - 1-888-270-2127); once approved, apply for the second card with a different browser or incognito and get it approved (again, call recon if not auto-approved).

** It was rumored that Chase would stop letting people get both SW personal cards, but as of this writing, getting both is still possible. Check the SW megathread before applying: <http://redd.it/7j6bkh/> - you will likely be able to get both with same-day, different-browser apps, even if current SW cardholders can't get a 2nd pers SW card.

***Chase shutdowns are becoming more common (see <http://redd.it/7jb8mp/> - the main causes appear to be 1. applying for too many Chase cards too quickly, and 2. applying for a new Chase card if 15+/24, including non-Chase cards. **Since churning is a marathon, I recommend getting an average of 1 new Chase card every 3 months while below 5/24 (keeping in mind double-dips), and not applying for any new Chase cards at all if you're 15+/24.**

The Ink Preferred (and other Chase biz cards) *usually* don't count against 5/24. **When you're at 4/24, apply for your final 2 5/24 cards on the same day with different-browser apps** - there's a good chance both of them will go through.

Though Chase often won't allow you to have more than 1 biz card at a time, more and more people are reporting success, so **you can decide if you want to add additional biz card apps before you hit 5/24** (Ink Preferred, SW, United, and/or Ink Cash).

If you're focusing on cashback, note that URs can be redeemed for 1 cent each; SW points can be redeemed for 1 Amazon cent per mile; United miles can be redeemed for 0.6 Amazon cents per mile.

Be sure to respect Chase's 2/30 rule. Chase may deny you for too many apps too quickly even if you respect 2/30.

Note that **you can sprinkle in biz card apps** from Amex, BoA, and Citi while chasing Chase 5/24 cards, since those don't count against 5/24.

FI Community

There is an active community with many schools of thought, debates, books, blogs, podcasts, gatherings, etc.

Quality of Life / Early Retirement

- Raising or home schooling your children
- Hobby development
- Volunteerism
- General happiness

Life Hacking

- DIY home repairs
- Side hustles
- Being healthy (exercise and diet)
- Grocery budgeting
- Geographic arbitrage

Tax Hacking

- HSA investing
- Asset location
- Mega backdoor Roth
- Roth conversion ladder
- Occupational arbitrage

Resources

- [Simple Path to Wealth, JL Collins](#) (Book)
- [Mr. Money Mustache](#) (Blog)
- [ChooseFI](#) (Podcast)
- [r/FinancialIndependence](#) (Forum)
- [r/churning](#) (Forum)
- jonocodes.github.io/whyfi (This Talk)

TL;DR

Put savings into total stock market index fund