

# FIRE for Bogleheads

PRESENTED BY: CHRIS MAMULA

#### Chris Mamula

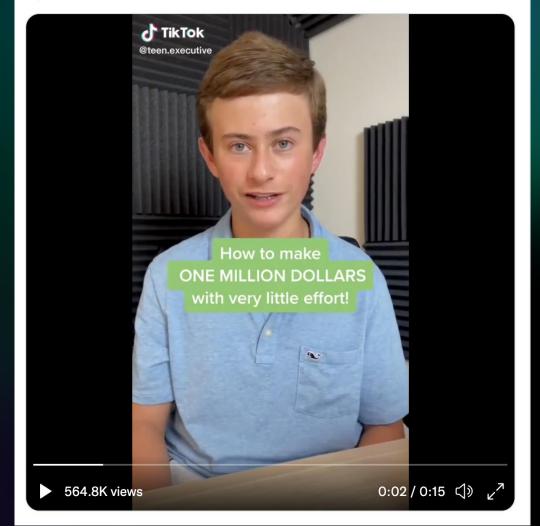
- Blog: Can I Retire Yet? (CanIRetireYet.com)
- Primary Author: Choose FI Your Blueprint to Financial Independence

# Excited to share FIRE principals with the Boglehead community!

- Thank you to Rick Ferri and Christine Benz for:
  - Being open minded skeptics about FIRE.
  - Inviting me here to share FIRE principles with the Boglehead community.
- How many people perceive the FIRE community:

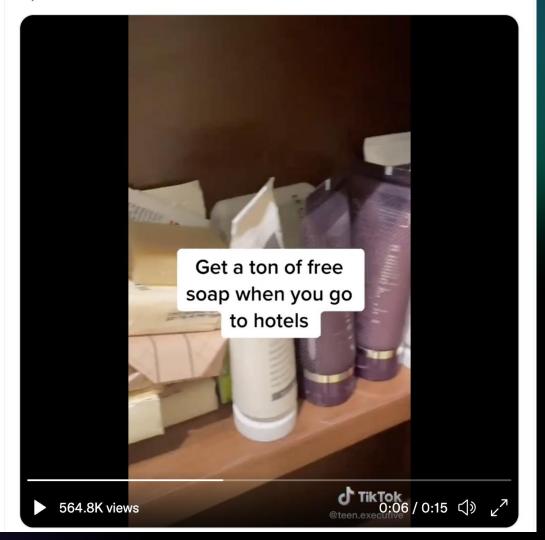


- 1) Steal hotel soap
- 2) Invest savings in S&P
- 3) Become millionaire



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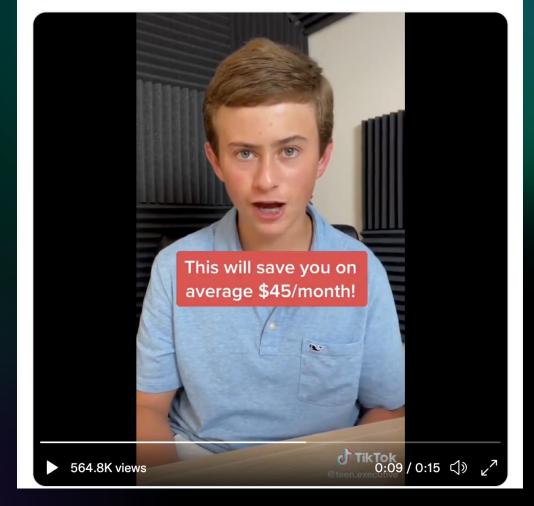
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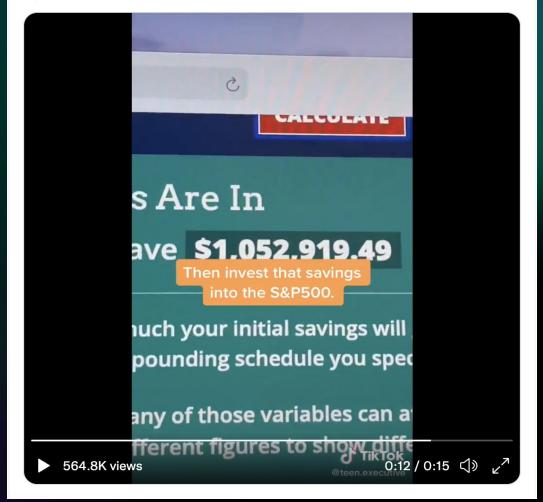
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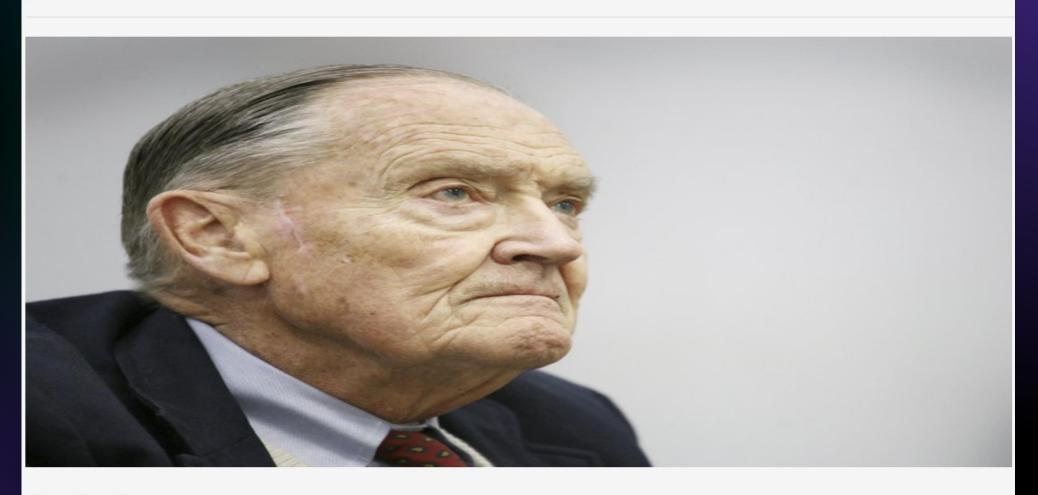


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#### 40 years after his "folly," Bogle's index funds reign

By STAN CHOE January 22, 2019

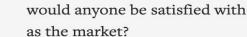






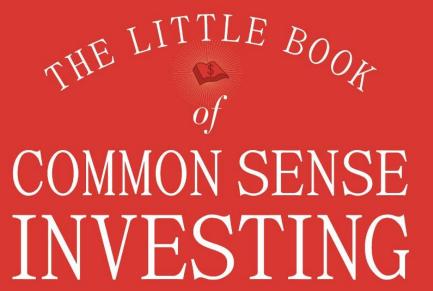
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"Rather than listen to the siren songs from investment managers, investors—large and small—should instead read Jack Bogle's The Little Book of Common Sense Investing."

-WARREN BUFFETT



The Only Way to Guarantee Your Fair Share of Stock Market Returns

10th ANNIVERSARY EDITION | UPDATED & REVISED

#### JOHN C. BOGLE

Founder and former chairman of the Vanguard Group

# Excited to share FIRE principles with the Boglehead community!

- My 2 Goals Today:
- To challenge misconceptions of FIRE, what it means to pursue it, and how it applies to those who embrace the Bogleheads' investment philosophy.
- 2. To demonstrate "Common Sense" principles of FIRE that are applicable to many people which makes me believe this is also an idea that will still be around in another 40 years.

### Addressing 3 Common Misconceptions About FIRE

- There are many misconceptions about FIRE.
- I will address a few of the most common and egregious of them...
- As we go, I will challenge you to turn them around to prompt better questions about the role that money plays in your life.

## Myth #1: F.I.R.E. requires an extreme lifestyle.

- Must earn a massive amount of money (or be born into wealth).
- Must deprive yourself and practice "Extreme Frugality."
- Must have special investing prowess and earn outsized investment returns.

- Both first generation college graduates.
  - Wife worked full-time while in college full-time and had \$0 parental assistance.
- Neither of us ever earned \$100k in a single year.
- Made MANY mistakes with investing over a decade before eventually stumbling upon the Bogleheads' philosophy which we now fully embrace.

#### Valuists

• Focus on spending money freely on things that add value to our lives while relentlessly cutting spending on things that don't.

- Areas that could be perceive as "extreme frugality" include:
  - Minimizing any Debt (except a mortgage and minimal school loans)
  - Cars
  - Clothing & Jewelry
  - Presents
  - Technology

- Areas where we are absolutely not frugal:
  - Living where we want
  - Experiences
  - Travel....

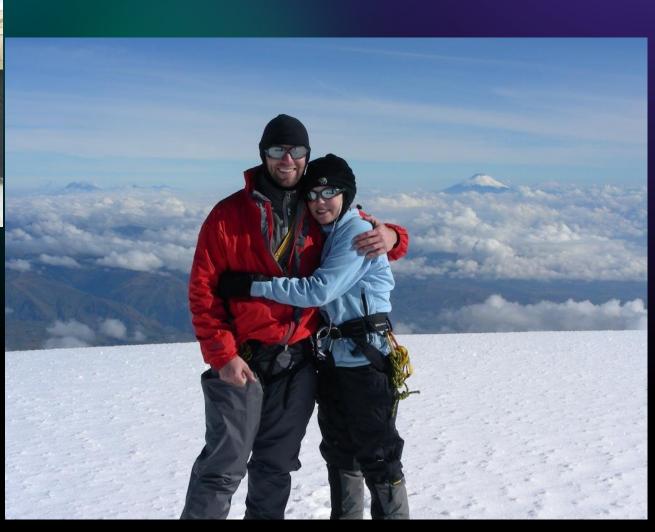


















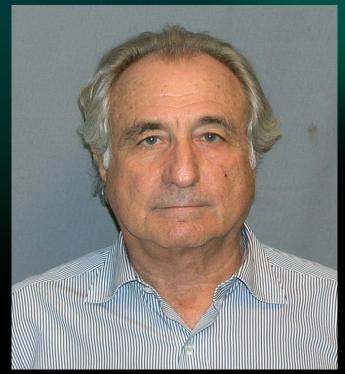






#### 1st Question to Ask Yourself:

 Are you a valuist? (i.e.--Do YOU Spend YOUR Money In Alignment With YOUR Values?) Myth #2: F.I.R.E. people don't really retire. It's a Ponzi scheme and they're just "selling the dream."



Bernie Madoff (FYI – Not in the FIRE Community!)

#### My F.I.R.E. reality

 On December 1, 2017 I quit my job as a physical therapist at 41 years of age.

#### My F.I.R.E. Reality

- Since then, I have
  - Published a book
  - Partnered on and then taken over one of my favorite blogs
  - Completed CFP curriculum (& currently preparing for CFP exam)
  - Begun public speaking and have appeared on many podcasts to promote my ideas....

### My F.I.R.E. reality

AKA....I still WORK!

#### Also My F.I.R.E. reality

- 80% reduction in income.
- Rarely if ever work >3-4 hours in any day.
- Walked away from paid vacation, sick leave, and great health care benefits.
- Moved to mountain town where I get outside and am active at least 4-5 days/week.
- Extremely involved in my daughter's life including regularly volunteering at her school, coaching her soccer team, traveling as a family, and generally being present.

### Also My F.I.R.E. reality

AKA....I Kind of Retired!

#### 2<sup>nd</sup> Question to Ask Yourself:

- How do YOU want to define YOUR retirement?
- In traditional retirement, many people:
  - Struggle to find purpose and meaning → depression.
  - By the time they reach retirement they worked and saved for:
    - Experience scarcity spending money from a portfolio.
    - No longer have the health to do the things they desired.
    - Kids are grown and have their own families.
- Remember that just because for most people retirement means waiting until you are 60-70 years old, having no earned income, and totally stopping productive work.... that doesn't mean retirement has to look like that for you!

### Myth #3: FIRE relies on the 4% Rule which is naïve and/or uninformed.

- Common rule of thumb in the FIRE community is that you are financially independent when you have accumulated invested assets equal to 25X your annual spending.
- Inverse of the "4% Rule"

#### FIRE Reality

- I don't follow the 4% Rule.
- No one I know of follows the 4% Rule (or considers it a "Rule")
- We use the "4% Rule of Thumb" or "4% Guideline" as a starting point to determine when we are financially independent

#### FIRE Reality

- Bigger and more important point:
  - Those in the FIRE community are asking a question that is rare in our society where everything is more, more, more.....
  - But it is a question that should resonate with Bogleheads....

#### WILLIAM JEFFERSON CLINTON

PROLOGUE BY

TOM PETERS, In Search of Excellence

"Not a great finance book. Not a great business book. A great book. Period."



# Enough. John C. True Measures of Money, Business, Bogle and Life

### 3<sup>rd</sup> Question to ask yourself

 How much is enough for you, and once you have enough what comes next?

### FIRE Principles for Bogleheads

- The specific tactics that any individual uses will vary greatly depending on their individual strengths, weaknesses, desires, and other circumstances.
- The principles utilized to achieve FIRE are universal.

#### FIRE Principles for Bogleheads

- Boglehead investment philosophy is fully embraced by most in the FIRE community.
- FIRE can reliably achieved in 10-20 years.
- A typical career is 40-50 years before traditional retirement.
- Most people are still dependent on Social Security and other social programs in retirement.... i.e. NOT FI!)
- What does the FIRE community do differently than most people?

- We all have only 3 levers we can pull to build wealth and achieve financial independence quickly.
  - 1. Spend Less
  - 2. Earn More
  - 3. Invest Better
- Most people tend to focus on #3.
- Need to focus on #1 & #2!!!!

- Three factors impact compounding:
  - 1. Rate of Return: Passive investing requires accepting the returns that the market gives us.
  - 2. Time to Compound: By definition if pursuing FIRE, your time in the accumulation phase is less than most people have.
  - 3. Principal (amount invested): Must focus on increasing our savings rate.

- Savings Rate = Savings/Earnings OR
- Savings Rate = (Earnings Spending)/Earnings
- Focusing on spending less has a double impact.
  - 1<sup>st</sup> (Obvious): By saving more, you have a larger amount to invest and compound.
  - 2<sup>nd</sup> (FAR LESS Obvious): Learning to be happy while spending less means you need to save far less to be Financially Independent.

- Shockingly Simple Math Behind Early Retirement
- Mr. Money Mustache Blog
- Assumptions:
  - Achieve 5% real return during accumulation
  - Utilize 4% rule in early retirement

Savings Rate (Percent)	Years Until Financial Independence	
5	66	
10	51	
15	43	
20	37	
25	32	
30	28	
35	25	
40	22	
45	19	
50	17	
55	14.5	
60	12.5	
65	10.5	
70	8.5	
75	7	
80	5.5	
85	4	
90	<3	
95	<2	

Savings Rate (Percent)	Years Until Financial Independence	
10	51	
15	43	
20	37	

Savings Rate (Percent)	Years Until Financial Independence	
40	22	
50	17	
60	12.5	

- Zooming In:
  - Many people dismiss the FIRE movement, because of the focus on stories of extreme early retirement.
  - This misses an EXTREMELY important point.
  - The incredibly simple math works exactly the same for those saving between ages 25-35 as it does between the ages of 55-65.

Source: Vanguard How America Saves 2022

Age	Average	Median
<25	\$6,264	\$1,786
25–34	\$37,211	\$14,068
35–44	\$97,020	\$36,117
45–54	\$179,200	\$61,530
55–64	\$256,244	\$89,716
65+	\$279,997	\$87,725

- Advantages of Late Savers vs. "Typical" FIRE:
  - Peak earning years vs. early career
  - Mature family vs. forming family
  - Ability to downsize
  - Greater tax advantages (Catch-up contributions)
  - Decreased Longevity Risk
  - Social Security
  - Medicare

- How to save more to develop a high savings rate?
- Start by focusing on "The Big 3"
  - Housing
  - Transportation
  - Food

- These "Big 3" expenses make up roughly 50% of spending for the typical American household.
- Common Sense
  - If you want to develop a high savings rate, you MUST focus on these three biggest areas of spending.
  - Alternative is to not address the Big 3..... And cut out EVERYTHING else (NOT RECOMMENDED!!!!!)
- For some people, cutting in these areas can feel like sacrifice.

- Once you have a reasonable savings rate you can "throw gas on the FIRE."
- Absolutely will not feel like sacrifice to cut:
  - Investment fees
  - Taxes
  - Insurance
  - Travel expenses using credit card rewards

- The Other Side Equation: Earn More
  - Hack College
    - Gain valuable skills while minimizing costs.
  - Manage Your Career
    - Manage Yourself and Manage Your Employer
  - Build a Network

- Growing Your Savings → Invest Better
  - You're already in the right place!
  - Enjoy the rest of The Bogleheads conference.
  - I wish you the best on your journey to financial independence.

#### Let's Stay In Touch

- Blog: Can I Retire Yet? (CanIRetireYet.com)
- Primary Author: Choose FI Your Blueprint to Financial Independence
- Contact: Chris@caniretireyet.com

THANK YOU!!!!