Your Money

Retire by 45... With $1.5 Million in the Bank

By JESSICA MILITARE *Photographed by* THE VOORHES

EMMA PATTEE, 28, QUIT her marketing job two years ago and plans to never work a corporate gig again. Kiersten Saunders, 34, and husband Julien, 38, were once $200,000 in debt but are on track to retire with a net worth of roughly $1.5 million before they turn 45. A lucky break? Nope. They are part of an exploding community of people who are hacking their finances through frugal living, saving, and investing to retire decades earlier than the U.S. average age of 61. It's called FIRE, which stands for "financial independence, retire early."

While the "retire" part is a loose term—many people still have side gigs—the idea is that FIRE gives you the financial freedom to pursue passion projects and kick the traditional 9-to-5 to the curb. "Previous generations were taught that you work for one company for 30 years and they'll take care of you," says Sophia Bera, a certified financial planner and founder of Gen Y Planning. "Now you have a generation that's going, 'How do I do things differently?'" Sometimes that means taking a radically different approach to money. Here's how some FIRE followers do it.

Keep expenses low and pay off debt

"Many people on the FIRE path figure out how to live in one room for almost nothing and save 80, 90 percent of their income because they see the goal and they want to get there," says Vicki Robin, 73, who learned to consume less in a shared-economy community in the 1970s. Her book *Your Money or Your Life: 9 Steps to Transforming Your Relationship With Money and Achieving Financial Independence* has become a bible for FIRE followers.

Pattee kept her housing expenses low even with the high cost of living in a metropolitan area. "It's possible: When I was making $30,000 in Boston, I spent only $350 a month on rent by living in a bedroom in a cheaper neighborhood," she says. "I made three meals a day and tried to keep them under a dollar, didn't go on dates, and barely traveled."

Kiersten Saunders, who still works as a marketing director, and Julien, who left his marketing job last summer, first paid off, in five years, a combined $200,000 in debt from credit cards, student and car loans, and a mortgage, by keeping costs lean. But they don't deprive themselves: Julien is a trained chef, so they eat well at home,

although they do skip cable and gym memberships. "That's easy to do on a day-to-day level," says Kiersten. And she scrutinizes bigger expenses: "The girls' trip or weddings—I ask myself, Is this worth extending my timeline for whatever goal I had in mind?"

Get a second (or third) income

The side hustle is key to FIRE devotees: Bringing in extra income on top of a full-time job allows followers to sock away money faster (and invest more). At 20, when Pattee was making $30,000 a year at a full-time government job in Boston, she lived with her boyfriend and his parents and took up dog sitting and résumé writing. After a year she had saved more than $9,000. Pattee and her boyfriend broke up, but she continued her FIRE lifestyle and moved to more-affordable Portland, Oregon, where she bought her first house at 21 for $144,000. (FIRE followers often move to lower-cost-of-living areas to make their money go further.) There she worked full-time in marketing, picked up 20 hours a week at side jobs, and rented out the extra rooms in her house. By 26 she had $900,000 in real estate equity after buying several more properties, plus about $150,000 in investment and retirement accounts. That's when she felt comfortable enough to quit her job.

Real estate is a common second income for FIRE followers. Julien Saunders saved for two years to purchase a second home; recently the Saunderses moved into a third home, and they plan to live off the rental income from the other two while continuing to invest in low-fee index funds. Before you dive into real estate, Bera says, think about how much work you want to do—a rental property might keep you from traveling the world on a whim. It also could be risky if you don't have property management experience.

Stay focused on your "number"

Most FIRE folks base their spending and saving rules on their "number," or the amount of money they feel comfortable living on after leaving their jobs. "Take your yearly expenses and multiply it by 25," Pattee says; that's the number FIRE followers generally agree you need to retire. Then follow what FIRE enthusiasts call the 4 percent rule: Whatever your savings or investments, you can withdraw 4 percent each year (adjusting for inflation) to live on. When your 4 percent amount covers your expenses, you can walk away.

"The number I gave myself was $800,000," Pattee says. "I figured that about $30,000 a year would always be enough for a comfortable life and give me the financial freedom to pursue writing full-time." Pattee got married at 25, and while her husband still works as a supervisor for a medical clinic system, she doesn't count his income as part of her financial-independence number. "If we ever got divorced, I would still be financially independent," she says. "That's something I feel really passionate about. So many women don't push for their own financial independence."

Kiersten Saunders says she and Julien don't have an exact number, but more of a feeling that $1.2 million to $1.5 million is right for them. "We plan to live by the 4 percent rule, but we won't rely exclusively on that withdrawal to fund our lifestyle," she says. "We'll still have other income from our rental properties, and we want to pursue other business ventures."

Always invest

Many FIRE enthusiasts also turn to low-fee index funds, which don't have the high fees of an actively managed fund and are a favorite of many financial advisers. And remember, says Bera,"it's time in the market, not timing the market, that adds up."

Even if you can follow the frugal lifestyle of FIRE, it still may not be right for you. Critics warn that FIRE has mostly been accessible to well-off men, and gender and racial pay disparities can make it harder for others to achieve.

And there are risks to leaving the workforce so early, says Robin. Your Social Security benefits may be stunted, and you will be on your own for health insurance. Some people end up going back to their jobs, Robin says, "not because they need the money but because they need the mental challenge." That's why Bera stresses the importance of figuring out *why* you want to retire, and why financial independence is so important to that goal. "Is it so that you can get a job at a nonprofit?" she says. "Or is it that you really want to start your own business?"

Kiersten Saunders isn't looking to convert everyone to FIRE. But there is one thing she wants every woman to do: "At least be financially independent. Get rid of the shame women carry when it comes to talking about money," she says. "FIRE is a form of feminism for me. We've been taught things like 'Money doesn't buy happiness,' and we use that as a catchall as to why we don't need it. But money is absolutely connected to quality of life."

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