

Your Very Own Guide to Becoming Financially Independent



Ever dream of a life where you weren't stuck at your job grinding it out day after day, paycheck by paycheck?

Are you someone that doesn't want to work at a job until your 60s?

Do you dream of living somewhere new and exploring the world instead of being trapped in your office?

If so, you've found the right place.



What is Financial Independence?

It's where you have enough passive income to be *independent* from your job for good.

Wait...that's it?! Yup.

The idea behind financial independence, or "FI" as we call it, is to save and invest to create a level of income that fully replaces your job income. Thus, you become "independent" from your job.

On paper, this is not overly difficult to achieve. Unless you want to live a total baller post-job lifestyle, you don't need tens of millions to be financially free. **You just need to make a plan and stick to it.**



How Do I Become Financially Independent?

Invest to create passive income

Option 1: Put your money in investments that generate passive income, focusing on investments that create dependable, long-lasting passive income. **The Firreo-preferred method.**

5%, 4% portfolio

Option 2: Build a large stock portfolio that annually earns 5% and you take 4% to live on. Theory is you'll "never run out of money". Usually takes a long time to save. Bad stock market years can really hurt.

Roth conversion

Option 3: Roth IRA conversion ladder strategy. Works well but taxes and executing it can be very tricky. Also typically takes a long time to build savings and bad stock years can get you off track.

Each of these options require you to save and build an investment portfolio that you then live off. You save, you invest, and you reap the rewards of being financially secure enough to leave your job.

The 5%, 4% portfolio and the Roth conversion carry similar risks. Both can be solid strategies but the risks include...

- **You live off the savings you've accumulated, which erodes the amount of the investment portfolio balance over time.** Let's say you need \$80,000 a year to live on and you have \$1 million in investments. If it earns 5% this year, that's \$50,000 you've added - but you'll have to take the remaining \$30,000 from the underlying balance to make up the difference in what you need versus what you made.
- **Saving up enough to live on can take a long time.** You'll probably need more than \$1 million in savings, which often takes at least a decade to accumulate. In terms of using savings to live off, 4% of \$1 million is only \$40,000 a year... so it can take awhile.
- **Stock market volatility can throw a wrench into your plan.** One bad year in the stock market can totally derail your income that year. Say the market *loses* 5% one year instead of *gaining* 5% but you still need \$80,000 to live on. That \$80,000 has to come entirely from your investment balance.



If FI is so great, does that mean retiring in their 60s like everyone else is bad?

Heck no, it's the right strategy for a lot of people.

BUT, for many MANY others, working 40+ years at a job you don't like and then being so old your knees are bad and you can't do much except hit the early bird specials and group bus tours... this is not super appealing.

FI is for those that want to take back the years or decades of their lives they would spend at a job while scrimping and saving for retirement. All in hopes that it's enough when they get there.

Traditional Retirement

Pros:

- Benefit from tax-friendly retirement accounts
- Balances typically grow aggressively over time

Tradeoff:

- You lose valuable years, likely decades, to a job you may not even like. Or worse, you're ready to retire but don't have enough saved.



Financial Independence

Pros:

- Work for less time, often a decade or more
- Reap the rewards of short-term sacrifice for long term payoff

Tradeoff:

- You must save more aggressively in a shorter time and make wise investment decisions. FI can be a little less certain than the traditional approach.

If you value the precious time in your life above all else, pursuing FI is a good fit for you.





Achieving FI can take awhile. It can be daunting at first but we promise, **once you get those savings cranked up and that cash flow going, it's so worth it.** After all, good things come to those who save 😊.



Focus on how you'll feel the moment you leave your job. Appreciate all the moments in between but stay focused day in and day out on how excited you'll be when the day arrives! The day you leave your job with a solid plan and a pile of investments to support you.



How will your FI life look? A life of leisure and extravagance, travel and caviar. That's fine, just be ready to save and invest like a maniac. Or maybe you're fine eating ramen and PBJs from a studio apartment, as long as you're free from your job. That's cool too, probably won't take as much to get there.



What will you do with your time? Totally up to you! When you're financially independent, you won't *have* to work, though you can certainly *choose* to.

Think of it this way: All early retirees are financially independent, but not all financially independent people have to adopt the "retired" lifestyle of never working on anything again.

Once you're financially independent, you may face an expected problem...

“What do I do with all this extra time that I used to spend working?!”

Fill your days doing the things you love. People are wired to work and enjoy the fruits of our labor. We get satisfaction from being productive - **we just don't like being forced to have a job where we're told when, where, how, and what we work on.**

Here's a few examples of how you could pass your time:

- Volunteer work, or start a nonprofit!
- Explore the outdoors
- Write that book or compose that musical score you've always wanted to
- Finally get in shape
- Become involved in politics, the fine arts, or other interests



Imagine if you spent some of your time working on something that brings in a little income. Icing on the cake! You could freelance, consult in the industry you came from, choose your own hours and what you work on. You could sell handmade items on Etsy, or pick up weekend gigs as a DJ, or grow a vegetable garden and sell your produce, or teach lessons in something you know how to do. So many options!

Once you hit FI, you can choose what to work on and how much you work on it because your investments will provide the income you need to live on. It takes the worry out of the equation and allows you to do the things you truly love doing!



There probably won't be a lightbulb that turns on and one day you say "voila, I'm ready for FI!" Here are a few critical steps in your mindset and perspective to adopt before starting your FI journey.



You're ready to adopt an "annoyingly persistent" mindset. Get that chip on your shoulder and be 110% committed to your FI plan. Achieving FI ain't easy, but it's *far* from impossible.



You've considered other goals that are important to you. Do you want to buy a house someday? Have children? Get a graduate degree? Move internationally? All of these will play into whether FI fits your life plans or not.



You have others on board with your plan. A common sticking point in relationships is not being on the same page with financial goals. This will not end well. Make sure everyone in your unit is a full go with your FI dreams.



If you're feeling ready to start the FI journey, let's go! Here are some initial steps to get you fully prepped and in FI mode:



Think about where you want to live when you're financially free. This doesn't have to be somewhere new or permanent, you can always move around. This will help motivate you to invest and dream. If you want to explore cost of living where you live now or elsewhere, [start a trial today!](#)



Reduce or pay off unnecessary debt like credit cards and student loans (but not a mortgage). Start with whatever has the highest interest rate and pay it off. Then move on to the next highest interest rate and so on. This will free up extra cash for you to invest each month!



Stop spending so much on silly things. Take an honest look at how much you spend each month and cut out the things you don't need. Keeping yourself happy is great but everything in moderation. You probably don't need five TV subscriptions or a Mercedes - people will like you either way :)



Make sure you're comfortable with your life insurance situation. This is a personal decision and one that you should strongly consider. If you're looking for some insight on insurance, [read this article](#) before you make any decisions.



Open a brokerage account if you don't already have one. This account will help you make the investments you'll need to achieve FI. There are lots of brokers out there and it can be a little overwhelming to understand how they work, but [this article](#) should help you.

Let's talk about how to handle your retirement accounts like a 401(k) or IRA.



Stop contributing to your retirement accounts.

Yes, this goes against conventional thought, but it's a **critical step to take**. If your employer offers matching, you can continue to do that if you want - just know you can't touch that matched "free money" until traditional retirement age.



Think about it logically...

Retirement accounts are *traditional accounts* for *traditional retirement*. We're aiming for financial independence long **BEFORE** traditional retirement age, so why would you keep putting your money where you can't touch it until you're at least 59 ½?



How about the retirement savings you already have?

The money you've already saved in an IRA or 401(k) **should stay there** until you can withdraw without penalties (i.e. at age 59 ½ at the earliest). Withdrawals before that time carry a 10% penalty tax *in addition to* the regular income taxes you'll pay.

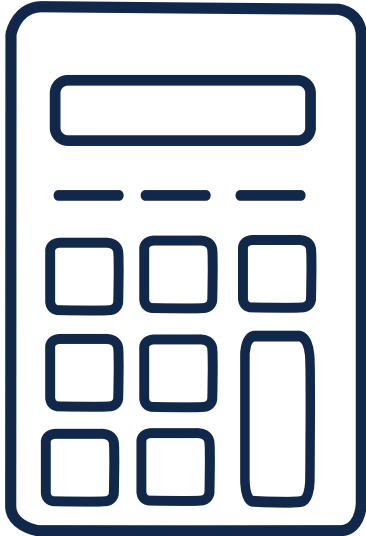


It will be a financial windfall for you later in life.

Along with the other benefits of reaching retirement age like Social Security at 62 and Medicare at 65. The money you've already saved in an IRA or 401(k) **should stay there** until you can withdraw without penalties. Early withdrawals come with penalties and taxes.

The key ingredient to achieving FI is taking hold of your future now, not waiting for what happens later.

A good time to start investing for FI is when you can invest at least 20% of the income you make each month. 50% is ideal.



The math:

1. Take the total amount you bring in each month from your paychecks. Add in any other income too.
2. Multiply that number by 0.20 (20%), and that's how much you should have available to invest each month.
3. Adjust your household expenses accordingly to make the 20% investment goal happen.

Example:

You make \$5,000 a month in your paychecks.

You should therefore have at least \$1,000 a month available to invest for FI ($\$5,000 \times 0.20 = \$1,000$).

**Even if you begin the path to FI and fall short,
or you change your mind,
or life throws a surprise at you...**

***You'll still have lots of income-generating investments
you didn't have before starting your journey.***



If you're looking for help, Firreo is here to save the day!

We created Firreo because there isn't a lot of help out there for people wanting to pursue FI. The internet is chock full of blogs and articles but they're not personalized and not very useful.

Financial advisors probably aren't help much either. They usually see everything through the traditional retirement lens and aren't equipped to help FI aspirants like you.

What Firreo can do for you

- **We provide you with a personalized investment plan tailored to create sustainable passive income.** We tell you exactly **where, when, and how much** to invest every time you log in.
- We offer an interactive cost of living map, where you can **pick a place to live that fits your FI dreams.** Stay where you are or find somewhere new. Explore our database of real-time living costs that include housing, food, and other expenses to see how far your dollar can stretch!
- **Our investment hub tracks your progress on your FI journey.** We're with you every step of the way, from start to finish.

[**Click to start a free Firreo trial today!**](#)

