



The Rational Walk @rationalwalk

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A thread on the trouble with "FIRE (Financially Independent, Retire Early). 📌

From many years of reading FIRE blogs/sites, a relatively high percentage of people aspiring to FIRE seem to hate their jobs and are primarily motivated by a desire to escape undesirable work.

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The motivation is often negative in the sense of the goal being driven by what one does NOT want to do (work in a hated job) rather than what one actually WANTS to do in life.

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As a result, achieving FIRE can resemble the dog catching the car and then not knowing what to do next.

Yes, you can quit that hated job that you've been in for many years, but ... AND THEN WHAT?

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Retiring (any any age, but especially very young) without CLEARLY having an answer to the question "AND THEN WHAT?" is a recipe for disappointment, depression, or at the very least unhappiness.

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But let's assume you have an answer to the "AND THEN WHAT?" question.

You know what you want to do once financially independent. Terrific!

Now you THINK that you've achieved FIRE, but have you?

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Go to any FIRE blog/reddit/forum and you encounter the 4% rule, you know the one that Moses got on a stone tablet from God himself thousands of years ago.

But not only are there problems with the rule, it is often misunderstood.

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The 4% rule says you start off retirement taking 4% of your portfolio and adjusting that annually for inflation.

But many people seem to think you can take 4% of your then-current balance in all future years. Which is more aggressive.

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The 4% rule also is suspect in a world where government bonds carry extremely low yields and stocks are trading at elevated levels. Yet few seem worried about any of these factors.

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Many FIRE devotees fail to understand that with a 50-60 year retirement, they must build in massive redundancy. Yet many seem content to sentence themselves to a relatively poor lifestyle. Having \$1 million and thinking you'll consume \$40K/year forever? Not attractive IMO.

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They fail to understand that bad things can happen, especially with health, that could derail a plan like that with no margin of safety.

They also fail to realize that friends and family may need help and they may feel obliged to help given their "wealth".

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Also, they fail to realize that the second they stop working, their skills start to erode.

If you pull the trigger on FIRE at age 35 and realize at age 45 or 50 that you need to re-enter the workforce, you are likely in big trouble. Your skills are probably worth little.

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Fundamentally, the idea of FIRE is GOOD if you think of it as providing INDEPENDENCE in the form of OPTIONALITY.

It gives you the option, but not a mandate, to quit employment. It provides freedom, and breathing room to pursue happiness.

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FIRE can allow you to leave a job you hate that pays a lot and take employment that pays less but that you enjoy.

It can allow you to take a year off work to travel while you're young enough to do so. It can allow you to help friends and family.

It's a GOOD goal to have.

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But the movement seems to be more focused on somehow checking out entirely with a half century to go in life, with scant margin of safety and no plan of how to have a meaningful life after financial independence.

It's a big mistake IMO, one that many are going to make.

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I made some, but not all, of these mistakes myself.

I did have a vague plan for "what's next" and I had much more of a financial margin of safety than most, but I did not fully appreciate the fact that FIRE was about optionality, NOT an end goal in itself.

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I've tried to contribute something to the personal finance discussion over the years ... the reality is that a lot of these lessons must be learned directly.

Too many unintuitive truths that no one believes unless experienced directly.

Personal Finance
Personal Finance "Like Warren, I had a considerable passion to get rich, not because I wanted Ferraris — I wanted the independence. I desperately wanted it."
— Charlie Munger If you are interested in...
<https://rationalwalk.com/personal-finance/>

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A few more things to consider:

If you worked non-stop long hours for years, even if you dislike the *work*, consider whether you will miss anything about the *rituals* of work.

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For example, could you believe that I missed my commute?

Seems insane, but that structure was something I soon missed.

You might also miss your interactions with co-workers.

Do not assume work friendships will last beyond a job. Often that is not the case.

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I quickly found that I had to re-establish a routine. I would usually "commute" to a coffee shop instead of an office.

Many people need a start, middle, and end to their day. Do not under-estimate the structure that a job provides, or assume you won't miss that structure.

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I also quickly discovered that I needed to produce tangible work that others would see.

I was doing investment research but it was unsatisfying to not have others see my work.

That was the genesis of The Rational Walk.

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What I now suggest to people contemplating FIRE is to take a couple of years off and keep current on job skills in case it doesn't work out.

If you can do FIRE, you have optionality in terms of money. Also retain optionality in terms of skills, at least for a while.

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A few months ago, I wrote an article with more about my experience w/"FIRE".

I realize that some will disagree with my viewpoint, which is fine. My main message is to think through ALL implications carefully.

Thanks for reading this thread.



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