

SUMMARY

PLAYING WITH

FIRE

Scott Rieckens



Summary of Playing with FIRE by Scott Rieckens

Written by Lea Schullery

Learn how to gain financial independence by joining the FIRE movement and investing in your future and retiring early.

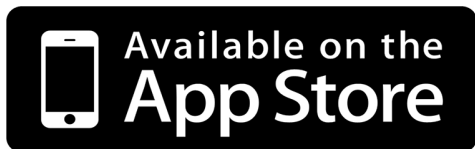


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Introduction

Living in Southern California, Scott Rieckens had what appeared to be a perfect life. He was happily married, had a two-year-old daughter, belonged to a boat club, and owned a BMW, sounds great right? Well, Scott felt that he was missing something and when he heard about the FIRE movement, he decided to change the lifestyle that he and his family lived. Of course, the family could live comfortably, but their spending habits were a bit out of control. Once they sat down and reviewed their finances, they realized they were only saving about 8 percent of their annual salaries! How were they going to gain financial independence saving less than 10 percent? They decided a radical change was necessary. By adopting the FIRE lifestyle, the Rieckens moved to a more affordable area, sold their cars, bought a used one, and cut down their yearly spending to \$60,000. But you don't need to make six-figures to start your own FIRE journey. Many people in the FIRE community cut their yearly spending to a mere \$30,000, and some even less! Learn how you can get started and begin living the life you want through financial independence.

The Decision to Pursue a FIRE Lifestyle

Many people aim to retire by the age of 65, right? Retiring in your mid-sixties means you can begin collecting a full pension, which early retirement might now allow. But what are we working for? Is life really meant to consist of working your best years away so you can finally enjoy life when you're older? Additionally, we are constantly bombarded with materialism and believe that we need to have the finer things in life. We live in a consumerist culture and we're spending money on unnecessary luxuries that we could instead be saving, or even better, investing.

FIRE (Financially Independent Early Retirement) encourages a frugal lifestyle in which you give up basic luxuries and focus on what's important. Author, Scott Rieckens, worked as a creative director in Coronado, California as he aimed to support his family and maintain an upper-class lifestyle. He and his wife, Taylor, indulged in luxuries that many families can relate to, including eating out several times a week and using their expensive Vitamix blender. You see, Rieckens and his wife had a combined income of \$142,000 after taxes, so they were in a position to comfortably afford such luxuries. Additionally, they were contributing to their 401ks, so what more could they need?

Turns out that once Rieckens took a hard look at their annual savings, he realized that saving a mere \$10,000 a year was simply not enough to afford a new house *and* start saving for their newborn daughter's college fund. He realized he would have to work a salary position for the rest of his life to afford such necessities. Additionally, Rieckens had dreams of becoming an entrepreneur, so he knew he and his wife would have to make a drastic change to make their situation better.

It was in 2017 when Rieckens was driving to work one February morning when he heard about a life-changing movement. While listening to his favorite podcast, Mr. Money Mustache, he heard an interview that would spark change in Riecken's life. The podcast is hosted by Canadian blogger

Pete Adney, who retired when he was just thirty-years-old and has since developed a following of like-minded people who also crave to retire decades earlier than normal. Listeners of the podcast call themselves “Mustachians” and they are part of a large movement called FIRE to aim for financial independence and retire early.

Using an online retirement calculator, Rieckens discovered that if he and his wife cut their expenses in half and invested those savings, they would be able to retire in as little as ten years. It was time to make a dramatic lifestyle change, and it was time to make that change today.

FIRE Is More About Financial Freedom Than Retiring Early

What does retirement mean to you? Does it mean collecting a pension and living in a warm climate playing golf? Retirement looks different to everyone, but those who achieve financial independence through FIRE aren't retiring in the traditional sense. It simply means accruing enough wealth so that you no longer need to work to cover your expenses. You can instead do what you love for work and earn money in non-traditional ways.

Think about Sylvia, who in 2005 lost many of her material possessions to Hurricane Katrina. Sylvia had just finished law school and was working a job in New Orleans when her life turned upside down. Packing the only possessions she could fit in her car, Sylvia prepared to start over in another city. While her spending habits were typical of the average American, she quickly realized how fast material possessions can be taken away, so she decided to adopt a frugal lifestyle.

She made the necessary changes, such as spending \$50 less a month on groceries and worked as a delivery driver on the weekends to make extra money in addition to her income as a lawyer. Because of her savings and extra money, Sylvia was able to pay off her student loans. That's when she saw her salary grow, and at 38-years-old, she is now six years into her financial independence. But financial independence doesn't mean that she has to stop working, instead, FIRE has given Sylvia the opportunity to pursue her entrepreneurial dreams and open her own law firm.

Others use FIRE to have the freedom to do charity work, travel, or pursue their creative passions. It's simply up to you to determine how you want to use your financial independence. But how much money does it take to be financially independent? Well, let's take a look at the FIRE formula. According to the formula, you can reach financial independence by saving and investing twenty-five times your annual expenses.

So for the Rieckens family, they believed they could cut their annual expenses to \$60,000 a year. According to the FIRE formula, they would need to save \$1.5 million in order to retire. If they invested their savings, they could then expect at least a five percent rate of return earning them \$75,000 per year. Now you may be thinking, “But what about market slumps and inflation?” Well, according to a study by Trinity University, they could follow the “4 percent rule” which refers to withdrawing a maximum of four percent of their \$1.5 million each year (or \$60,000 that they budgeted for expenses). They could then save the extra one percent of returns left over to build a safety net. This simply means they would never see their principle of \$1.5 million dwindle and they could live off those savings forever.

The only thing left to do is figure out how to cut his family’s spendings to just \$60,000 a year.

How To Begin Pursuing FIRE

If you know anything about the world of finance, you probably know that the key to financial independence is cutting down expenses and building enough assets to be able to live off the returns. So what does that mean exactly? Well, let's break it down for you.

First, you need to track where every dollar is currently going. How much money have you spent and saved in the past year? Once you can track where each dollar is going, you can start making the necessary changes. The goal in FIRE is to start saving and investing around 50 to 70 percent of your income. This seems daunting, but to make the process less overwhelming, focus on the largest expense categories first: housing, transportation, and food.

Scott and Taylor focused on housing first. They stayed with their parents for a while and just five weeks later, they decided to set off on a year of travel. The idea was to find a more affordable city to live in where they could save money. The city they finally settled in was Bend, Oregon. It seemed like the perfect city with outdoor activities, highly-rated schools, and three-bedroom houses around the \$350,000 price mark. They found their new home, thus settling the housing debate, now they must focus on transportation.

Scott planned to cycle to work to cut down on costs, but they still needed a car for Taylor and their daughter. The question became, "What car?" A FIRE blogger named Brandon advised that leasing a car was not in their best interest because of the depreciating value. However, a reliable used car in the \$5,000 price range could potentially last a decade with hardly any depreciation in value. Finding such a car proved to be difficult for the Rieckens. They needed an all-wheel-drive for the mountainous terrain of Oregon, so they eventually settled on a used AWD Honda CRV for just \$7,500.

With housing and transportation portions taken care of, it was time to invest their savings, but how? The couple was new to the world of investing, so naturally, they were nervous about investing everything they had in the stock market. Instead, they split their savings into three categories: low-cost index funds, real estate, and entrepreneurial projects. Low-cost index funds are great because they use algorithms to buy up stocks across the market. Index funds typically follow the trends of the overall stock market and usually increase by about ten percent per year. Index funds are cheap and are one of the most profitable approaches to investing. Business professional Warren Buffet recommends index funds versus paying a money manager.

How To Convince Your Partner

Once you decide to achieve FIRE, you might have to convince a partner to commit to this new lifestyle with you. This, of course, might not be an easy task as it will likely involve a drastic change in your lifestyle. Luckily, Scott Rieckens has created a “Ten Things Exercise” to help you learn how to approach your partner in the best way possible.

You see, when Rieckens discovered FIRE, it took him weeks before he mustered the courage to approach his wife. She had been approached by Rieckens several times before about his entrepreneurial pursuits and he was worried she would see this as another one of his silly ideas. But he was serious about FIRE and he wanted Taylor to take it just as seriously. Additionally, his wife was the breadwinner in their home; he realized it may be selfish to ask her to stop spending the money that she worked hard for. So he created an exercise to help approach the conversation.

He suggested that Taylor write down ten things that made her happy on a weekly basis. Surprisingly, her list was similar to his own that he had completed earlier. They both mentioned activities such as spending time with their daughter and spending time outdoors; however, neither of them mentioned anything about living the beach lifestyle that they were currently working hard to achieve. Clearly, their interests didn't revolve around money or spending habits, so Rieckens thought this was the perfect time to disclose his newfound obsession with FIRE.

While your partner will probably be receptive of your ideas with support, friends, and family might not be so open-minded. When sharing your plans with others, it's best to avoid sounding preachy or like you are doing something better than them. And while they may benefit from adopting similar spending habits, you may want to look at turning to the FIRE community for additional support in your endeavors. The FIRE community is filled with like-minded people who are willing to offer advice and accept guidance on their own journey to financial independence.

It's Not Always A Positive Experience

Around the time that Scott and Taylor set off traveling, Riecken's idea for a FIRE documentary began to gain popularity and attention. One day Rieckens received an email from Travis Shakespeare, a senior vice president at BBC Worldwide and fellow FIRE community member, expressing interest in directing the documentary. In just a few weeks, a film crew was following the Rieckens on their journey.

Because of the documentary, the Rieckens had the opportunity to meet the pioneers and leading voices of the FIRE community including Scott's favorite podcast host, Mr. Money Mustache. The couple was set to attend a four-day Camp Mustache retreat in which they would meet like-minded individuals and learn more about the FIRE community and lifestyle; however, Taylor had her doubts. Upon learning about the retreat, Taylor was skeptical and she found herself hoping that she and her husband hadn't just joined a cult. To her surprise, she enjoyed the retreat and found herself surrounded by a diverse group of people all of whom made her feel at home.

Additionally, Taylor struggled to adapt to the new lifestyle once they dove headfirst into trying to save 50 percent of their salaries. Now working remotely, Taylor had a home office but she found it hard to motivate herself to work at home when she could hear her two-year-old daughter, Jovie, laughing and playing downstairs with someone else. As mentioned previously, Taylor was the breadwinner so she also felt pressure to provide an income as her husband worked to start his own entrepreneurial pursuits. It wasn't always a smooth transition, but Taylor eventually adjusted and admits that she would do it all over again to gain financial independence.

Where Can You Start?

You might be wondering how you can start your FIRE journey and if it requires a six-figure salary like the Rieckens to achieve. It's likely that most readers aren't as privileged as the Rieckens who can save twenty-five times their annual expenses and still manage a monthly budget of \$4,000. So what about the average person who doesn't make as much?

The biggest thing to remember is that FIRE is achievable for everyone, and everyone has their own journey and everyone will achieve financial independence at their own rate. You can turn to Kyle and Kalen who live much simpler lives in Evans, Colorado. 26-year-old Kalen works as a management analyst and experienced what she considers "Millennial depression" at the thought of working until her mid-sixties. The very thought made her feel stuck. Meanwhile, she was also interested in investing money. Her boyfriend Kyle's mother stumbled upon FIRE and sent over a few recommendations for blogs to learn more and thus began their FIRE journey.

Kalen and Kyle have a combined income of less than \$50,000, and with practicing the FIRE lifestyle since 2016, they have been able to reduce their expenses to \$32,000 a year. They are now set to reach financial independence in six years, but they aren't simply looking to retire early. The goal is to value happiness over materialism, and whether it takes five years or thirty years, it's a goal that anyone can achieve no matter their monthly salaries.

Some believe that FIRE is just too extreme, and while some FIRE converts certainly go to extreme lengths to achieve financial independence, you should approach your own journey with optimism and flexibility. It's okay for things to go wrong. For instance, the Rieckens realized during their first year that they had failed to budget for Christmas. In the past, they would've easily spent \$1,500 on Christmas gifts but this year, that was clearly out of

the question. They sought to turn their \$150 shopping budget into presents for the whole family, which seemed impossible.

In the end, they found a way to solve their Christmas problem. They gave Jovie secondhand books but they bought their nieces new presents so they could still partake in celebrations despite their new lifestyle. They also decided to omit gifts for friends that year. FIRE isn't about giving up everything simply to find financial independence but is instead about figuring out what you value most and realizing that materialism and consumerism don't bring happiness. By the end of their first year, the Rieckens had cut down their spending to \$60,000 a year and were nine years away from financial independence. But they learned a valuable lesson in that first year: FIRE wasn't about always being frugal, they simply needed to adjust their spending habits to reflect their values. A valuable lesson anyone can adopt whether they pursue FIRE or not.

Final Summary

Take control of your finances, whether you decide to move into an RV or simply cut down on your grocery bill, the FIRE movement can be an empowering way to make your money work for you. FIRE isn't necessarily about retiring early, rather it's about finding financial freedom and happiness that allows you to live the life you want. You don't have to work the traditional 9-5 until you turn 65-years-old, instead, cut down your annual spending and invest the savings. The more you save, the more you invest, the more you earn! Through low-cost investments, anyone can start their FIRE journey no matter their yearly salary. The goal is also about aligning your spending habits with your values to get the most out of your life. Start tracking your spending today and make a plan for financial independence. There's no better time than right now to start taking control of your finances.



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