

EPISODE 239

[INTRODUCTION]

[00:00:32]

FT: Hey everyone, welcome back to So Money. Happy Labour Day! Hope you're having a wonderful break from work. I'm your host Farnoosh Torabi, and speaking of taking a break from work, our guest today is on a journey to retire extremely soon, like really soon. I'm 35, she wants to retire at 33. What does that say about me? Today's guest is a self-described frugal weirdo, all the way from Boston. We have Mrs. Frugalwoods. She's one of a couple that's set on living on an extremely small budget with the goal of retiring in their 30's. They're called The Frugalwoods and their blog is apply titled Frugalwoods.com. There they chronicle their journey.

They live in Cambridge, also known as Frugal City, with their dog Frugal Hound who makes frequent appearances on the blog and the couple saves more than half of their income in the hopes of retiring to a homestead in rural Vermont one day. Their end game is to create a new fulfilling life for themselves close to nature and be able to garden and just live off the land. They've become so efficient at saving that they spent just \$13,000 last year in the city of Boston. How is that possible? They're also expecting their first child and have just spent about \$20 on the baby so far. Is that gonna keep up? How is this possible, right? Right now they are 30 and have just three years, they say, to go until retirement.

In our conversation with Mrs. Frugalwoods, Mr. Frugalwoods was at work so we just got Mrs. Frugalwoods on the phone, but she has some amazing advice for all of us. She talks about frugal luxury. How does that work? How can you be frugal and luxurious at the same time? Saving 71% of their income last year and guess what? They don't budget. And maintaining an extremely frugal lifestyle as parents. They've spend just a whopping \$20 on the baby so far, and she is six months pregnant. Once that baby arrives, do they think they can still be frugal?

Here we go, unleashing Mrs. Frugalwoods.

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[INTERVIEW]

FT: Welcome to the show Mrs. Frugalwoods.

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MF: Thank you so much for having me.

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FT: Never since Mr. Money Mustache have I had a guest with an alias quite so creative. So this is a real treat for us and we're excited to learn more about the story behind the Frugalwoods blog. Welcome to the show.

[00:03:05]

MF: Thank you.

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FT: So Mrs. Frugalwoods, we're not using your real name because you wanna remain anonymous. You still have your 9 to 5 jobs and a life outside of your blog that you'd like to keep private. But your journey to saving an extreme amount of money and retiring in your 30's you've made very public on your site Frugalwoods.com. Tell a little bit about who the Frugalwoods are? I suspect many of my listeners are hearing from you for the first time, so tell us a little bit about these frugal weirdos that you are, that you self-describe yourselves as. [Chuckles] What's the story?

[00:03:44]

MF: Sure. So the Frugalwoods family is me, my husband Mr. Frugalwoods, our greyhound Frugal Hound, and then Babywoods who is the baby Frugalwoods who is due in just a few

months. So we are very excited to be first time parents and the journey of Frugalwoods really coincided with the start of our journey to financial independence and to early retirement.

So in early 2014 my husband and I were starting to feel just increasingly downcast and sort of depressed about the trajectory that our lives were on. We saw that we'd really done everything that you're sort of supposed to do. We'd gone to school, we'd gone to college, gotten good grades, gotten good jobs, worked hard, tried to advance in those careers. Bought a house, got a dog, and we just thought, "Is this really what our life is for the next 40 years?" And as we talked about what our dreams were, we thought, "You know some day we'd really love to move out to the woods, buy a homestead, and just live a much simpler life closer to the land."

And part of this goal stemmed from the fact that we've always been pretty frugal. We've just never been people who've got a lot of enjoyment out of spending money. We get a lot more enjoyment out of experiences and time with family and travel and things like that. And so we kept talking about this idea and then in March 2014 we thought, "You know what? If we really buckled down and started to live what we would call 'an extreme frugality lifestyle', we could actually make this homestead dream come true in a couple years, not in 40 years." So that's the path that we're on now, and we're planning on retiring in early 2017, if not before then and we will both be about 33 at the time.

So it's, this is the path that we're on, and it's really all in service of our goal to have the time and the space to pursue the things that we're passionate about and to really live the life that we want to live and not just the life that we have to live.

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FT: That is incredible. Now I wanna ask you more about the extreme frugality lifestyle and what that looks like, but first I wanna ask you how you figured out that you could retire by 33? What's the, as they say, what was the number that you were reaching towards, if there was one, so that you would feel comfortable to really not have to work anymore? And we should mention, you and your husband both gainfully employed, very educated, didn't have debt when you started your lives together. Do you have a mortgage?

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MF: We do. And we actually don't plan on paying it down. So we bought a home in Cambridge, Massachusetts, which is outside of Boston and it's a very high rent, high cost of living area, and so we felt extremely fortunate that we were able to buy our house. It's really probably the best single financial thing that we've done. It was part luck, but it was also part year of preparation. We had spent about, let's say 6 years researching the market and also saving. So we got married young, when we were 24 and we never spent much of our money. So we've always been on this kind of savings trajectory.

And so when we saw the opportunity to buy this single family house in Cambridge, we leapt on it and this was in 2012, so it was kind of essentially the trough of this housing market if there could be a trough. And we were able to get a 3.8% 30 years mortgage on this house and the intention then is that this will turn into a rental. And we've had some appraisals done and we'll be able to rent it for conservatively about double our mortgage. So that's gonna be a component of what we do while we're on the homestead is we'll keep this property as a rental.

But overall, for the homestead goal, we're kind of coming at it from a couple different ways. We do believe in the 4% rule and that's something that is in the back of our mind, but we actually don't really plan on drawing down on our investments. We rather plan to cover our living expenses from the rental income that will come from this house, possible other rentals that we'll pick up, and also the kind of freelancing that we plan on doing on the homestead. So I'll be writing, my husband is a software engineer, and he plans on doing that on the side for fun and then we also plan to rent out some airbnb properties - cabins, huts, things like that.

The area that we're looking at buying in is a very tourist friendly area. And we would really enjoy doing that hospitality work as part of our lives out there. So this is essentially having a lot in savings and having a lot invested, but also having very low living expenses.

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FT: Well let's talk about the very low living expenses, the extreme frugality. Talk about a typical day for the two of you and how that would compare to someone who is gonna retire at 65, as opposed to 33? I understand you saved over 70% of your income last year.

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MF: True, very true. Yes. So that, another way to look at that is the amount that we spent, other than our mortgage and other than our 401(k) contributions was \$13,000. So that was on all of our living expenses for the year. Another very comfortable amount for us. We don't feel deprived in our daily lives, we consider that we live a life of frugal luxury because we honestly really enjoy what we do and we only spend in service of things that we value and that make us happy. So we certainly have areas where we allocate more money than other people would, but we're just very conscious every day about every dollar that we spend.

So the way that we go through a month, we don't actually budget, we just come from the perspective of frugal autopilot. So we think, "Okay, how can we spend the least amount of money this month?" And it's honestly a lot of fun for us. I think that's another key part of this but we see it as a fun challenge. So anytime we're able to save money or accrue efficiencies in our daily work, we just have a great time and think that's fantastic. So we publish our expense reports on the blog every month if you're interested in seeing kind of the granular breakdown, but we just don't have that many categories that we spend in.

I haven't purchased any clothes in 17 months for example, even though I'm pregnant. And we don't spend on entertainment, we spend very little on transportation. We've really sort of economized a lot of these major areas in our lives.

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FT: Can you share with us how you're planning for the baby? You're six months pregnant, I read that you've only spent \$20 on the baby so far. How will you maintain this frugal lifestyle once you're parents? Don't you think it'll be a little more challenging?

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MF: Yes, I think that's a great question. And we had planned for the baby for a while. We actually took us a while longer to conceive than we had thought it would. So we're sort of coming into parenting even a little bit later than we had anticipated, which is fine. And for us, you know, we really plan on approaching parenting much as we do everything else in our lives that there are just ways to do everything less expensively than is standard. So we've been able to find so many hand-me-downs for her and we've really had to spend very little to prepare for her. And then our plans after she's born, you know, we're gonna have to see. Obviously our lives are gonna change and we're very flexible and adaptable in obviously accommodating her in our lives. But for the most part we just maintain this same sort of frugal outlook with everything that we approach.

So we have a dog, for example, and a lot of people say, "Oh a dog is a luxury and it's so expensive." And she is a luxury, but we actually don't spend that much on her in comparison to what a lot of other people experience with pets. So we shall have to see with Babywoods. It will be a whole new experience for us but certainly one that we've planned for.

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FT: Well living in Boston too, not cheap. How do you navigate living in an urban environment where prices tend to take on a premium? How do you save on everyday stuff?

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MF: Sure. So we have actually found that almost the inverse is true, that because there are so many options here in the city, we are able to buy dirt cheap groceries for example. So there is a local chain of grocery stores, Market Basket in case you're in the area that has just the cheapest produce and other products. So our weekly grocery bill is extraordinarily low, largely because we have this option. We're not locked into a traditional grocery store. We also have a Costco, and they have fantastic prices. So there again we're able to accrue a lot of things.

We also walk a lot and bike a lot. So being able to get around the city just by foot or by bike is another fantastic savings. And not spending on entertainment is so easy here because there are

endless free opportunities at the library, or at museums. And so we really enjoy life in the city and all of the amenities that there are for free.

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FT: And you live in a college town, which definitely I know, because having just lived on one campus, I know that there is an abundance of free opportunities to have fun and try new things, go to concerts, plays. And so imagine that times 10 where you have all those colleges, those great schools in Boston.

[00:13:33]

MF: Right. Absolutely. And we're sort of very, I dunno, kind of whimsical and creative in our approach to things. So we've gone to all kinds of unusual festivals or plays, or really anything that's free, we will try it out because why not? You know, there's always something to learn and we usually enjoy just about anything we do. So taking advantage of those opportunities and being really open minded is something that helps us a lot too.

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FT: You know, hearing you talk about how much you're enjoying this frugal lifestyles makes me wondering how somebody who maybe isn't ask optimistic, or is more set in a certain kind of order, lifestyle, it would be so difficult to change that. But do you really think that anyone can do this?

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MF: I do. I mean I really think at the end of the day, and you know my mission with Frugalwoods is not to say that everyone should be living the lifestyle that we live, because I don't think, everyone's dream isn't to move to a homestead, and everyone's dream isn't to save 70% of their income. But what my mission is is to show that I really think that when you start pursuing what you truly want in life, everything else just comes into focus so clearly. And since we know what we want and we have this end destination of being able to retire early, not spending money in

the short term is very easy trade off for us to make. So I think my overarching idea is that it's really all about doing what you wanna do, and only spending on what matters to you.

And that was the biggest eye-opener for us when we really buckled down to extreme frugality, that we had just all of this fluff in our budget where we were spending on things that we'd forget about at the end of the month. We couldn't even remember that we'd spent the money, and so it clearly was not something that was adding to our joy and to our fulfillment as people.

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FT: What is your financial philosophy? What is the Frugalwoods' overarching financial philosophy?

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MF: I think it's really, figure out what your goals are and only spend in service of those. I think that's about. And the other thing I always really like to say too is that nothing is gonna save you as much money as not buying anything. It's like we get caught up...

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FT: Yeah, and cause the marketing makes us think otherwise. I literally walked past a sign in my neighborhood the other day that said, "The more you spend, the more you save." And I was like, "That is false!"

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MF: Exactly! Yes!

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FT: "That is a lie!"

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MF: So false! I think it's so easy to think, "Okay, how can I get a deal? How can I coupon? How can I budget?" But it's really just like, just don't buy it and then you don't...

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FT: Exactly. How about I don't buy it at all, save 100% instead of 20%!

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MF: Exactly.

[00:16:22]

FT: What was like growing up for you, from a financial perspective? I wonder if your parents have any, can take any credit for raising such a frugal minded young woman?

[00:16:36]

MF: Yes, I think - Hi Mom and Dad. They'll probably listen, so yes I can give them some credit. I was raised in just a very standard middle class home and our vacations were taking car trips to visit family, and we shopped at thrift stores and garage sales, and drank powdered milk. So we were a pretty frugal family, but we certainly didn't want for anything as kids, my siblings and I, we had just a great upbringing. But my parent's focus was always on experiences. So we would go camping as a family, and the joy in that was really the experience. WE didn't go out for fancy dinners, but we'd sit around the campfire and eat this home made tapioca pudding, and that was just like the coolest thing as a kid.

So I always grew up with this idea that money is not really the answer to happiness, that people and experiences and family are really how you get at that joy and that happiness in life. And my parents have been married for 48 years and they have just sort of demonstrated this life-long joy for the entirety of their marriage. And they've really modelled this for this kids, and so I think in a

lot of ways I model my life after that. It's not about making money, and it's not about how much you can buy, it's really about the people that you're around.

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FT: And what do they think now of your blog and your pursuit of retiring by 33?

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MF: You know they are very supportive. And I have to say, Mr. Frugalwoods' parents are very similar to mine actually, and they're also very supportive and it's wonderful to have that backing. Both of our parents always encouraged us to do what we were passionate about, and they always said, "You know, we know you'll be successful. You should really do what you feel called to do." And so having that kind of freedom as a kid just really enabled us both to pursue all these different ideas and opportunities growing up. And so I think our parents are not terribly surprised that we're doing this. I think they always kind of thought we would do something unusual in our lives. And so I would say it was not a shock to them and they're definitely supportive, and they are looking forward to coming and visiting on the homestead.

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FT: How anonymous is this project of yours amongst your friends and I guess your co-workers definitely don't know, but are you worried that they're gonna find out?

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MF: Well that is a great question, and my answer would've been different a couple weeks ago, but we were very fortunate to be in Forbes recently and also in Boston.com, which turns out a lot of people we know read those and they could tell that it was us. [Both chuckle] So that cat is really sort of coming out of the bag I would say, about who we are and ultimately we are comfortable with that because I don't ever make anything up on the blog. It's really just an honest articulation of what we believe and sort of what we are going through in our lives. So it's all things that we're comfortable with sharing with people who know us well, because it's really

just insight into our personalities and who we are as people. So I think we are kind of evolving to be less anonymous, if that makes sense?

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FT: Yeah. Hey, you know, in this day and age where everything is - I mean you have a blog, and if Forbes is writing about you, chances are few people might find out.

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MF: Right, right. I think if you do this you have to be comfortable with at some point people finding out who you are, and we're fine with that.

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FT: Exactly. Well good, I'm glad you're fine with it cause I am definitely fine with it. I wanna spread your story, I wanna scream it from the hilltops and maybe also take notes myself.

I usually ask guest about a financial success, well first I ask them about failure. And I have a feeling you may not have had any, but I wanna know if you did have a failure of some measure? But as far as your success, I would say buying that house was probably - it sounds like that was your So Money moment.

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MF: I think so. That was truly the culmination of quite a bit of research and time spent going to open houses. I think we went to, we tried to tally this up, I think we went to over 250 open houses over the course of about six years. It was really just information gathering and data gathering, and so we would go every weekend to open houses across this vast price range. And we were 24 years old, we couldn't afford a hut, you know, we couldn't afford a shack! But we were just building up kind of our real estate accumin. And so we educated ourselves, we got a really good sense of the market here, which moves at a lightning speed. There are endless

bidding wars for properties and we thought, "Okay, if we wanna buy here we have to be prepared."

So we looked at this house and we put in an offer immediately. We knew immediately that this was a unique opportunity in this market and we didn't really have any hesitations. So I think just you can really do your research, even if you're not quite ready to pull the trigger, or even if you feel like you're in a crazy expensive market, if you keep saving, over time you will get into a position where you can make an offer.

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FT: Well I would say that, like any sort of journey, slow and steady wins the race. I'm a big, I'm a big real estate fan. I'm curious, how much down did you put on the house? If you said this was a very fast moving market, I suspect that you have to be really good qualified buyers.

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MF: Yes. We put, let me see, I think we put \$60,000 down on the house and it was - we bought it for about \$460,000.

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FT: So that's about, it's less than 20%, which is good I would say. Usually in a market like New York or Boston I thought you might have to have 30% or 50%, but that's encouraging.

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MF: Well yeah and you know since we were able to get such a great rate on our mortgage, we really didn't wanna have to put down any more than we needed to, and like I said, we're not accelerating our mortgage payments at all. So we're just really pleased with that rate. So that was another piece of this that we were very pleased about.

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FT: Okay so let's talk failure now. What would you say, I know maybe you don't have any but I'm sure you've got some missteps along the way, and maybe going back to when you were living this frugal lifestyle. What would you say is your number one failure? What happened, and what did you learn?

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MF: I think that would have to be the contents of my closet. I have an affinity for clothing and I have always really enjoyed getting a deal. But this kind of goes back to my, "You know you're just gonna save more money if you don't buy anything". It took me a while to internalize that because I used to go to thrift stores all the time and I would always come out with just a great dress or skirt of something that I just had to have. And each piece might only be \$10, \$15, \$20 but that adds up. And it adds up over the course of a month and over the course of a year.

And I also realized it was just a lot of stuff that I don't need. I can only wear so many clothes at a time and I was overwhelming myself and my closet and so I came to this idea to do a clothes buying ban, and I started that in 2014 and I've just kept it going. So I'm 17 months into not buying any clothes at all, and it's really great, I have to say. For me it's been very liberating to just kind of take that out of my life. I think I'm just gonna keep going with this until circumstance necessitates that I buy something.

[00:24:29]

FT: Well you must be having a very accommodating pregnancy.

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MF: I am. I have to say, that is a big part of it. I have stayed pretty small, but I also have gotten a lot of hand me downs of maternity clothes. So from my sister and girlfriends who are finished with their pregnancies. I've been so, so grateful to get their hand me downs and the clothes are not brand new, they're not perfect, they're not necessarily my style.

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FT: Take them and run!

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MF: I'm fine with them. Oh I am, you know, it's a finite period of time in my life, I am really okay with it. And I think it's just a great example of how you really can save so much more money. People assume, "Oh I need to buy a whole maternity wardrobe." You really don't. You can take hand me downs, you can kind of wear the same dresses each week.

[00:25:19]

FT: Nobody notices. I will share a similar mistake in the clothing department. I did go out and buy a number of new maternity clothes. I was also launching a book, I needed to look good for TV. So there was a need in some ways. However, when I was off camera and just at home, I literally wore like the same thing every day because when you're 30 pounds over weight [Chuckles] you don't care about looking great, you just wanna wear what's comfortable, especially towards that third trimester. I just wanted something that I could get my legs through, and usually it was just a big skirt. Yeah thinking back to those days I have to laugh, but...

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MF: No I am wearing Mr. Frugalwoods' T-shirt and gym shorts right now around the house because it's very comfortable.

[00:26:06]

FT: Yes. Yeah men's clothes take on a whole new appreciation when you're pregnant.

[00:26:12]

MF: Yes. He keeps saying, "Stop eying my clothes!" Look I am almost in my third trimester.

[00:26:18]

FT: I know, I stretched out a lot of Tim's T-shirts, but you know what? It was for a good cause!

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MF: That's right.

[00:26:23]

FT: What's your number one habit that you and Mr. Frugalwoods participate in that helps you with your finances?

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MF: I think this would have to be communicating regularly about our goals and about our spending. So this whole venture for us is a very joint decision and I'm not really sure how it would work if it wasn't. Because we both have to be fully bought into this lifestyle and this idea in order for it to be successful and to be enjoyable. So something that's been a key tenant for us is to just constantly touch base with each other and make sure that we are on top of our spending, on top of what our investments are doing, and that we're both just feeling comfortable with how everything is going.

So the way we do that is once a month we pull all of our expenses together, and we like to use Personal Capital and then we throw them up on the blog. And it's fun cause it serves as a way to communicate it to our readers, but also to each other. And so we go through, I'm a big fan of going through spending line item by line item. So some months we'll have something on there that cost \$1.50, but we put it up there because it was a line item. And that helps us stay on track in the short term and then at the end of every year we do a big annual review and make sure that we're still pleased with how everything is working.

And aside from the mechanics of this, I think more importantly is just the philosophy and how we're both feeling and making sure that we're both still motivated and inspired and engaged in the goal and in the process.

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FT: Well I can't wait to come visit you guys on the homestead!

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MF: Yes, you'll have to!

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FT: I'll have to. I'll bring a camera and we'll do this all over again, but part two of the Frugalwoods' journey.

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MF: Absolutely.

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FT: So before we wrap though, I'd love to pick your brain and get some So Money fill in the blanks filled.

[00:28:19]

MF: Sure.

[00:28:19]

FT: Are you familiar with this part of the show?

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MF: I am, yes.

[00:28:23]

FT: Alright. So you've heard it before, if I won the lottery tomorrow, let's say someone dropped off \$100 million on your doorstep, the first thing I would do is ____.

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MF: So I would actually create a donor-advised fund and become a philanthropist. I think that would just be an incredible opportunity to have and then we'd move on out to the homestead and honestly, probably just do as we had previously planned.

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FT: With the additional charitable...

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MF: Yes.

[00:28:54]

FT: ...venture.

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MF: Yes, with the charitable arm that otherwise we would not be able to give so generously.

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FT: Excellent.

One thing that I spend my money on that makes my life easier or better - you talked about frugal luxury earlier on in our conversation, what's an example of that?

[00:29:12]

MF: That would be our car. So Frugalwoods mobile is 19 years old, but we love her. We don't have a car payment, but she does eat gas and she kind of guzzles oil. So that just makes our life easier. We've lived without a car, you can do it in the city, but honestly, it's really nice to have it. It's a luxury that we like.

[00:29:32]

FT: Yes, and when you have a kid, it's gonna be really, really helpful.

[00:29:35]

MF: Yes, yes.

[00:29:37]

FT: One thing that I splurge on, or your guilty pleasure, what is that?

[00:29:41]

MF: Seltzer!

[00:29:43]

FT: Seltzer?

[00:29:46]

MF: We've optimized to seltzer consumption. Don't worry, we hacked our soda stream, we put a 20 pound CO2 tank on it, but this still costs us about 70 bucks a year and that is just like pure luxury to have the bubbly water on tap.

[00:29:59]

FT: Nice. Yeah I love, I actually have a bottle of Poland Spring sparkling water with me here now. I just, I don't - water is kind of boring.

[00:30:09]

MF: Agreed!

[00:30:10]

FT: I need it, obviously we need water and I drink a lot of it, but sometimes I just want a little bit of flavor without the calories.

[00:30:17]

MF: All about the seltzer.

[00:30:19]

FT: Alright, one thing I wish I had known about money growing up is ____.

[00:30:23]

MF: I wish I'd known how important it is to have a goal for your money. It's so much more fulfilling and enjoyable to save towards a goal, for me.

[00:30:33]

FT: When I donate, I like to give to ____ because ____.

[00:30:38]

MF: I like to give to small non-profits where my money can have a greater impact. So I know that my donation is gonna go a lot farther at a charity that has a really modest budget than at a mega non-profit.

[00:30:51]

FT: And last but not least, I'm Mrs. Frugalwoods, partner in the Frugalwoods journey, I'm So Money because ____.

[00:30:59]

MF: I love living the extremely frugal life, and I'm planning to retire at 33 to a homestead in the woods.

[00:31:06]

FT: Wow! And I think you might have - if you do this, you might even beat out Mr. Money Mustache.

[00:31:11]

MF: Oh will we really?

[00:31:12]

FT: Perhaps. I know he was like 30 or in his 30's. You might be tied, but still. Extremely impressive, and the more stories like this we hear, I think the better. Not just or me selfishly, but

[Chuckles] I think for everyone out there to be inspired and, you know what? It is possible. It's a choice, in some cases, to really re-jig your budget, re-think your spending, first start with your goals, and go for it. You guys are just a walking, talking inspiration. So thank you so much, and thank you to Mr. Frugalwoods. I'm sorry we couldn't hear from him, but he's gotta work!

[00:31:47]

MF: He does [Chuckles]. Well thank you so much for having me on. I really appreciate it.

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FT: Good luck with the baby!

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MF: Thank you.

[END]