

EPISODE 826

[INTRODUCTION]

[0:00:34.4]

FT: Ever dream of retiring early? Or just having enough in the bank so you can truly live a life on your terms? Welcome back to So Money everybody, I'm your host Farnoosh Torabi. We're looking back at the year and we had quite a few individuals on So Money in 2018 who are part of the so-called FIRE movement, have you heard of this? It stands for Financial Independence Retire Early. Now, just to be clear because I know there is a bit of back and forth on what this actually entails. From my understanding and having interviewed so many people who are a part of this movement. Retiring early to them, does not mean quitting your job or a job, it just means you're not tethered to your 9 to 5, you're not working a job that you don't love. You may be still making money intact, in though you're retired early but you're doing it on your terms.

One of our guests this year from episode 687 was Tanja Hester, who arrived on the podcast having just retired and she's not even 40 years old. After saving half of her income for years, she and her husband finally reached financial independence at the end of 2017. They left their careers and currently are enjoying outdoor life in Lake Tahoe. Along the way Tanja started a blog called, *Our Next Life*, to document the couple's journey and she does monetize this so herein is how she's making her early retirement money. But here's the beginning of our interview when Tanja shared the specifics behind how she arrived at early retirement.

Here's Tanja Hester.

[EXCERPT: TANJA HESTER]

[0:02:12.5]

FT: Tanja Hester welcome to So Money and also congratulations on early retirement, now just two months into it. Congratulations.

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TH: Yeah, thank you on both. I'm so excited to be here and I'm also excited to be retired.

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FT: Let's talk about that. I mean, what – how do you define your retirement? How are you living your retirement? And then, we'll talk how you got here. By the way, you're only 38 years old. What is it? Is it everything you thought it would be?

[0:02:37.9]

TH: It's funny, I don't think that I would have expected to actually feel retired this early into it. I think that I fully expected it to be a longer process. But we kind went through a weird mix of circumstances ended up doing a quick trip to Taiwan in mid-January in our first month of early retirement and in a strange sort of way that was actually the best thing we could have done because it really got us out of a work mode. We were on the other side of the planet, we weren't awake at the time when people we knew were online anyway.

So, reaching for our phones or trying to stay up on email was a pointless endeavor just by virtue of time zone but then we were also out on adventures, going through national parks in Taiwan, which by the way Taiwan is amazing and beautiful and also really cheap and I can't believe more westerners don't go there. But I remember this exact moment when we were in Taroko Gorge National Park next to this crazy, beautiful, marble gorge raising down the road on mountain bikes trying to dodge like big tour buses full of Chinese tourists and that was kind of this incredible moment where both Mark and I stopped at one point we were like, "Oh my gosh we feel retired, it's a Monday, our colleagues are at work."

"We have no desire to check email or you know ask what's up with them" and it really felt like a big switch but as for the rest of it I think it – what's it going to look like that's also a little bit TBD, you know, I write a blog and I'm going to keep doing that, I'm going to keep doing the podcast that I do. Mark and I are hoping to spend a lot more time skiing. We just got some great snow so he's out doing that right now and then I think we are really just excited to keep things kind of

open ended and to see what life looks like, and to see what we feel drawn to now that we all of a sudden have so many fewer constraints on our time, so it will be an evolution I'm sure.

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FT: Financially how much did you two accumulate before you felt it was an okay time, a safe time, to quit your jobs?

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TH: I think we don't share our overall numbers and I think there I think of limited utility of folks anyway but what I can talk about is multipliers of our annual expenses, so if you know how much it costs you to live for a year then some of this will make more sense and if you don't then I really encourage you to start tracking because I think that's really the first key to being able to save to retire early. But we did a two phase approach, so we had gotten a pretty good head start on our 401(k) tax advantage to retirement savings and that's mostly due to Mark being a super saver from an early age which is not a virtue that I share. But we had a good amount in 401(k)s already so we decided to do two phases where we saved a set amount in our taxable investment accounts.

So, just some basic vanguard index funds and those would support us until we get to the age of 59 and a half when we can then tap into the 401(k)s. So, we saved about 16 and a half times our annual expenses in phase one and our phase one period is about 19 years, a little bit less than that so 16 times our expenses, to get through 19 years. Then we'll also have some rental income kicking in when we get to about 12 years down the road from now so that will help supplement things and then we've got many more times. We got about a little over 25 times our annual expenses currently in our 401(k) but that we expect to grow.

So, we're hoping that when we reach 59 and a half we'll be able to up our standard of living a bit and we don't feel like we are living a life of sacrifice now by any means but we should have the ability to do a few more things, travel a little more comfortably and also we hope give a lot more charitably by the time we get to our 60s and can have lived well in then what we call our traditional retirement.

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FT: Let's also explore the aspects of your lives where you live, what you do, how you save – as all those things contributed to your ability to save so much money and to retire early. I often when I was just having coffee with my friend Libby who is an editor at Business Insider and you know they cover a lot of stories about people who retire early and millionaires and low and behold the common ground is none of those people live in New York, none of those people you know probably even lived on the east coast for that matter. Many of these people like you got a head start in investing because they had the good paying jobs to do so.

So, talk a little bit about the circumstances of your lives that allowed you to reach this massive goal?

[0:07:15.9]

TH: Yeah, and I will say actually though it's true we weren't living in New York, we were definitely not living in cheap places for any stage of this. So, when Mark was saving, well it was in DC which certainly not as expensive as New York by any means but still an expensive place to live. A big chunk of our savings we did when we were living in Los Angeles and living in west LA, so not way out in the suburbs or anything. We had a pretty expensive lifestyle there too and then the last six years and the bulk of our really focus retirement savings has been living in Tahoe which when it's included in rankings comes out as the fourth most expensive place in the country.

So, I do believe very strongly that you can do a lot of this stuff living in an expensive place it's just a matter of what choices do you make. So, for us moving from LA to Tahoe was not technically a change in terms of cost of living, in fact many things got much more expensive, gas here is amongst the most expensive gas in the country, groceries are a fortune we pay what we call the mountain tax on essentially everything. But a big difference is really cultural so in LA if we wanted to get together with friends we're basically looking at \$100 a person for dinner to go out somewhere.

And, that was just sort of like the standard that everybody we knew followed and nobody ever said that but that was just understood. Here in Tahoe even though things are equally as expensive people are much more likely to say something like, “Hey let’s go for a hike” or “Let’s go for a bike ride together,” or “Come over and we’ll have game night, and we’ll bring chips and salsa,” like the stuff that people want to do together is much, much cheaper and so, those are the types of things that I think have really made a big difference for us.

But, looking back if we had stayed in LA I think when we had this aha moment and realized the early retirement was possible I think we would just have to change some our choices and change really our money mindset and try to bring some of our friends along to say like, “Okay let’s not go out to that trendy restaurant let’s like come over and we’ll make pizza,” or you know do something that’s still equally fun but a lot less costly because that I think is the big significant factor more than living in a cheap place. We didn’t live in a cheap place at any stage of our savings and still made it happen.

I will say that like, we don’t have kids, we do have above average incomes. So we certainly were helped by factors there but I think people in the bigger more expensive cities are more likely to have higher income, so I think that tends to net out as a positive not a negative.

[END OF EXCERPT]

[0:09:39.2]

FT: Location is everything, for sure. Where you live dictates SO MUCH of your ability to save says the woman who’s lived in New York for the last 17 years. Big changes, big results people. Tanja blog by the way is called Our Next Life and it is an award winning blog.

Our next guest from 2018 who illustrates an exemplifies all that is great about the FIRE Movement is, and her name says it all, is Mrs. Frugalwoods. She came returned to So Money in 2018 this was as a previous guest and on Episode 688. I first introduced you to Mrs. Frugalwoods way back when we were still in the episode 200’s, 239 to be specific. She is the blogger behind frugalwoods.com. At that point a couple of years ago, she was still hacking away at cheating financial independence, so that she and her husband could retire.

They were hoping to retire in their early 30s. Good news, they did it. She is 34 years old today. 33 at the time of our interview. They've officially reached that goal and also they're parents now to a young girl and I believe, two girls actually now. In this clip I was really curious to ask her about the future. Where does she see herself in 20 years, 30 years? What have they got planned? They're quite young, do they think their savings will last all that time?

[EXCERPT: MRS FRUGALWOODS]

[0:11:08.4]

FT: Where do you want to be in 20, 30 years, audience, Mrs. Frugalwoods is 33 years old.

[0:11:17.4]

MF: I'm almost 34. I'm almost –

[0:11:19.8]

FT: Okay. I'll give you that. Almost 34. A baby by all intents and purposes, respectfully. It's a good thing. It's a good thing. I do wonder for those guests that I encounter who are under 40 and have made maybe millions, or enough to feel financially independent and they've retired from their 9 to 5 and are enjoying life now, but how you enjoy your life today is not necessarily how you might enjoy it in 10 years, in 15 years. How do you plan to adjust as you age and as you might decide, "I want more, or less, or different?"

What if you figure like, you've made projections today, but life happens, right? You're allowed – I hope you're giving yourself allowance to change your mind about how you want to live your life. You decide, one day you wake up, "You know what? I think I want to live in New York City."

[0:12:15.9]

MF: Absolutely It's funny, because we've actually talked about living in New York City one day. For us, financial independence and frugality is all about options. We've given ourselves the option now to live here on the homestead, which is what we want to do and we'll have options in the future if we want to do something radically different.

For us now, we really want to live in this place, in this woods for the foreseeable future. I can't really imagine us not being here. There's so much that we want to do on our land that takes a long time. We have fruit trees that are coming to maturing and we want to do maple syruping. A lot of these projects are very long-term and it takes many years to get your homestead up to the point of production that you want it to be.

For us, it's still in that slow ramp up of producing the fruits and the vegetables and the things that we want to. We are so content and so happy here. It's also true that we do have the gift of options and we do have that choice down the road if we wanted to leave the homestead and move elsewhere and live a different life.

I think it's wonderful to always enshrine those possibilities and whatever financial plan you make. I think it's a great point for people who say, "Oh, well I would never want to quit my job. Why should I save money?" Well, because you never know.

My husband and I are both worst-case scenario. We're always gaming out like, "Okay, here is what we would day in a zombie apocalypse. Here is what we would do if we decided to make this change." It's something that –

[0:13:56.6]

FT: Do you have a panic room, or something?

[0:13:58.4]

MF: No. We do not. The biggest problem that we see with the apocalypse is coffee. We can't grow coffee here in Vermont, so this would be a real problem for us. I think it's always a good idea to have the financial flexibility to pursue something different if life changes, or if you

change. Like you said, if you change your mind and decide that you want to do something else. That's certainly what my husband and I did in coming here. It was a radical departure, but we put ourselves in a position where we had a lot of flexibility and that's what we're doing now too.

[END OF EXCERPT]

[0:14:35.7]

FT: A radical departure. What radical change are you willing to make to dramatically improve your finances? I'll never forget another guest that we had on the show one time – John Kapataneas, he's a producer for ABC News, who happened to also squash over \$100,000 in student loan debt. He told me on the show and I'll never forget and he said, "if you want to be debt free QUICKLY you have to ask yourself, how uncomfortable am I willing to get?" That's not super positive but it does really capture the essence of what it takes. You do have to make a dramatic change, some might call it uncomfortable, some might call it dramatic, some might call it a huge trade off but something has to change really, something substantial. In this case with the Frugalwoods it was their location that truly helped.

Our next excerpt is from my conversation with the woman who is credited for founding the FIRE Movement in many ways. Vicki Robin, she is the co-author of the international bestselling book, *Your Money or Your Life? Over 25 years ago Vicki asked the world this fundamental question, "Your Money or Your Life?"* and that book became an absolute sensation. It actually just received an update for 2018 which was why she joined me on the podcast.

You know, Vivki began the financial independence movement before it was really trendy. She realized the importance of living well on less very early in her life and she has spent the last few decades teaching this and other important financial principles to people all over the world. This is Episode 757 and I asked her why she felt the need to update the book. Why now, in 2018 did we need to reopen the conversation around financial independence?

Here's Vicki Robin.

[EXCERPT: VICKI ROBIN]

[0:16:24.3]

VR: The reality is, is that I had a grandiose ambition, if you will, with the publication of *Your Money or Your Life*. Several years before publication, I've been at a major conference on what was then a new idea called Sustainable Development. I was just the person in the back row. All the leaders from the United Nations, all the leaders in environmental organizations, they all said the biggest driver of planetary destruction is the level and pattern of consumption in North America, and everybody just would shrug and they'd be like, "Well, we can't handle that. In America, it's right to consume and it's your right to consume, and it's 9/11 go buy a tie." It's like the solution to everything is retail therapy in the United States.

But I knew, because we've been teaching this nine-step program in *Your Money or Your Life* for 10 years that — And we've done surveys of the people who would come to our seminars and we knew that if people followed this program their consumption will go down by 20% to 25%. That was our data point, and it was pretty solid.

So I thought, "I am sitting on the solution to the biggest problem on the planet, because if everybody did this program, we would reduce consumption by 20% to 25% and we would save the world." So that was the fire in the belly that got me to work on this for a decade. We thought that we were going to like nail it by 2020. We thought by 2000 we're going to turn this thing around. So I was very, very committed.

[0:18:13.2]

FT: The short answer is you are busy changing the world, helping the world.

[0:18:16.6]

VR: Yeah, but not only that. By the year 2000, it was clear that we changed a lot of lives, but we hadn't touched the big thing. So I sort of retired from that to try to find other ways to change the world or help in some way. Then a couple years ago I was at a conference and a major thinker in this space of sustainable consumption was talking and I thought, "I've heard this person

saying the same thing for 30 years. Come on! I'm waiting for somebody to take it further than we did," and I realized," Oh, okay, fine. My job."

I can return to this work, and especially because I started meeting young people who are so far in debt preparing for careers that were disappearing and I thought, "This is almost disgusting. It's deplorable," that a society should indebt its young people and not support them. So it was that motivation. It was to help young people, another generation. At the time, I had no idea that there is something called the FIRE Movement. I had no idea about Reddit or the Financial Independence Sub Reddit. I just thought *Your Money or Your Life* has faded into obscurity. I was going to give it to reboot and help young people.

[0:19:34.7]

FT: With that, you have a forward by Mr. Money Mustache who has been on this show, and obviously he's huge in the new age-y personal-finance space. His blog is one of the most well-read, most visited blogs of all blog, not just financial blogs. Can we save ourselves from this debacle that you see and I see? I mean, it's no secret that we are an indebted nation. Student loans are drowning the millennial generation. In some cases, the gen X'ers and the boomers can escape their loans. They're still grappled with the debt. What do you think needs to change? Is it just spending less or is it more than that?

[0:20:16.7]

VR: These are great questions, Farnoosh. I really like them. So what I think is we don't recognize the consumerism. We all consume from birth to death. We eat food and we breathe air. But consumerism is the religion of consumption. It's really the shared religion of our country, because in religious terms we're at each other's throats, but consumerism we can all agree on. It's a manufactured desire. It is in service to the corporatocracy. Really, it's in service to the industrial production to manufacture needs that really aren't needs. They're just passing, programming from advertising. This whole system is like — It's like alcohol. It's like the very least to have it, and I think it's an addiction. For some people, it's an addiction.

I joke about retail therapy, but it's really true. To celebrate, we buy something. To grieve, we buy something. To start a yoga stuff, we buy something. We've committed to like exercise. We don't just go out the door and walk. We buy a gym. We are so swept up in the idea that every need has a product to fill that need.

Most people are not conscious of the process, and if you make them conscious, they actually don't want to change it. And it's going to be very hard to address that. So what I teach, what Joe Dominguez and I have taught for years, he passed away 20 years ago, is that to really understand that the money you spend is your life energy. It's really your one-way ticket from birth to death and you're spending some of it on this thing that you're never going to use and throw out soon.

So for self-preservation, you want to pay attention, and when people realize that not spending money is self-preservation, rather than not spending money is deprivation. That's what really shifts things. So I think we need to collectively address this, and it's going to be difficult. So there's people like you and me and everybody else in this personal-finance space who are going to be repeating and repeating and repeating. If you buy something and put it on your credit card, you're going to actually end up paying three times the nominal price, because that's how much interest you're going to pay. So we have to just keep explaining to people the consequences of putting themselves in debt.

Also, just even things like the big-ticket items, like the major thing that has increased in the last 25 years is the cost of college education. Yet, there are other countries where you can get a free college education. In Cuba you can go all the way to being a doctor for free. So we are sort of narrow-focused on a set of colleges and we mentally have them ranked according to status, and the highest status ones frankly are going to cost us a hundred grand a year. It's insane. It's insane, and we have to see that it's insane and it's insane not because I say so, but because you realize that you do not want to do this.

So once you realize that, once you've freed your mind, once you realize, "I'm in the Matrix. I'm in the Truman Show." Once you realize that and you develop sort of a no shame, no blame sense of humor about it or sense of disgust, or whatever sense you develop. Then you're open to the

strategies, but have to see through the Wizard of Oz. We have to see behind the curtain in order to do that.

[END OF EXCERPT]

[0:24:27.5]

FT: I totally feel like I'm on The Matrix all time, when I'm on Instagram especially and I'm seeing advertisements for things that I thought to buy or have purchased. The internet is in our brains people. Let's be super careful about all the hyper aggressive marketing these days, right? By the way, *Your Money or Your Life* has sold over a million copies, it's in about a dozen languages and it remains one of the preeminent guides on personal finance in existence. You can go to yourmoneyoryourlife.com to check it out. And for the full interview with Vicki go to Episode 757 at SoMoneyPodcast.com.

Finally, let's revisit my conversation with Andy Hill, Episode 814, who is the founder of the blog and the podcast, *Marriage, Kids and Money*. Andy is a big proponent of financial independence and retiring early. Over the past eight years, he and his wife Nicole have paid off \$48,000 worth of debt, they also paid off their mortgage, over \$400,000 there and they've increased their net worth from zero to \$750,000 in eight years.

The journey came with its challenges of course. He talks about it on his blog and on his podcast. And in this clip you're going to hear Andy and I talk about what motivated him, and his wife, to join the FIRE Movement and then how are they benefitting from couples counseling as they achieve their money goals.

Here's Andy Hill.

[EXCERPT: ANDY HILL]

[0:25:58.8]

FT: Let's talk a little bit about how you ultimately built the net worth of \$750,000 starting with debt. I know that you follow Dave Ramsey's Seven Baby Steps and you had a budget obviously with your wife Nicole but what was really, you were saying integral part of your ability to transform?

[0:26:19.8]

AH: Yeah, I would say, you know, you definitely hit it off on the right head there. I got kind of a little crazy about Mr. Ramsey and 2011, found his book, right around the time where we found the ultrasound and we knew that we were going to be parents, that was one of the first books that I read and the way that he wrote it, it was very, it clicked with me very well because it was a step process. The step one through seven of what you can do to build wealth and protect your family.

I'm a rule follower, I like steps, I ate that thing up like crazy. As we were going through the process, some conversations that started to happen between my wife and I, I quickly realized that her and I have different views on money. I'm naturally a saver or I'm naturally someone who wants to work on these goals and she wants us to enjoy life and live for today and there's nothing wrong with either one of those.

But, the way we communicated about it in the beginning didn't really help kick us off in the right spot and I'll take the blame on that one honestly. I read the book and I came up to her as she was coming through the door one day from work after a really busy day and came up to her and I said, "Hey sweetheart, I've got a plan for our family. First thing's first, we need to sell your car." She looked at me after her long day at work, you know, just catching her right at the door and just sort of like, shook her head, walked right by like, "what are you talking about guy?"

For me, I'm like, "what did I do wrong? You know, this book says it all, how come she doesn't know, how come she doesn't understand. Surely, if she just reads the book, she'll get it, right?" Through a lot of trial and error, after that moment. I realized that I have to stop talking about the numbers or the debt structure or the monetary goals and really talk about the emotional side of things with her.

Because that's really where we start to connect. That's some of the things that I learned early on in the relationship and I'm still learning today, eight years later. That we talk differently about money and that's okay. It's a great thing because she helps me to be a more relaxed, fun, easy going guy and I help her plan for the future. I think when we can work together and combine those super powers, we could become a super couple.

[0:28:39.5]

FT: That's excellent. It's true, most couple, opposites attract and it is very true when it comes to our finances, savers tend to attract spenders and at first, it can be really exhilarating to your point, you know, you can kind of live vicariously through one another, the saver finds a thrill in kind of being with somebody who likes to spend and then the spender who might be comforted by would be with the saver but if you don't communicate it, around it properly if you don't express your emotions, understand where you're coming from, it can backfire.

What are you learning specifically in marriage counseling, what are some of the actions steps that your counselor has suggested to the two of you, to help you communicate better around this, come closer to your goals around this.

[0:29:26.2]

AH: Yeah, it's been really revealing and in the beginning, I was a little bit hesitant to go because you know, there's this stigma around marriage therapy where it's like, "Oh man, things must not be going well. They're going to marriage therapy." You know, I quickly flipped the switch after Nicole brought it up to me and after we went for our first session and I thought, "Wow, this is incredible, a third party, thinking of it as a coach that is helping us through our tough times, you know? Helping us communicate better."

You know, if you were not, you know, not physically fit, what would you do? You'd partner with a coach, right? To help you get there, why not do the same thing with your marriage and that's kind of what I found as I went past the first session and I started to get excited about it.

Then I'm the one booking the next session. I was like, "Okay, when are we going again sweetheart?" She got really excited about that and so did I. Some of the things that were revealing to us were the way that we were communicating with each other.

You know, when we're really busy with our little kids and they're kind of hanging on our legs and we don't really have much time to talk with each other, this set aside hour that we go for our session is incredible for our marriage because some of the things that we say in passing that are really important like our plans for the weekend or our plans for our financial decisions can be interrupted pretty quickly when you got a six and four year old hanging around your legs.

The way that we communicate and we already knew this from the beginning is that we speak very differently about money. When for example, if I talk about, "Hey, I think it would be great if we maxed out our 401(k)." To her, that sounds like, "Wow, he wants to take more money away from us enjoying life today." Then, when I heard her say, "Hey, I think it would be great if we completely decorated our basement."

What I heard was, "Wow, she really wants to take away my ability to have financial freedom." What really was broken down in the conversations with our marriage therapist was, actually, you guys are saying the exact same thing. You're just saying it in a different fashion. You are interpreting what your spouse is actually saying with those messages. When Andy says, "He wants to save for the future," he's saying, "He wants to protect the family and give them an opportunity to enjoy life and not think about money and have more fun."

Then when Nicole says, "Hey, I want to decorate the basement or do something new in this house," what she's really saying is, "I want to create a warm home environment where we're having memories together and creating fun." How could somebody say no to that? I mean, when the message was broken down that way by our financial therapist, it just helped us reveal, there's no evil motivation for my spouse, there's not desire for us to not have what we want. There's actually the opposite. They want to create an environment that is family centric and full of love and that was a really revealing moment for me in therapy.

[END OF EXCERPT]

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FT: So much Props to Andy for being open and honest with us on the show about he and his wife and their couples therapy. You can follow him at MarriageKidsandMoney.com and this was Episode 814 if you'd like to go back for the full conversation.

And that's a look back at the best of 2018's FIRE Movement guests. I hope you enjoyed it and I'm really looking forward to showcasing more individuals in the new year who are making a financial difference in their lives and if you're that person, if you're someone that fits this bill or you know someone that you think we should know about, please get in touch. Just go to SoMoneyPodcast.com, click on "Ask Farnoosh" and that's where you can tell me everything, what's on your money mind, advice for me, tips for me, guests ideas. Look forward to hearing from you.

Thanks for tuning in everybody and I hope your day is, So Money.

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