

What It Takes to Retire Early

Lately I've been noticing an increasing number of stories about people who have managed to save a decent chunk of money in a relatively short period of time to be able to retire at a very young age. Here are a few I've seen recently along with some advice from each.

[This couple is retiring early by using rental income to move abroad and travel:](#)

Save your money and invest it in income-producing assets that appreciate in value (like real estate or a business), rather than saving x% to reach some magic number decades from now. The Bowmans had built up a nest egg mostly comprising the property they purchased over the years. They now rent out their house, which was half paid off, a condominium, and a commercial warehouse they had used for stock. "Property is a big reason we are able to do this," says Cynthia.

[This couple saved \\$1 million by choosing to live in a place with a low cost of living to retire in their early 40s:](#)

Shortly after making the decision to retire early, the couple sold their 5,000-square-foot lake house in Wisconsin and bought a 1,400-square-foot fixer upper in Colorado. It meant a significantly smaller mortgage. Plus, "those extra 3,500-square-feet added absolutely nothing to my happiness," Carl adds.

They also note that their location in Colorado is a big part of the reason they're able to retire in their 40s with a million-dollar portfolio: "If you lived in San Francisco or Manhattan, I don't think you'd be able to do it, but we live in a very low-cost area in Colorado. ... Life is pretty cheap here, and we can get by on about \$2,000 a month."

[Finally, this couple retired in their 30s by avoiding home ownership in an expensive real estate market:](#)

Their advice includes investing your money instead of blowing it on a house — at least in pricey cities like Toronto and Vancouver where homebuyers are often saddled with a big, fat mortgage.

"As soon as they sign those papers, stick a fork in them, they're done," said Leung. "They're not going to have any money for the next 20 years and they're going to be stressed out at work to pay their mortgage."

Each of these stories are somewhat unique in that all of these couples approached their early retirement strategy from a different angle. One used real estate as their main source of income, one downsized houses and moved to a different state to be able to save more money while another completely stayed out of the housing market. So they all approached this issue from a different

perspective.

But beyond their investment strategies they all shared a very similar approach to personal finance. To retire early you either have to:

1. Save lots of money.

or

2. Have very little need for lots of money.

And the ideal situation is obviously be a combination of the two. At the most basic level, those are the only two things that matter. Every other decision branches off from these two starting points.

The problem with these types of stories is that many people are just using them to look for tactics.

- What % of my income do I need to save?
- How much of my pre-retirement income do I need to replace to survive during retirement?
- How long will my money have to last?
- What should my withdrawal rate be when taking distributions for retirement?
- What should my ideal asset allocation be to ensure a safe retirement?

While these strategies can be important to the longevity of your early retirement plan, they are completely useless if you're unable to save or control your spending habits. And one of the biggest advantages about a high savings rate and low spending rate is that you don't have to worry as much about replacing so much of your income.

As with most things, this advice sounds simple, but can be extremely difficult to pull off in the real world. It's not easy to live within your means and avoid lifestyle creep as you begin to make more money. Saving isn't exciting. Spending money is (in the moment, at least).

I think far too many people want to find shortcuts to get ahead. No one wants to take the longcut, so to speak.

Unless you inherit a boatload of money, there really is no secret for early retirement. There are no life hacks that will make it easier. It takes sacrifice and it's certainly not for everyone.

And whenever I read these stories I don't really get the feeling that these people want to stop working altogether. What they really want to do is set their own terms on the kind of work they would like to do. It's not so much that they want to retire early, but they do want the financial flexibility to pursue work that interests them. So maybe another form of early retirement is really finding a job that doesn't feel like a job and doing something that makes you happy.

Further Reading:

[How to Retire Early](#)