

Some Thoughts on the Extreme Early Retirement Movement

A reader asks:

My question to you is what are some of your financial goals? Do you hope to retire early or try to become financially independent someday to quit your job and do something else? I'd love to hear you address the ERE movement.

It's hard to see a week go by these days without seeing a profile or new blog about someone in the ERE (early retirement extreme) or FIRE (financial independent, retiring early) movement about how they retired at an extremely young age.

These people typically have an abnormally high savings rate (somewhere in the 50-80% range) along with an abnormally low spending rate and minimalist lifestyle. Mr. Money Mustache is the most well-known in this genre of people who retire in their 30s after a short period of extreme saving.

I have a ton of respect for these people. There are so many people out there today who have a hard time saving any money at all. The fact that these people are willing and able to save enough money to become financially independent so early in their years requires a combination of discipline, hard work and planning that is rare these days.

There are a ton of useful lessons you can learn from this movement but I don't ever see the ERE lifestyle working for me. Here's why:

I enjoy my job. I like the people I work with. I enjoy the work I do. I'm not stressed out about my job. I have the autonomy to work on projects I find interesting. I would be bored out of my mind if I didn't have something to work on that keeps me engaged.

A running theme with most ERE stories I read is that the people hate their jobs -- they work too many hours, hate their employer, have high levels of stress or no work-life balance. These seem to be the driving forces behind the decision to exit the workforce and save so much money for most of these very early retirees. Most of them are simply trying to save enough so they can do the work they really want to do. If you can find a job or career you love there's no reason to look for an early exit from the working world in your 30s.

Life is all about balance. Thinking in terms of extremes doesn't mesh well with my personality. I need balance in my life. I don't want to feel guilty every time I spend money on myself or my family. I'm definitely a proponent of using a [high savings rate](#) and delaying gratification but forsaking all else for the sole purpose of saving every last penny doesn't sound very enjoyable to me.

Balancing the need for delayed gratification and the desire to enjoy yourself now can be a tricky

proposition. Setting goals are fine but if you focus exclusively on an audacious savings goal or retirement date over all else your priorities could get out of whack.

There are more factors involved than how much you save. Beyond simply saving a lot of money in a short period of time, there are a ton of other factors to consider when retiring extremely early. Here are a few that come to mind:

- Health insurance
- You miss out on a huge chunk of social security
- Your money has to last you a very long time
- Most of your funds need to be in taxable accounts
- Expenses tend to rise as you age
- Investment management becomes much more important
- Sequence of return risk can be massive

All of these variables have workable solutions but they are not easy by any stretch of the imagination when thinking about the prospect of a 50-60 year runway in front of you for your money to last.

Financial independence means different things to different people. I don't mean to disparage the ERE movement. As I stated above, I have a lot of respect for those who are able to pull this off. It's an impressive feat. But I think financial independence has different meanings beyond hitting a savings target.

To me, financial independence means not having to stress about money all the time; it means having enough money saved so a one-off expenditure won't be a huge issue; it means having enough money to pamper yourself every once and a while without feeling guilty; it means living life in a way that is rich to you personally.

Specific financial goals come and go over the years as your life invariably changes and throws you some curve balls. I've learned to let go of setting specific goals and instead focusing my time and energy on setting the right priorities when it comes to money. Extreme early retirement is a top priority for some people but not me at the moment.

This doesn't mean it's not the correct priority for other people but that's the whole point -- you have to understand yourself before making huge financial decisions and define what having a rich life means to you.

Further Reading:

[Why Should You Care What Anyone Else Does With Their Finances?](#)