
MATT MCKEEVER

**THE FINANCIAL
INDEPENDENCE
& RETIRE EARLY
ROADMAP**



You are **NOT** your job,
you're **NOT** how much
money you have in the
bank. You are **NOT** the
car you drive. You're
NOT the contents of your
wallet. **YOU ARE NOT**
YOUR FUCKING KHAKIS

-Tyler Durden

- **Want to quit your job?**
- **Want to retire before 65?**
- **Want to pursue your passions full time?**
- **Want to travel while you're still young?**
- **Want the freedom to live life on your own terms?**

You need to learn about the Financial Independence Retire Early movement.



FIRE is about taking ownership of your personal situation and personal finances.

What is Financial Independence Retire Early (**FIRE**)?

Describes a concept and movement dedicated to high savings rates and conscious consumption of resources to allow an individual to retire before the traditional age range of 55-65.



Think of **FIRE** as a first principles approach to living your life.

First Principle is a foundational proposition or assumption that stands alone and cannot be deduced from any other proposition or assumption.

Elon Musk's 3 STEPS for FIRST PRINCIPLES THINKING



Step 1: Identity and define your current assumptions.

Step 2: Breakdown the problem into its fundamental principles.

Step 3: Create new solutions from scratch



Example of First Principles for FIRE



Step 1:

Current Assumptions: It takes decades to be able to save for retirement and you need millions of dollars to be able to retire comfortably.



Step 2:

Breakdown Problem: To retire I need enough passive income or savings to cover my needs and allow me to live indefinitely. I need to identify exactly what I need to survive and find the most efficient way to meet those needs.

Shelter, Transportation, Food, Medical, Clothing & Consumables.

Step 3: Create New Solutions:

SHELTER = House Hack, Transportation = Bike + Public Transportation;

FOOD = Groceries and Growing own Food

MEDICAL = Staying Physically Fit, Proper Nutrition, Preventative Measures + Insurance;

CLOTHING = Second Hand etc

What FIRE Isn't:

- A sacrifice and perpetual state of being miserable
- Only effective for one social demographic
- A get rich quick scheme



Where some see sacrifice, we see conscious consumption and a low impact lifestyle. Where some assume cheapness, we focus on frugality through quality. It's not about being financially rich, but instead becoming a more resilient version of yourself.

GOAL of FIRE:

Have enough savings, assets or passive income to be able to cover your living expenses indefinitely (with a high or acceptable probability of success).

3 Steps to Achieving FIRE (READY, AIM, FIRE)

1. Determine Your Needs (monthly expenses)
2. Save 300X Monthly Expenses or
3. Develop Passive Income to Cover Monthly Expenses FIRE, drop mic



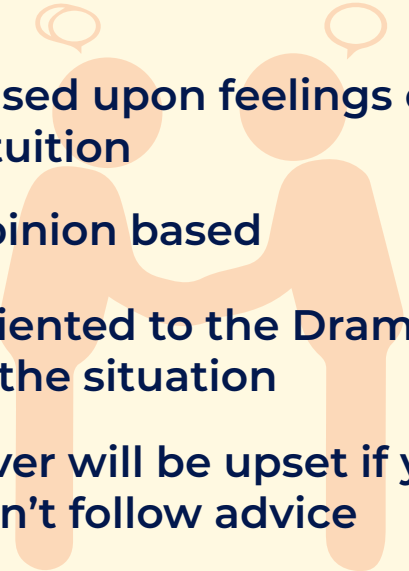
Friends, Family & Good Intentions


WARNING:

friends, family and other stakeholders in your life likely have good intentions, but be sure to **identify the difference between advice and counsel.** Advice is based upon someone's opinion, counsel is based upon someone's experience.



HOW TO IDENTIFY ADVICE VS COUNSEL

- 
- Based upon feelings or intuition
 - Opinion based
 - Oriented to the Drama of the situation
 - Giver will be upset if you don't follow advice

- 
- Based upon personal experience
 - Fact based
 - Oriented to the Data of the situation
 - Giver wants you to consider their counsel

Many people will tell you **FIRE** is impossible or crazy or has too many "sacrifices" to be worthwhile. Unless these individuals are living the lifestyle you wish to live on the terms you wish to live, you need to ignore their advice.

What if, what if, what if....

They're concerned about the what-if's should you fail, but what-if you succeed? What if you decided to take control and refused to "lose".

3 Routes to FIRE:

- 🔥 Live for Free
- 🔥 Accumulate Assets
- 🔥 Passive Income

Live for Free:



Just as it sounds, find a way to live for free indefinitely. How can you do this? Become a ward of the state, live with your parents or live in the woods like a wild man. For further info research Thoreau, Freeganism, Homeless by Choice & Zero Currency Blog. This is the least likely and least common way to FIRE.



Later in this guide we'll show you exactly how to house or rent hack so you never have to pay for shelter again!

Accumulate Assets:



Accumulate so many assets you could never spend or consume all of them or save up approx 300X or more of your monthly living expenses. Why 300X? We'll come back to this in a second.

Passive Income:

For the purpose of this guide, we'll identify 4 streams of potential passive income.

1 INTELLECTUAL PROPERTY

2 BUSINESS

3 REAL ESTATE

4 DEBT OR PUBLIC EQUITIES

Intellectual Property:

because of our laws around intellectual property and intangible creations - things like: inventions, artistic works, designs, symbols, and names can have a residual value to the individual owning the intellectual property.



Business:

Owning a business can be a great way to reach financial independence, but you cannot retire early if you're actively working in the business day to day operations. To generate passive income from a business you need to manage the managers.

Real Estate:

If you build up a portfolio of cashflowing rental properties and you outsource the day to day management of the property you can reach financial independence and retire early - but many investors fail because they do not have enough cashflow after paying for management to be able to cover their living expenses.

Debt or Public Equities:

Invest in shares or debt of companies or become a private lender. If investing in shares, for it to be passive income you likely will want to invest in shares that pay a dividend or implement a capital gains harvesting model where you rebalance on a regular basis.

Flavours of FIRE:

leanFIRE:

aiming to achieve a lower level of consumption, spending significantly less than the average citizen. This may be accomplished by needing less, or focused on resourceful solutions or substitutes. Often associated with minimalism, stoicism, frugality & anti-consumerism.

FIRE:

aiming to achieve a similar standard of living as the average citizen. Their consumption patterns may vary from the average citizen but their lifestyle and standard of living is similar.

fatFIRE:

aiming to achieve a higher standard of living than the average citizen. Oftentimes this can be accomplished through growing the gap between expenses and income by focusing on the income side of the equation.

Why Do I Need to Save 300X Monthly Spending or 25X Years?

Answer: The 4% Rule - The Easy Answer to "How Much You Need to FIRE" The 4% Rule describes the safe withdrawal rate (SWR) for early retirees.

The Trinity Study:

The authors backtested a number of stock and bond portfolio mixes and various withdrawal rates against market data covering the period of 1925-1995 (and still applies if updated to 2020). The authors stated: *"If history is any guide for the future, then withdrawal rates of 3% and 4% are extremely unlikely to exhaust any portfolio of stocks and bonds during any of the payout periods shown in Table 1. In those cases, portfolio success seems close to being assured."*

Want to Learn More?

Play with FIRECalc.com where you'll be able to backtest your portfolio based upon 3 simple variables: Yearly Spending, Portfolio Size & Years of Retirement. FIRECalc will show you the results of every starting point since 1871. You'll find a portfolio with a 4% withdrawal rate will succeed 95% of the time.

\$500,000 @ 4% SWR = \$20,000 annual spending
\$1,000,000 @ 4% SWR = \$40,000 annual spending
\$2,000,000 @ 4% SWR = \$80,000 annual spending

How Can I Save 300X Monthly Living Expenses? **SAVINGS RATE MATTERS!**



WEALTH consists **NOT** in having
great possessions, but in having
FEW WANTS. - Epictetus

	Spend/Save Ratio	Spend/Save Ratio	Spend/Save Ratio
Year 1	90% / 10%	50% / 50%	10% / 90%
Year 2	90% / 10%	50% / 50%	10% / 90%
Year 3	90% / 10%	50% / 50%	10% / 90%
Impact	30/90 = 1/3 of a years saved up after 3 years	150/50 = 3 years of savings after 3 years	270/10 = 27 years of savings after 3 years

The **GREATER THE % OF INCOME** you save, the less you need, the more in control of your life you are. **FRUGALITY IS NOT SACRIFICE, IT'S FREEDOM.**



How Do You Increase Your Savings Rate?

Decrease your spending, or increase your income or both but one way or another you need to grow the gap between what you earn and what you spend.

Saving More vs Spending More Exercise

Let's assume you have a 50% savings rate, should you focus on decreasing your expenses or increasing your income?

50/50 SPENDING/SAVE RATIO

Increase Income 50%

100/50
2/1

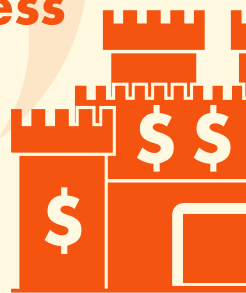
Decrease Expenses 50%

75/25
3/1

In other words **EVERY \$1 EXTRA EARNED IS EQUAL TO: \$1 X YOUR REMAINING YEARS OF WORK;** let's call this A ,where as every \$1 reduced in spending reduces assets needed by \$25 (because of the Trinity Study)

Therefore unless $A > \$25$, focusing on reducing your needs and increasing your savings rates will speed up your retirement

Think of FIRE as building your financial fortress of solitude, you don't have to stop once you have it, but at least you'll always know you have it..



Review Your Spending

"You must gain control over your money or the lack of it will forever control you" - Dave Ramsey

Most People's Spending Looks Like This:

30 - 40% for Shelter & Utilities

10 - 20% Transportation

10 - 20% Food

10 - 20% Discretionary Spending & Clothing

0 - 10% Travel

0 - 10% Savings & Debt Repayment

"Let's get a few things straight. Your home is shelter from the environment. Your vehicle is an A to B tool. Clothing is protection from the elements. Anything more than that - needs to be conscious consumption"

- Matt McKeever



How Can You Save More?



Find the one decision that removes 100 decisions.

Knock down the big dominos first. Shelter & transportation often represent 50% or more of most people's budgets.

Find a way to reduce shelter costs to 15% or less of your budget.

Best ways to reduce your shelter costs:



Roommates



Off Grid/Tiny Living



House Hacking



Rent Hacking

The concept of house hacking and rent hacking is the idea of taking one's principal dwelling and renting out a portion of it. **Ideally the rent covers the entire cost of the house or rental property.**

Common House Hacks:

House with Roommates	Duplex, Rent One of Apartments, Live in Other	Multifamily Property, Live in One of Apartments
Airbnb Bedroom or Portion of House	Duplex or Multifamily and Airbnb	Business or Office Hack, live where you work

Whatever your current situation in your life there's a house or rent hack solution that should work for you.

3 KEY FACTORS for Considering Location and Type of Shelter

- 15% or less of income
- Permanence or level of commitment to location (are you likely to move to a different city or province in the near future)
- Convenience to the places you visit most often (often work, groceries, friends/family, hobbies etc)



When first introduced to the concept of house hacking, many people have concerns that it will impact their quality of life. **IT'S IMPORTANT TO TAKE OWNERSHIP OF YOUR LIFE,** and find the right house hack solution for your personal situation. But there is a house hack or rent hack option for every person and situation.



Example House Hacks

Each house hack will be specific to the individual property, but here are a few examples representing common house hack setups.

S.F.H WITH ROOMMATES



4 Bedrooms
X500 each

DUPLEX LIVE IN ONE SIDE



Live & Rent
one side \$1,500

FOURPLEX LIVE IN ONE UNIT



Live, RENT,
RENT, RENT!

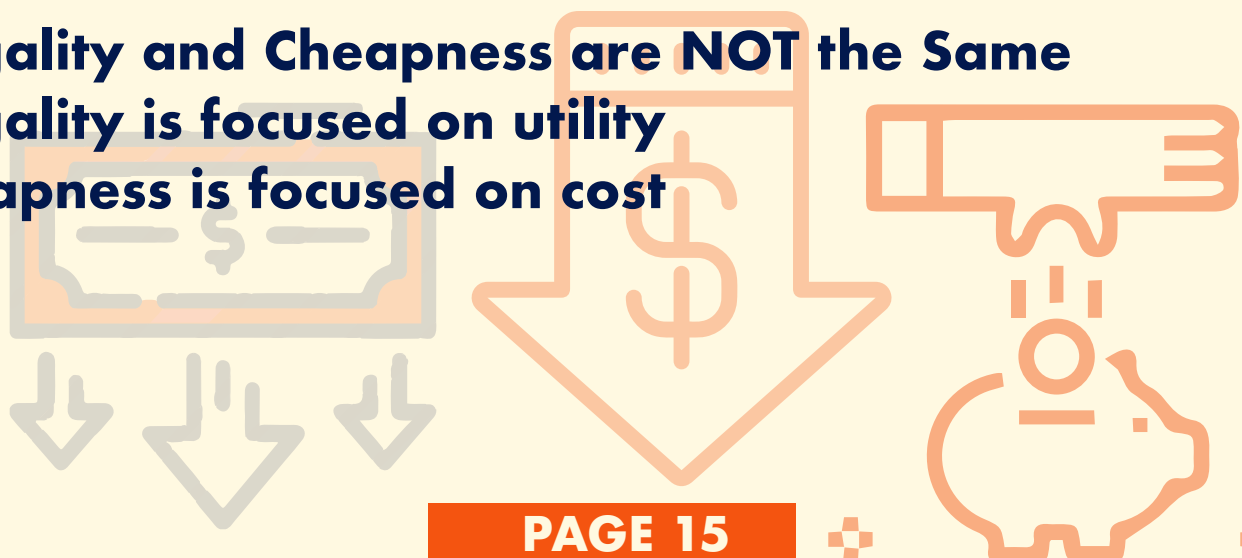


	Single Family House 5 Bed 2 Bath	Duplex	FourPlex
Property Cost	\$250,000	\$300,000	\$400,000
Down Payment 20% & \$\$ Needed	\$60,000	\$70,000	\$90,000
Living Situation	Live in one of the bedrooms	Live in one unit	Live in one unit
Potential Rent	4 rooms @ 500 each = \$2,000	1 Unit @ \$1,500	3 Units @ \$1,200 each = \$3,600
Utilities	\$300	\$400	\$600
Taxes	\$250	\$300	\$400
Insurance	\$100	\$150	\$200
Repairs & Maintenance	\$200	\$150	\$360
Approx Mortgage (3.5%, 25 yr)	\$1,000	\$1,250	\$1,500
Net Cashflow	\$150 + Live for Free	-\$750 + Live for Free	\$540 + Live for Free
Net Income	\$650	-\$125	\$1,290

Frugal vs Cheap

Frugality and Cheapness are NOT the Same

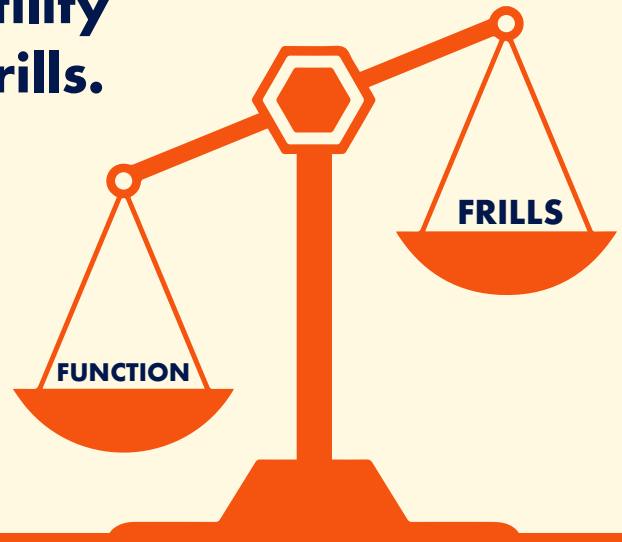
Frugality is focused on utility
Cheapness is focused on cost



The frugal solution may often be investing in a high quality, long lasting tool. But oftentimes it's finding a resourceful solution with existing resources. **SPENDING MONEY JUST BECAUSE YOU**

CAN IS NOT A FLEX, IT'S WASTEFUL.

FIRE is about efficiency & utility and prefers function over frills.



FRUGALITY IS A SKILL, ONCE YOU DEVELOP IT YOU'LL ALWAYS HAVE IT, SHOULD YOU NEED IT.

Remember: every \$100 a month you spend requires \$25,000 in savings to support it.

Find Alternatives - always seek free or low cost alternatives.



But What About... What-if...

FIRE is often first met with a variety of objections and concerns over various what if scenarios, let's review some of the most common variants.

QUESTIONS & ANSWERS



Q: 300X Savings - but what if the market crashes after I retire?

A: It's important to recognize that the Trinity Study assumed consistent consumption with no side or additional income during retirement. If you were to retire and immediately the market crashed - you could always reduce consumption or create some active income to bridge the gap. You could also structure your savings in the 3-bucket retirement income strategy to minimize the impact of market volatility.

Q: What if I retire and decide I want to spend more money or increase my lifestyle costs?

A: You can! You can start a side hustle, work part time etc. The key is that you're actively choosing to increase your consumption consciously.

Q: What if I retire and don't like it?

A: You can always go back to work, full time or part time, whatever you wish - the key is it's an active choice, you're in control.

Pro Tip: Ignore the Internet Retirement Police

Internet Retirement Police: describes online individuals who criticize your way of life after you reach FIRE. The moment in retirement that you do anything other than golf or watch tv all day the IRP will try to tear down your lifestyle. FIRE isn't about dropping out of society and never being productive again. You're allowed to make money and be productive in retirement, ignore the IRP and their complainypant ways.

SUMMARY

Financial Independence and Retiring Early is a simple concept and process.

**LIFE IS A CHOOSE YOUR OWN ADVENTURE,
AND YOU'RE IN CHARGE OF
YOUR CHARACTER.**

Step one is taking ownership of your situation and establishing what you have, what you need and the gap between the two and then putting together a plan.

In order to save money you need to grow the gap between your income and your expenses. You can focus on making more money, spending less or both.

In order to reach Financial Independence you'll either need 300X your monthly spending or enough consistent passive income to cover your monthly expenses.

**MONEY IS A TOOL, LEARN TO WIELD IT
OR LIVE IN FEAR OF IT.**

Once you've achieved FIRE, get in contact with me and let's talk about what comes after you've solved the money problem.

Recommend Resources & Learn More:

YouTube www.youtube.com/mattmckeever

Podcast <http://onfirepodcast.ca/>

**Website
& Blogs** www.mrmoneymustache.com
www.earlyretirementextreme.com

Tools www.firecalc.com
www.cashflowtribe.com

Books <http://amzn.to/2qgFBNK>