



1 Thing Everyone Gets Wrong About Early Retirement (And 1 Thing They Get Right)

Description

It's fairly easy to beat up the idea of early retirement.

You could point to the fact that early retirees often lose their sense of purpose, get bored, and end up returning to the workforce (which we saw during the pandemic). Or you could point to the absurd amount of money a 40-something needs in order to generate enough passive income to live comfortably. Or you could even point to the fact that humans are social creatures and retiring early means exiting from the very place where adults make friends: the office.

But amid this criticism, there's something everyone is getting wrong about early retirement: it's not about *not* working. It's about having the financial security to find a job you love.

What early retirement means: financial independence

Now, don't get me wrong. There are certainly people who want to retire early in order to never work another day in their lives.

But, aside from these people, many seek "early retirement" not to quit working altogether but to achieve a place of financial independence. They want to be debt-free with an emergency fund of three to six months' expenses set aside. They want a substantial retirement account, with a well-diversified portfolio of stocks, bonds, commodities, and even real estate. And they want to be independent of their personal income.

That last part is important. Many of those who seek early retirement (especially in the F.I.R.E. movement) want to be so financially independent they could quit their job with little financial repercussions. Likewise, many seek independence in order to quit their job and find a career that gives them more satisfaction, albeit at a lower rate of pay.

In fact, if you were to ask an early retiree why they retired so early, they would probably respond with

something like, “to write that novel I’ve always wanted to write.” Or “to start my travel blog.” Or to “finally whittle chairs like my grandfather.” You’ll rarely hear idleness from those who are serious about early retirement.

What everyone gets right: early retirement *is* difficult

Those who criticize early retirement do get one thing right: to retire early, you have to work for it. Work *hard* for it.

It doesn’t just fall into your lap. Most early retirees achieve financial independence by living off passive income, usually earnings from their investments. To achieve that, you have to invest wisely, while also investing early to give your money time to grow.

Early retirees are also frugal. They keep airtight budgets that allocate only the most minimum amount to discretionary spending. They cut corners—*every* corner—and put the money saved into their investment accounts. They pay off their debts, and they don’t carry balances on high-interest credit cards.

Foolish bottom line

So, it’s true what the critics say: if you want to retire early, it’s going to be difficult. That’s not to say *impossible*, however. With a budget, some investing acumen, and a lot of grit, you can reach a place where early retirement is possible. Then, you can decide if you want to continue working or take a break. Nine times out of ten (because you’re a hard-working person), you’ll continue working. But, with your financial independence, you will no longer feel indebted or behind at work. You’re free, and you’re doing your job simply because you love it.

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