



Want to Retire Before You Hit 40? Here's How to Do it Before You Turn 35

Description

Twenty years ago, retiring by 40 would have seemed absurd. These days, however, retiring before you hit 40 isn't that unbelievable. It's not easy, sure, but plenty of Canadians have achieved it, with plenty more on their way. And, depending on your age, you could retire not just at 40 but even at 35.

How can you retire while you're still this young? While retirement plans might vary, every early retiree has to do two things: save money and invest aggressively.

Save aggressively

Unless you plan to receive an inheritance — a *big* inheritance — you're going to need to save a tonne of money. I'm talking money with six or seven zeros at the end. And that's not a sum that's just going to fall in your lap.

Expect to save over 50% of your take-home pay — possibly more. To do that, you might have to live frugally and become slightly stingy. You might even have to pick up a side hustle or create streams of passive income. A budget will be your bread and butter, and, in fact, *bread and butter* will be your bread and butter. With food inflation the way it is, cutting down on excessive groceries or fine dining will likely be a necessity.

What about numbers? How much will you need to save? People like to talk numbers, but here's the thing: they're almost always wrong. You can use the "rules," like the 80% rule (replace 80% of your pre-retirement income for each year in retirement). But these are guestimates, not exact numbers.

I'd say whatever number you calculate, add a 15% margin. So, if you think you need \$1.2 million, then add another \$180,000 to that number. This gives you a buffer in case an emergency pops up — or you have a bad year in your investment portfolio.

Then invest aggressively

The key to retiring early is to invest early, often, and aggressively. You want to capitalize on compound growth. And the sooner you start, the more likely money from your investments will outlive you.

As far as what to invest in, you'll likely want to allocate a significant portion to stocks. These can be a mix of growth stocks, small-caps, value stocks, and perhaps some blue chips for stability. But no matter what stocks you choose, the most important thing is to buy quality stocks *for the long term*. Yes, even if the stock market starts to tank.

Go ahead and swallow this fact: you'll likely see your stock portfolio follow the up-and-down path of a roller coaster. For the risk adverse, that's going to be tough. But for those determined to retire early, the only path forward might be one that's not exactly linear.

Just stay invested. And keep some cash on hand for emergency expenses or years when the stock market isn't doing well.

Consider a LeanFIRE lifestyle

Now, for those who can't amass a million by 35, there might be another way to retire: live on the bare minimum.

It's what some call a "LeanFIRE" lifestyle. When you adopt a LeanFIRE lifestyle, you plan to live on a smaller retirement income. That means living frugally and being okay with a small nest egg. It's often contrasted with FatFIRE, which means you have a big enough nest egg to retire like a king or queen.

Perhaps the best tip is to adopt a LeanFIRE lifestyle *now* before you enter retirement. This will help you save money now as well as help conserve your savings when you're retired.

Can you really retire by 35?

Saving and investing aggressively will help you amass the wealth you need to retire early. But it's going to take work ... a lot of work. You might have to work a side gig, set up multiple streams of passive income, or even invest in real estate to get there. So, what are you waiting for? Take these tips and stay making your own unique retirement plan.

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