

ThinkAdvisor

## The Spreading FIRE Movement

The writer-director expounds on a new lifestyle and investing movement that's gaining momentum with millennials.

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FIRE – the unconventional “Financial Independence, Retire Early” movement – is grabbing attention, especially among curious critics, like Suze Orman. The subculture comprises mostly millennials who are abandoning their often lucrative 9-5 jobs to live frugally, save whopping amounts and invest simply, typically in index funds.

What’s so sweet about that? FIRE walkers gain control of their time to live life on their own terms without restrictions imposed by demanding corporate employment. So says Travis Shakespeare, writer-director of an upcoming documentary film, “Playing with FIRE,” in an interview with ThinkAdvisor.

In truth, the “retire early” part of FIRE is misleading. The movement should more accurately be dubbed “No Longer Needs Mandatory Work to Survive,” insists Shakespeare, 51, lamenting lack of a catchy acronym for that one.

The Hollywood filmmaker is executive producer of the three-time Emmy winning documentary TV series, “Life Below Zero,” on the National Geographic Channel, and as senior vice president of unscripted programming, produces television in the U.S. for the BBC. Among other films, he co-produced the 2013 documentary, “Elaine Stritch: Shoot Me,” starring the late Broadway actress-singer.

His intention with “Playing with FIRE,” in post-production and due out in early 2019, is to inspire a broader range of people to use FIRE’s disciplined savings and investing strategies. The film was funded by private investors and a Kickstarter campaign.

Consumers should know about the FIRE community and the movement’s “power to change lives,” he maintains. There are perhaps tens of thousands in the movement, Shakespeare estimates. He is a member himself.

The anti-consumerism community, born about a decade ago, is focused on achieving personal freedom rather than amassing possessions. Conspicuous consumption’s out; frugal living is in. FIRE’s founders are mostly techies and CPAs, several of whom started blogs or podcasts as their new vocation.

In the interview, Shakespeare – more about his name later – describes the role that financial advisors can play and differentiates among FIRE’s three financial levels: Lean FIRE, Barista FIRE and Fat FIRE.

The undisputed leader of the movement, Pete Adeney, a former software engineer, surely falls into Fat FIRE: Last year, his blog, Mr. Money Mustache.com, reportedly made about \$400,000.

To make the FIRE concept work, folks must save 50% to 70% of their current salary for about 10 to 15 years to retire one day in their chosen lifestyle. Moreover, they need to invest 25 times their annual expenses. Most followers use index funds, 401(k) plans and IRAs to invest in the market.

On the downside, while living the independent FIRE life, folks will likely scramble for health care coverage; and when they reach traditional retirement age, their Social Security benefits will be lower than if they had stayed working for “the man.”

FIRE is sparking a bit of controversy. Last month, Suze Orman said she “hate[d]” FIRE and called it “ridiculous.” That prompted a wave of FIRE outrage. A couple of weeks later, contending that she had received incorrect information, the ex-financial advisor changed her tune, saying she’s “so on the same page” with it.

ThinkAdvisor recently interviewed the Denver-born, Los Angeles-based Shakespeare, an actor for 20 years before switching over to produce reality television. In our conversation, he revealed—by phone from England—why he became a FIRE convert and the big drawback to having an iconic relative.

Here are excerpts:

**THINKADVISOR: What’s the FIRE movement?**

**TRAVIS SHAKESPEARE:** FIRE stands for “Financial Independence, Retire Early.” But it’s really a misnomer to call it early retirement. The point is to retire from mandatory work. But there’s no easy acronym for “No Longer Needs Mandatory Work to Survive”! Most people think of retirement as golfing and watching a lot of television. It’s absurd to apply that traditional definition to a 30-year-old because they’re just getting started. FIRE is more about freedom than about retirement.

**What’s the main goal?**

A big part is finding your happiness and the real value in life. We’re told to value lots of things that consumer and advertising culture tells us to. FIRE questions that.

**The philosophy seems to be that you don’t have to work for “the man” till you retire in the traditional sense – instead, you can work for yourself.**

Right. There's a correlation between FIRE walkers and the bohemian drop-out culture of the 60s. The difference is that the bohemians didn't need to have a million dollars to drop out!

But FIRE is a different way of expressing the same thing — they don't want [to continue] to do mandatory work.

### **Where will that get them?**

They're liberating themselves so they can do whatever they want – start a business, go back to school, join the Peace Corps.

### **Why have you made a documentary film about FIRE?**

I want to inspire a whole new category of people who could be interested in improving their financial literacy and may want to take advantage of the low-cost optimized strategies of the FIRE movement.

### **I read that you aspired to interview John Bogle for the film — but he isn't in it.**

One reason we don't have big celebrities in the movie – like Jack Bogle, Tony Robbins or Warren Buffett – is that we asked some but couldn't get any. But then, I thought, it's really a good thing not to have those big voices.

### **Why?**

Because this is a grass roots movement. It's not their movement. It's a really smart group of young people who are trying to change their financial lives completely and go against the whole message of consumerism.

### **What are some of the key financial principles they must stick to?**

Keep costs low and pay as little in fees and taxes as possible.

### **So do the FIRE walkers use robo-advisors to invest?**

No. Most do it themselves.

### **Where do financial advisors come in? They would of course charge for their services.**

Many of the founders are engineers and computer programmers, who are very good at relying on science and math and avoiding the emotional component of investing. So for them, the price of hand-holding from a financial advisor doesn't make sense.

### **How about serving others in the movement?**

There's a place for advisors to provide some services — those who are fully in line with the client's best interest. The emotional part of investing is serious and very important. If I were an advisor, one thing I'd try to sell my clients on is to understand how to value your time vs. your money.

### **On his blog, Mr. Money Mustache — Pete Adeney — who left his job as a software engineer, recommends financial and accounting products, for which he receives commissions. Do other FIRE bloggers have similar arrangements?**

Yes. They have affiliate advertising links. Mr. Money Mustache does very rigorous testing with his own money before he ever recommends anything. In time, he'll even revoke a recommendation if he sees the product isn't panning out.

### **Were most of the FIRE people earning high salaries before they joined the movement?**

A lot of FIRE couples were making over \$100,000 combined. But there are also many instances of people earning much less and who are managing to save 50% to 70% of their income.

### **Is that the requirement to make this idea work?**

You need to save 50% to 70% of your current salary. The ideal is a 50% savings rate. If you're saving at a 70% rate, you're a rock star!

### **How do FIRE folks invest?**

There are two different paths. One is through passive real estate investing by becoming landlords of very cheap properties. A lot of people in the movement have become wealthy through that.

### **What's the other path?**

Investing in index funds because it's cheap and easy, and you don't really have to think about it that much. Just set it and forget it. Index funds are the simplest way to invest in the United States economy. It's also the second-cheapest way to invest as compared to individual stocks as far as fees are concerned. And, of course, 401(k)s and Roth IRAs are attractive too because of their tax advantages.

### **Please describe the three financial levels of FIRE participants.**

“Lean FIRE”: You have enough income to pay for very basic necessities, like food, insurance and rent or mortgage. No travel, no fancy shoes. “Barista FIRE” is about health insurance. You can leave your regular job but work part-time at, say, Starbucks, and still get the security of health insurance. “Fat FIRE”: You have enough passive income to pay for all your needs and then some, like trips, nice dinners out [etc.].

## **How will FIRE people cope when the inevitable next bear market arrives?**

Most of the “elderly” in the community lived through the 2008 crash; so they’re already well versed in the pyrotechnics of the market. They’re a faithful bunch who believes in the power and robustness of the U.S. and global economies. They’ve studied the math and history of the market. They understand that, barring total calamity, the market always goes up over the long term. These are long-term investors.

## **Are you part of the FIRE movement?**

Oh, yes. I have been for over a decade. I’m a convert — one of the old people in it: I’m 51, a senior citizen in the FIRE movement!

## **Do you have a financial advisor?**

I do — after many years of trying to go it alone. I tried to manage my own money, but I’m an emotional investor – the worst kind. My emotions get in the way. So I use a low-cost financial advisor to help stay the course and talk me off the ledge when things get weird. There’s a lot of value in that.

## **What prompted you to get into FIRE?**

My father was a school teacher who died relatively young. So my inheritance was extremely small. I was 40. When I ran the retirement calculators, I realized that I was screwed. At the rate I was going, I wasn’t going to make it. I’d have to eat cat food in my old age.

## **How has FIRE helped you?**

It changed my entire relationship with money. I eliminated my debt completely. I started saving really aggressively. I’m a “valueist” in the sense that every

time I think about purchasing something, I consider: “Is this what I really want out of life, or am I just spending money?”

**Now I must ask you: Is Shakespeare your real name?**

Yes. William Shakespeare’s brother apparently was my direct ancestor.

**Has that motivated you?**

It was very strange when I was a kid growing up because every time somebody introduced me, I had to have a long conversation about my name. That put a lot of pressure on me. If my name were Smith, I don’t know if I’d have turned out the same way.