EARLY EXIT
ACADEMY

LIFESTYLE PLANNER

MISSION

Plan your lifestyle and create a “found” money plan.

- Learn the PAR system
- Identify lifestyle goals for the next five years
- Create a plan for “found” money
- Connect your lifestyle to FIRE

LEARN THE PAR SYSTEM

Task: Identify and estimate lifestyle costs.

Your lifestyle is the key to reaching financial freedom. If you follow the herd, you'll never make it. But if you live below your means, you can accomplish amazing things. Use the PAR system to help you advance on your journey.

P

Prioritize

What aspects of your lifestyle are the most important to you? Is it socializing with friends? Spending quality time with family? Working out at the gym? Dining out? Get a clear sense of what is and isn't important to you.

A

Allocate (and Automate)

Can you afford your lifestyle? Can you find ways to lower expenses? Decide in advance the proportion of your income you are willing to spend on your current AND future lifestyles. Apply the same formula to "found" money. When possible, automate your transactions.

R

Reward

Your current lifestyle shouldn't be one of complete deprivation to fund your future lifestyle! Create balance and motivation by adding monthly rewards (i.e., dining out, going to the movies); and set up a reward system for accomplishing major feats, like paying off a credit card or reaching a personal goal in your retirement savings.

IDENTIFY 5-YEAR LIFESTYLE GOALS

Task: Identify and estimate lifestyle costs.

In your Action Plan, you identified your top three non-need priorities. And you estimated their costs. Let's leap forward five years. Your priorities may change in ways you can't predict, based on life circumstances. True, we can't plan for everything, but we can make our best estimates based on today's information.

Financial independence ranks at the top of your priorities, right? Otherwise you wouldn't be taking this course! The amount of money you deposit in retirement, savings, and investments are critical to your success. But there has to be a balance too. You should be able to save for the future while living in a manner that leaves room for joy.

There are five areas where lifestyle creep can impede your progress. Within each category, think about your current lifestyle goals and expenses and project the same for five years out.

HOUSING

Here is my current housing situation:

Five years from now, where would I like to be living?

- ❑ I'd like to stay put or find a place at a similar cost.
- ❑ I could see downsizing or moving to live in a less expensive place.
- ❑ I would like to move into a nicer place that costs more.

Here are my thoughts on future housing costs:

TRANSPORTATION

Here is my current transportation situation:

Five years from now, what will I do about transportation?

- ❑ I hope to be doing exactly what I'm doing now, with similar expenses.
- ❑ I would like to lower my transportation costs by using more public transit or selling a vehicle.
- ❑ I will need to replace my vehicle; a pre-owned vehicle is fine.
- ❑ I will need to replace my vehicle and prefer to buy a new car.

Here are my thoughts on future transportation costs:

FAMILY

Here is my current family arrangement:

Five years from now, what changes do you anticipate in terms of costs associated with raising a family?

- ❑ I expect costs to increase.
- ❑ No changes expected.
- ❑ I anticipate costs to decrease.

Here are my thoughts on future family costs:

HEALTH

Here is my current health situation:

Five years from now, what changes in my health do I envision?

- ❑ I'm where I want to be now and would like to stay here.
- ❑ My health may deteriorate due to some medical issues or lifestyle choices.
- ❑ My health will improve due to changes in my lifestyle.

Here are my thoughts on future health costs:

VACATIONS & TRAVEL

Here is my current vacation schedule:

Five years from now, how do I want to spend my vacation time?

- ❑ I like staycations. I prefer to stay home and get things done.
- ❑ I prefer vacations that are low-key. Road trips are the best.
- ❑ I like to take several trips a year and tend to travel within the country.
- ❑ I live for vacations and enjoy experiencing other cultures.

Here are my thoughts on future vacation costs:

PRIORITIES & COSTS

Five years from now, you may want to be living in a big expensive house, driving a new car, experiencing parenthood, working out at the health club, and flying to exotic places to vacation. But what will you be able to afford? Can you do all that and achieve financial independence? It's unlikely. So of all the lifestyle issues above, what is your number one priority? And your second priority?

My #1 priority is:

My #2 priority is:

What's the price tag for those priorities? Will you be saving money – maybe moving to public transportation or relocating to an area with a lower cost of living? Or will you be spending more money? Can you estimate how much more (or less) you'll be spending?

For priority #1: I'll spend more / less (circle one) than I do now. Here's my rough estimate:

$______________ per week / month / year (circle one). This priority and the expenses associated with it will help me in the long-run by:

For priority #2: I'll spend more / less (circle one) than I do now. Here's my rough estimate:

$______________ per week / month / year (circle one). This priority and the expenses associated with it will help me in the long-run by:

If you estimate your priorities will cost more money, can you begin to pre-pay those expenses now? For example, if you plan to spend $25,000 on a new car, can you save $300 per month so that you have at least $18,000 you can put toward the car? And maybe when you reach the five-year mark, you decide a slightly-used car will fit your needs and you have all the money you need! Can you begin funding your future lifestyle now?

Here are some actions I can take that will support my 5-year lifestyle goals. Remember to ALLOCATE and AUTOMATE:

1:

2:

3:

Great job on thinking ahead and developing the framework for a solid plan!

CREATE A “FOUND” MONEY PLAN

Task: Put your “found” money to work.

A strategy that can help you avoid lifestyle creep and feed into your goals is creating a plan for “found” money. For some reason, people tend to treat money differently based on its source. Tax refunds end up as a new television, a bonus gets swept away into a tropical vacation, and salary increases disappear into happy hours and restaurant meals. That’s why you need a plan!

FOUND MONEY: Money beyond your current income.

- Salary increases
- Bonuses
- Earnings from side hustles
- Income tax refunds
- Inheritance
- Gifts

It’s perfectly fine to include a treat, or a reward, for a job well done. But think back to the last bonus or salary increase you received. How did you use those funds? Did you put more toward your retirement or savings? Or does it feel like those new funds evaporated into thin air?

While we’ll be working on budgets later in this unit, it’s not too soon to draft an allocation plan for your “found” money. Write down the amount of “found” money you are anticipating in the next year. An estimate based on previous bonuses or pay increases is totally fine. And if you regularly receive money “gifts” from well-to-do relatives, you can add those amounts too.

ANTICIPATED WINDFALLS FOR THE NEXT YEAR:

Salary increase: $

Bonus: $

Side hustles: $

Income tax returns: $

Inheritance: $

Gift: $

Now consider how you would like to use those funds. Consider the following options. Write down how you would like to allocate those funds. You can use percentages or amount of money – whichever is easiest for you. For example, you may carry a credit card balance that drives you crazy, so you decide to pour 70% of your bonus toward debt.

This is a planning and thinking exercise – it doesn't obligate you to follow through on this formula.

Debt:

Retirement:

Savings:

Investments:

Priority #1:

Priority #2:

Fun/Treat:

Other:

Congrats! You now have a "found" money plan!

CONSIDER YOUR POST-CAREER LIFESTYLE

Task: What's your FIRE type?

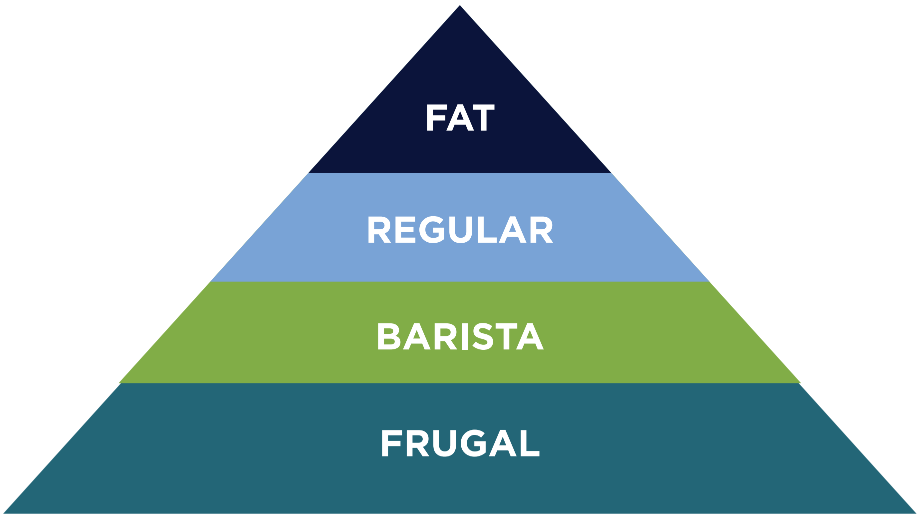
FIRE = FINANCIALLY INDEPENDENT, RETIRED EARLY

Warning: Retirement is not mandatory. Focus on the FI part of the equation. Stick with your career if you like. Or create your own revenue stream. Do what you want – just build enough financial independence to make work an option, not a requirement.

FIRE has become a popular movement, but it's origins are often traced to a book called *Your Money or Your Life*, authored by Vicki Robin and Joe Dominquez. The philosophy underlying the book started in the 1970s, and is based on the fact that we only have so much life energy to give. Do we want to spend it at the office, or do we want to spend it giving back to the community and doing things we love? It really is that simple!

One of today's FIRE heroes is Peter Adeney ("Mr. Money Mustache"), who retired at the age of 30 after he and his wife stashed away two-thirds of their take-home pay. They didn't have a fortune - $600,000 in investments and a paid-off house. But what they had was the do-it-yourself spirit and the desire to start a family and live a meaningful but simple lifestyle. Your can read more about MMM at his blog.

Reddit has an active Financial Independence thread. They discuss FIRE as four types: Fat FIRE, Regular FIRE, Barista FIRE, and Frugal FIRE. The DIY spirit of Mr. Money Mustache is captured in the Frugal FIRE type, while Fat FIRE is used to describe people who desire a post-career life of extravagance, or perhaps they choose to live in a city with a high cost of living. It takes a lot less money to join the Frugal FIRE team than the Fat FIRE squad.



Here's your opportunity to think about where you'd like to be on the FIRE ladder.

- Are you a do-it-yourselfer with basic needs? Then maybe you don't need as much to retire, especially if you have access to health insurance. Frugal FIRE is for you.
- Speaking of health insurance, that's the biggest concern in the United States. If you need health insurance, you may benefit from employment at a company that provides benefits for part-timers (Barista FIRE) or bring in your own revenue to pay the premiums. Some early retirees even flee the country to access affordable health care and a lower cost of living.
- If you aren't a DIYer, you'll need to save more money so that you can afford the plumber, handyperson, landscaper, and more. And then there's that little health insurance matter. You'll fall into Regular FIRE.
- For those who want it all - exotic travel, expensive tastes – Fat FIRE is calling your name. But it will cost you!

So what does your dream FIRE look like? Do you have champagne taste but a beer budget? Frugal FIRE is good place to start.

What looks achievable to you? The more years you have to save and invest, the more you'll have at the end. It's not unusual for people to work a few more years to move from Frugal FIRE to Regular FIRE. You'll discover there's a lot of flexibility in how you manage FIRE.

It can be difficult to gauge whether you can achieve FIRE at all because we haven't talked about how much money you need. Patience, grasshopper! That lesson is coming next. For now, focus on lifestyle, not money.

Given my current income and lifestyle preferences, I think I can realistically achieve (check one):

- ❑ Frugal FIRE
- ❑ Barista FIRE
- ❑ Regular FIRE
- ❑ Fat FIRE

Ideally, if money weren't an issue, my lifestyle is best suited to:

- ❑ Frugal FIRE
- ❑ Barista FIRE
- ❑ Regular FIRE
- ❑ Fat FIRE