
Article about FIRE

Mr Rip <retireinprogress@gmail.com>

Mon, Aug 6, 2018 at 6:21 PM

To: Denise Jeitziner <denise.jeitziner@tamedia.ch>

Hi Denise,
Thank for your very interesting questions!
Let's get started.
Answers are inline

On Fri, Aug 3, 2018 at 5:38 PM, Denise Jeitziner <denise.jeitziner@tamedia.ch> wrote:

Hello!

I hope, you could enjoy your travels. As announced, I send you some questions concerning your RIP-Project. Keywords are totally fine. And there is no need to answer all questions.

1. You will remain anonymous, but can you tell me something about you anyhow? Like your age, job, where you live (doesn't have to be too specific, something like "near Bern" or so would be enough), in a room, an apartment, a house? If you have a partner or kids, are you an analytical person or more like a hippie, etc.?

You can find most of these information in my about me page on my blog (<https://retireinprogress.com/about/>).

I'm an Italian 41 years old, software engineer for a non-Swiss tech giant.

I live in "the German part of Switzerland" (ok, it's Zurich but I don't want to make it public) in a small 50sqm (2 rooms, not even 2.5) very cheap apartment.

I live there with my wife and my little 3 months old daughter. We will probably need to move at one point not far in the future, but we think for another year we can stay in our lovely cozy (and cheap) apartment.

According to a Gallup strengthsfinder test I've done at work I'm Analytical, Learner, Futuristic and Woo (able to "win other out", i.e. friendly and emphatic). According to Myers Briggs test I'm a ENTJ, which confirms all of the above. It seems I'm a mix of "geek" and "artist". I do act in theater and do motivational talks to students. I have tons of non-tech passions. That's also why I want to stop working hard at a conventional 9to5 (sometimes 9to7) job in IT.

2. When and how/why did you come up with the idea for your project?

I don't have strong memories of a "FI epiphany". I grew up with my father teaching me a lot of good financial behaviors like "spend less than you earn" and frugal behaviors like "don't get attached to the new shiny gadget, it won't give you lasting happiness". And it's been a fortune, I've never ever had any financial problem. It's a privilege to be able to aim at something like FI.

I started saving since I was a teenager (explained a little bit in "my story" series on my blog, first chapter here: <https://retireinprogress.com/mystory1/>) and never stopped.

I didn't have a real goal. At the beginning it felt good to not depend on daily allowance - like my friends did - to buy things.

then it was the ability to plan my vacations and big purchases (a car, a nice pair of shoes, a jacket), even though I rarely spent huge amounts on them.

Then, when I started working, motivation for saving was "wow, if I got fired today I can live 2, 3, 4... 20, 50 months without having to work!"

I saw money saved as a protection against loss of a job. Always worked with bad contracts while in Italy, no access to unemployment. The money I saved was my "unemployment insurance"

Then I started thinking that more than "unemployment insurance" my money could be my "courage fund", i.e. I could take measured risks like quitting a job I didn't like or go back to school and learn a new skill or start a company. I didn't have to care about food on the table for X months thanks to my savings.

I guess around 2012-2013 I discovered that I could actually find a way to make my money work for me forever. I was not investing before then, and I didn't start until January 2016.

I devoured hundreds of other personal finance resources like MrMoneyMustache, EarlyRetirementExtreme, TheSimpleDollar, GetRichSlowly and many more and I saw where I was headed.

I was already saving something like 70% of my take home pay, I only had to learn how to invest and keep saving and investing and I could be done before I turned 45, i.e. in 2022.

I think I got good enough at it that my forecasts say early 2020, with some courage even early 2019.

3. MP from the blog Mustachian Post told me, that you are the one «FIRE»-person in Switzerland who is closest to be financially independent. Can you tell me the sum is that you need /want to earn until when and how much you have at the moment?

Everything is public on my blog.

My latest financial update (<https://retireinprogress.com/july-2018/>) says I'm close to 1 Million Francs, and I may cross the 7 digits line this month or the next one, unless the market makes a U turn.

I'm working on my target number since it's strongly dependent on where we will be retiring.

Our original plans were to go back to Italy, but the more we live in Switzerland (and the more we hear news from Italy and watch it sink like the Titanic) the less we're willing to return to our home country.

Original/Current FI Number is 1.2 Million Euro (we're at 850k EUR ~ 980k CHF at end of July). It's based on a 3.5% Safe Withdrawal Rate and 3500 EUR/Month ideal expenses.

1.2M EUR should be enough in Italy. Mind that this number underlies the following hypothesis:

- we'll never earn a dime in the rest of our lives (veeery unlikely)
- we won't receive any inheritance (very unlikely)
- we won't receive any social security, like Swiss AHV or Italian Pensione (which seems unlikely. Even if I stopped working now, according to current laws in Switzerland I should receive something like 400 CHF/Mo starting at age 65)
- the next 50 years will be worse than the worst 50 years since 1870, because our SWR of 3.5% is lower than the traditional 4% which held in the worst 30 years periods of financial history (I'd say it's unlikely too).

So, as you can see I'm planning carefully and considering many safety margins.

And 3500 EUR/Month in Italy is a luxury salary, even in cities like Milano.

If we want to stay in Switzerland we need to redo some math. Right now we're spending more than 60k CHF per year with growing outlook. If we upgrade our 1385 CHF/Mo apartment and send the baby to Krippe (and maybe have a second child) expenses will skyrocket in 80-100k Range which would require somewhere between 2M and 2.5M CHF. Which means working until 45 to be optimistic.

We're in the process of deciding if we prefer **comfort** and stay here, working another 5 years at least, or **freedom** and quit within a year.

I'm more on the freedom side, my wife is confused but she values comfort (not luxury, just being in a very nice place, kids friendly and with a vibrant social life) a lot.

| 4. How did you manage to earn/save so much money and how/where do you invest it? What is your trick?

Earning is a byproduct of getting skilled in something that is valuable.

I wanted to study math or physics, but I decided to jump on the Software Engineer bandwagon when it was clear it was going to be dominant.

Then I'm a lifelong learner, I spend - yes, today too, with a family and a job - at least 4 hours per day studying things I'm passionate about. Today it's personal finance, astrophysics and philosophy, but 10-15 years ago it was software engineering. I bought and studied (and applied what I learnt) 20 books on coding quality, C++, design patterns, testing. I wrote a couple of videogames just to improve my skills in my freetime.

That naturally boosted my career. Job interviews were so easy, I got so many job offers I was able to choose.

Then after 5 years into my career I decided to take a break and work as an entrepreneur, teaching at university and freelancing. I got a lot of companies contacting me for C++ courses and some R&D project. I was earning a lot and never wanted to return to work for a regular company.

Until a friend of mine, that considered me to be a valid software engineer (never underestimate the importance of networking), referred me at my current company and my salary skyrocketed.

I now earn something like 250k CHF gross per year plus an incredible number of other benefits.

About investing, I didn't want to "invest" a lot of time learning how to. Everybody seemed to suggest low cost index funds (ETF) and it clicked with who I am. I started studying more and the more I study different investing strategies the more I think passive index investing is what works better right now.

I use Interactive Brokers as low cost brokers, and I invest 60% of my assets in stocks indexes funds (S&P500, STOXX600 EURO, Emerging Market, Pacific, High Dividend...) trying to diversify by geographical market, value vs growth, small vs large cap.

I invest 30% in bonds. 85% of it is in my extra mandatory pillar 2 and my pillar 3a, that I consider bond, the remaining 15% is split between high yield corporate bonds and Emerging Market government bonds.

I also invest 5% in a REIT (real estate) fund.

I don't invest in: criptos, real estate properties, p2p lending, individual stocks, hedge funds, mutual funds, actively managed funds, roboadvisor and any other fancy thing.

| 5. Do you have to restrain yourself a lot (if yes, where exactly and what is especially hard for you)?

Not at all. I'm a minimalist. I'm frugal. And it's not a sacrifice for me to be so.

I don't like cars, I never owned one. I don't wear fancy dresses. I don't buy almost anything.

I prefer my homemade pizza (which is very good, trust me!) to going to restaurants.

The things I like don't cost a dime, or are very cheap.

I like reading, studying, writing, acting, hiking, running, playing boardgames, having fun with friends, talking about philosophy and experimenting new ways to explore my creativity and my curiosity.

I used to live with 500 EUR/month when I was alone in Italy. If I'm not spending half of what we're currently spending it's because I have a family.

My wife is not a luxurious person (we would not have been together for nearly 7 years if she were a spendypants) but it's much less frugal than me.

I perceive forcing lower expenses would be a restraint for her.

I actually enjoy spending less, I have mental pleasure in being efficient with my money (or with my time, since money represents the time you prostituted away for it) and being sober and leaving a smaller footprint.

As a side effect spending less means needing less to reach FI and saving more, which means reaching FI faster.

If I really have to mention something I'd change if I had infinite money (so something in my spending pattern that is not optimal right now) is a bigger house. I'd love to have my own studio with a standing desk, a floor to ceiling bookshelf with my books and board games and maybe a meditation mat. I'd be able to explore my creativity and my curiosity much more. Just that :)

6. What is the main drive for you? What is your aim? Never to work again? To finally fulfill a certain dream? To lay on a hammock on the beach?

Nobody wants to spend the rest of their life hanging on a hammock on the beach :)

At least, nobody which is creative and skilled enough to build a system to not have to work again.

The goal is to be able to reach what is known as "Self Actualization" (do you know Maslow's pyramid of needs?).

I mean find something that gives you purpose and do that with the necessary depth.

Going to work for someone else 8-10 hours per day, plus 2-3 hours to prepare/commute/lunch every day means give up on doing something you truly believe in, unless you're so lucky to meet your needs at your current job, which appears to be very unlikely.

Even though I work at the best company in the world, with generous salary, free food, flexible hours and whatnot, I don't find myself happy to do something which I don't believe is purposeful. It's a matter of opportunity cost, but instead of money we're talking about time. Time is the scarcest resource we have. At one point "more money" will have a small marginal value (technically zero marginal value when you're FI), while "more time" will never cease to have value.

So I'm glad I have the opportunity to work at my company and earn such a salary, but I'll quit one day anyway.

What I'd actually do with my time? Well, right now I'm the mid of a 12 weeks Paternity leave (yes, my company gives us, new fathers, 12 weeks of paid paternity leave) and I don't feel like I don't have things to do. I'm writing more, reading more, doing more sport and thinking about new projects: a software startup idea, videogame development, writing a book, starting a podcast, learning how to become a standup comedian, preparing a personal finance course for high school students, becoming a financial advisor, becoming a career mentor. And spending time with my family, of course!

Give me days made of 40 hours and I'll fill them with my projects. To those who ask me "don't you get bored" I usually laugh so hard that they go away annoyed :D

7. I talked to a financial expert: He told me, one of the hardest thing when you are investing is to endure the years when you are losing money and your wealth isn't increasing as expected but becoming smaller. He told me, many people do panic. Do you think you can handle that? Do you have a plan B?

That's a good point. Everybody blogging about investing on the internet today never experienced a recession. Last one is now almost 10 years far, which means another one might be behind the corner.

I've studied so many psychological advices on how to control the two most dangerous feelings: **greed** and **fear**. They're both dangerous. Greed is when you "buy high" because everybody was buying. In my office everybody was getting crazy with Bitcoins last November/December. Result? Everybody joined the party when the BTC was worth 20k USD. Today it's worth less than a third. I didn't invest. "*Be fearful when everybody else is greedy and be greedy when everybody else is fearful*" (Warren Buffett). So I think I'm good at handling the greed.

With fear (like you said, enduring while losing money) I don't know yet. The only experience I had was with investing a small amount of money (that at the time was all I had) in 2000, just before the DotCom bubble. I endured, but then I sold I think at the rock bottom. I learned the lesson the hard way. But I hope it was useful to my brain to handle next recession.

So far, since I started investing, we had two times a 10% "market correction" and I was not only able to not panic. I actually invested more money in the deep. Ok, it was a 10%, not a real recession (30+%).

So my plan is to train myself to not panic, and in the meantime lower stocks exposure a bit and rely on high yields assets like high yield dividends stocks and bonds. Entities who produce profits and dividends are less prone to drop 50% compared to growth stocks like Tech and Finance.

8. Do you talk to other people (like friends and family) about your project or do you keep that to yourself? Why?

I talk to my close friends, my wife, my father, and to whomever finds me (other bloggers and even colleagues).

I avoid talking to my relatives and some of my friends and to strangers (that's why I blog anonymously).

The line is: if you can relate to me, understand me and not get offended or jealous or envy it's ok I disclose my plans to you.

I love to find like minded people who share values with me. Who have creative endeavors they want to work on and are not corporate drones. Who value their time and don't care about cars and soccer and expensive shit. I love to be able to inspire someone in similar situation to take steps toward freedom. And many told me I helped them taking first steps. That's more fulfilling than six years of achievement at my job.

I don't care much about judgement, I care about negative effect on relationships: a friend earning 1000 Eur/month in Italy could get offended by my numbers, even though he wears more expensive clothes than me, lives in a 4 rooms apartment and owns a car, a dishwasher and a washing machine - which I don't.

I also care about privacy and safety on the internet. Putting my name on my blog means someone with bad intentions might think it's a good idea to visit my apartment while I'm on vacation, even though I own so few resellable items that the thief would be disappointed :)

9. MP told me that there are frugalists, who got threats. Therefore, many frugalists choose to stay anonymous. Why do people sometimes react in a negative way even though I'm sure many would love to live financially independent as well? Is it envy or something else?

I guess I somehow answered previously.

Anyway, the problem is: no matter how good your intentions are, you'll always attract haters. Even the Pope and the Dalai Lama have haters!

You may be liked by 95% of people who read your posts (posts that nobody is paying you to write, posts that you're putting the effort to write with the only hope to be useful, earning zero from them, asking zero to your readers) and hated by the remaining 5%. And it's ok, whatever you do you'll have haters. The problem is that you'd be giving the haters easy tools to destroy your life. When you talk about finances and - like I do - disclose actual numbers (income, spending, savings, investing) you become vulnerable. Our society seems to treat finance as a giant taboo. I never did, I was always transparent with everybody before earning a lot of money. Now that I perceive some risks, but still want to be transparent to be informative and useful, I prefer to attach a pseudonym identity to my public persona. With readers and other bloggers who found me and asked to meet me I of course disclosed my identity :)

I just don't want someone to search my name on the internet and find my blog and vice versa.

MP is more terrified and tells about his blog to no one. He told me I'm the second or third person to know his identity :)

I think there are about ~100 people I know who know my real name.

Thank you very much in advance! Please take your time. I will be on holidays until August, 12. So if you manage to send me your keywords until then, it would be perfect.

Enjoy your Holidays!

Mr RIP

[Quoted text hidden]