

# Looking at Savings Rate through the Financial Independence Lens

In previous posts I have talked about how we currently strive [to save 50% of our after tax income](#) and how important [your savings rate is in building wealth](#) rapidly. But after listening to the [Radical Personal Finance Podcast](#), it made me realize that this may have not been enough to sway you. What I mean, is that this may need to be translated. It is very easy to conceptualize and visualize what a 50% savings rate means to in terms of dollars. But what does it mean in terms of Time Freedom?

What may not be as intuitive is what it means for your ability to reach financial independence. I had already previously internalized the fact that a 50% savings rate effectively meant that for every year of work, I would be banking a years' worth of living expenses. **But I hadn't really thought much about what a higher savings rate (or lower one) translated to until now.**

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## If you want to reach Financial Independence consider the following:

If you save 5% of your income, you can take 1 year off every time you work 19 years. **[That is a lot of time to put in to bank 1 year of freedom]**

If you save 10% of your income, you can take 1 year off every time you work 9 years.

If you save 20% of your income, you can take 1 year off every time you work 4 years.

If you save 30% of your income, you can take 1 year off every time you work 2 years and 4 months.

If you save 40% of your income, you can take 1 year off every time you work 1 years and 6 months.

**If you save 50% of your income, you can take 1 year off every time you work 1 year. [Where the GYFG house is currently at. I could see us between 50-60% long-term]**

If you save 60% of your income, you can take 1 year and 6 months off every time you work 1 year.

If you save 70% of your income, you can take 2 years and 4 months off every time you work 1 year.

If you save 80% of your income, you can take 4 years off every time you work 1 year.

If you save 90% of your income, you can take 9 years off every time you work 1 year. **[This seems pretty out of reach and extreme to me. I want to be able to have \$200K/year of living/travel/fun expenses. This would imply a \$2M after tax income and likely a \$4M gross income assuming a 50% tax rate]**

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**There are a few assumptions that we should probably list based on what you see above:**

1. This doesn't assume any growth of your money (i.e dividends, interest, appreciation, etc.)
2. It is based on after tax income
3. It also assumes living expenses remaining static (i.e no inflation, no reduction in expenses as you pay off your house, etc.)
4. It also does not take into account any income from social security or outside pensions.

Nonetheless it is a very powerful representation of what each notch on the savings rate belt represents in your current standard of living.

Based on the podcast episode I mentioned above, one of the listeners took that information and created this really cool chart that visually shows you based on your current age and savings rate when you can expect to hit Financial Independence. This chart looks to include an assumption for growth and is assuming a 4%

withdrawal rate once you reach retirement (which is supposedly the safe rate for a 30 year retirement). Obviously you will need to adjust if you plan to have a retirement of longer than 30 years. This is not the end all be all, but it gives you a good starting point.

Yr Ret 4%

Age\SR	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%
18	94	77	66	59	53	49	45	41	38	36	33	31	29	27	25	24	22	21	19
19	95	78	67	60	54	50	46	42	39	37	34	32	30	28	26	25	23	22	20
20	96	79	68	61	55	51	47	43	40	38	35	33	31	29	27	26	24	23	21
21	97	80	69	62	56	52	48	44	41	39	36	34	32	30	28	27	25	24	22
22	98	81	70	63	57	53	49	45	42	40	37	35	33	31	29	28	26	25	23
23	99	82	71	64	58	54	50	46	43	41	38	36	34	32	30	29	27	26	24
24	100	83	72	65	59	55	51	47	44	42	39	37	35	33	31	30	28	27	25
25	101	84	73	66	60	56	52	48	45	43	40	38	36	34	32	31	29	28	26
26	102	85	74	67	61	57	53	49	46	44	41	39	37	35	33	32	30	29	27
27	103	86	75	68	62	58	54	50	47	45	42	40	38	36	34	33	31	30	28
28	104	87	76	69	63	59	55	51	48	46	43	41	39	37	35	34	32	31	29
29	105	88	77	70	64	60	56	52	49	47	44	42	40	38	36	35	33	32	30
30	106	89	78	71	65	61	57	53	50	48	45	43	41	39	37	36	34	33	31
31	107	90	79	72	66	62	58	54	51	49	46	44	42	40	38	37	35	34	32
32	108	91	80	73	67	63	59	55	52	50	47	45	43	41	39	38	36	35	33
33	109	92	81	74	68	64	60	56	53	51	48	46	44	42	40	39	37	36	34
34	110	93	82	75	69	65	61	57	54	52	49	47	45	43	41	40	38	37	35
35	111	94	83	76	70	66	62	58	55	53	50	48	46	44	42	41	39	38	36
36	112	95	84	77	71	67	63	59	56	54	51	49	47	45	43	42	40	39	37
37	113	96	85	78	72	68	64	60	57	55	52	50	48	46	44	43	41	40	38
38	114	97	86	79	73	69	65	61	58	56	53	51	49	47	45	44	42	41	39
39	115	98	87	80	74	70	66	62	59	57	54	52	50	48	46	45	43	42	40
40	116	99	88	81	75	71	67	63	60	58	55	53	51	49	47	46	44	43	41
41	117	100	89	82	76	72	68	64	61	59	56	54	52	50	48	47	45	44	42
42	118	101	90	83	77	73	69	65	62	60	57	55	53	51	49	48	46	45	43
43	119	102	91	84	78	74	70	66	63	61	58	56	54	52	50	49	47	46	44
44	120	103	92	85	79	75	71	67	64	62	59	57	55	53	51	50	48	47	45
45	121	104	93	86	80	76	72	68	65	63	60	58	56	54	52	51	49	48	46
46	122	105	94	87	81	77	73	69	66	64	61	59	57	55	53	52	50	49	47
47	123	106	95	88	82	78	74	70	67	65	62	60	58	56	54	53	51	50	48
48	124	107	96	89	83	79	75	71	68	66	63	61	59	57	55	54	52	51	49
49	125	108	97	90	84	80	76	72	69	67	64	62	60	58	56	55	53	52	50
50	126	109	98	91	85	81	77	73	70	68	65	63	61	59	57	56	54	53	51
51	127	110	99	92	86	82	78	74	71	69	66	64	62	60	58	57	55	54	52
52	128	111	100	93	87	83	79	75	72	70	67	65	63	61	59	58	56	55	53
53	129	112	101	94	88	84	80	76	73	71	68	66	64	62	60	59	57	56	54
54	130	113	102	95	89	85	81	77	74	72	69	67	65	63	61	60	58	57	55
55	131	114	103	96	90	86	82	78	75	73	70	68	66	64	62	61	59	58	56
56	132	115	104	97	91	87	83	79	76	74	71	69	67	65	63	62	60	59	57
57	133	116	105	98	92	88	84	80	77	75	72	70	68	66	64	63	61	60	58
58	134	117	106	99	93	89	85	81	78	76	73	71	69	67	65	64	62	61	59
59	135	118	107	100	94	90	86	82	79	77	74	72	70	68	66	65	63	62	60
60	136	119	108	101	95	91	87	83	80	78	75	73	71	69	67	66	64	63	61

Where are you on this chart? Does this help you internalize what your savings rate really means in terms of Time and Financial Freedom? Any other thoughts?

-Gen Y Finance Guy

## Resources:

[The Shockingly Simple Math Behind Early Retirement](#)

<http://radicalpersonalfinance.com/163-the-impact-of-your-savings-rate-on-your-time-to-financial-independence-a-tribute-to-the-value-of-the-shockingly-simple-math-behind-early-retirement/>

[Financial Independence Heat Map: Starting Age vs. Savings Rate](#)



## Gen Y Finance Guy

**Hey, I'm Dom** - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able

to learn from me - both from my successes and my failures! [Read More](#)