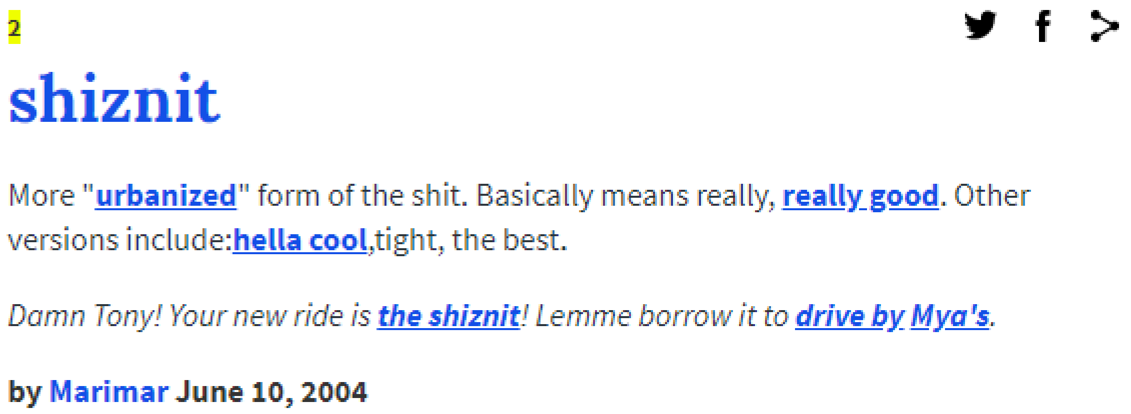
# FIRE Starter – What to do When You Hit the Upper Limit of Your Savings Rate

*You can find all of Zach's previous posts [here](#).*

*Today, Zach is going to discuss some options available to the [Freedom Fighter](#) who feels that he or she has hit the upper limit of their savings rate. If you have followed this blog for any length of time you know that the approach I preach is #2 below. I agree it is prudent to get your expenses in check, especially early on in your journey, but we don't preach the ultra-frugal lifestyle on this corner of the internet. In my opinion, [extreme frugality is for the birds, and relative frugality is the shiznits](#)!!!*




*I hope you enjoy Zach's latest **FIRE Starter** post below.*

### First, a Quick Reminder of Why I Started This Series

*For the astute observer, you will notice that I have added three new series to the blog: [LateFIRE](#), [FIRE Starter](#), and [Chasing FIRE](#). Notice a theme? They all capitalize on the explosion – one might say the COMBUSTION – in the FIRE (financial independence retire early) movement. But let's set the record straight: on the GYFG blog, "FIRE" is defined in a slightly different way, meaning, as I see it, Financial Independence / Recreational Employment. That's because I am after **freedom,** rather than a* *typical retirement, and see myself working forever. But once I hit my number, my employment will represent my recreational choice.*

*At 32, I find myself on the older end of the millenials' age range, which in 2018 is 22-37, according to the Pew Research Center. Guys like Zach have got me thinking that there is a younger part of my generation that may not be able to relate to where I am in life personally. Thus the decision to bring on Zach as a regular GYFG contributor, to reach those younger millenials. He will be writing about earning, investing, and saving money in your 20s. At 24, with a net worth in excess of $130,000 and an income approaching six figures, he is more than qualified. Believe me when I say there is always someone younger and better than you out there, and Zach is putting my own 24-year-old self to shame. I share that only to say that I wish I had been reading people like Zach when I was in my early 20s.*

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Odds are, when you discovered the concept of financial independence (FI), you had a moment of "awakening:"

*Yikes, my spending habits are preventing me from saving any money and killing my chances at achieving financial freedom.*

So you rushed to find a cheaper phone plan, downsize your home, cook more meals at home, reduce your transportation costs, cut your cable, and trim a whole slew of other things to cut the fat out of your expenses.

But at some point all the fat is gone. All that's left is the necessary. You have minimized your housing, transportation, food, and living expenses to the point where you have achieved maximum frugality without depriving yourself and your family.

You have reached the upper limit of your savings rate.

Once you reach this point, your time to financial independence (or whatever your financial goal is) simply becomes a waiting game. Or does it?

## Three Options

Once you hit the upper limit of your savings rate, there are three options you could take:

### 1. Accept the Waiting Game

This is the most obvious choice. Simply be patient, maintain your savings rate, and wait for financial freedom to roll around.

This option is most reasonable for people who are fairly close to their financial freedom date. If you only have 1-2 years until you achieve FI, earning more or spending less will have very little effect. You might be able to reduce your mandatory working life by a couple of months, but rarely more.

This option is less appealing for people who have more like 7 – 12 years until FI. For some people, the thought of working another decade at a dead-end job they can't stand just to achieve FI sounds like a nightmare. For those people, this option doesn't make much sense.

### 2. Earn More

This option is also obvious. If you have cut all the fat out of your expenses, the only way to reach FI faster is by increasing your income. There are a few ways you can do so:

- **Pick up side hustles in the evenings and the weekends.** Depending on your personal and family situation, this option may or may not be realistic for you. Common side hustles include dog-walking, tutoring, babysitting, or driving with services like Uber and Lyft.
- **Start your own side business.** Personally I tutor students in statistics and it's a great way to earn extra money. What skills do you possess? Do you have any niche knowledge of photography, sewing, making jewelry, high school or college academic subjects, social media marketing, foreign languages, etc? You might be surprised to find that people are willing to pay you for your knowledge and skills.
- **Pick up a part-time job.** For a while during my time at my first corporate job

I was a tutor at a math learning center on the weekends. Every Saturday morning I would tutor students and earn an extra $60 per week. Just because you have a traditional 9-5 job through the week doesn't mean you can't work a weekend job. This is also a good way to get paid while figuring out if you like an endeavor enough to pursue it as an independent tutoring side hustle.

- **Increase your income at your day job.** This option makes a lot of sense for many people. Instead of working more hours, simply find ways to earn more at your day job. This can be achieved through gaining a promotion, negotiating a salary increase, or simply job-hopping. I personally changed jobs two summers ago and increased my salary from $52k to $80k. For a list of realistic ways to increase your income at your day job, check out this article from Fervent Finance.

## 3. Only Pursue Partial FI

This option is consistently overlooked and underrated in my opinion. **You don't have to be financially independent to have an amazing life.**

If you have maximized your savings rate and you find that you're still 15 years away from FI, this option could be screaming your name. What if you only work as you do another 3-5 years and reach a financial launching point where you can quit your job and pursue work you enjoy, even if that work pays less than your current job?

Keep in mind: the whole point of personal finance is to maximize happiness. It's not necessarily about never working again. Doing the right type of work can actually be deeply satisfying and fulfilling. In fact, mixing passive income and active income can potentially be the best way to maximize happiness.

If you're distraught about how many years you have left until financial independence, this option might make the most sense for you. If your FI number is $1 million, consider the possibility of only saving a portion of this and simply working part-time to cover your expenses. Change the goal.

In college I used to work at a math tutoring center where tutors got paid $12 per hour. One of my coworkers was a guy in his 40s who only worked on Saturday mornings. He told me he did it just because he loved math and helping students.

Each Saturday we would work a six-hour shift, which meant we earned about $60 after-tax. This guy worked every Saturday which meant he earned an extra $3,120

($60 * 52 weeks) in income each year.

To put that in perspective, that's the same as earning dividends from a $104,000 dividend stock portfolio with a 3% dividend yield. **By working one day a week at a job he loved, he had the same spending power as a $100k portfolio.**

Hypothetically, if he worked twice a week he could earn an extra $120 each week, which would be an extra $6,240 each year. That would be the same as receiving a 3% dividend yield from a $207,000 stock portfolio. It would take most people a decade to build up that type of portfolio.

This is a simple example of how working even part-time can make a massive difference in the amount of money you have to save before you can quit your day job. For many people, the way to gain significant freedom over their time isn't to quit working entirely, but rather to quit work they don't enjoy, and embrace work they do enjoy.

# There's No "Right" Answer

There is no universal "right" answer to this dilemma. It all depends on your unique family situation, your circumstances, and your goals.

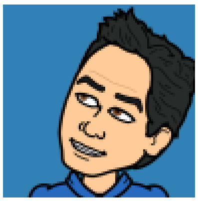
More than likely you will reach a point on your financial journey where it feels like you have hit a ceiling on your savings rate. You've cut the fat from your spending and you've optimized your life in such a way that you can't save much more than you do each month without depriving yourself and/or your family. It's at this point that you have to embrace one of three options:

**1.** Practice patience and enjoy the status quo ride to financial independence.

**2.** Increase your income so that you can increase your savings rate.

**3.** Only pursue partial financial independence before leaving the rat race.

**I'd love to hear your thoughts on this issue. Which option is best for you? Is there another possible option I haven't considered here?**



### 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