

# Why I'm OK with a Savings Rate as Low as 0%

Back in 2015 I created the [Law of 50/50](#) as a way to align financially with Mrs. GYFG on reaching our financial goals. Back then our Net Worth was just over \$200,000 (finished over \$300,000 that year) and our income had just exceeded \$200,000 for the first time in 2014 and was on track to finish at ~\$255,000 for 2015.

Back then, we had just set [our goal of a \\$10M net worth](#) by the time we were 48 – we were 28 at the time. The plan seemed pretty aggressive based on our starting point and the staggering \$9.8M delta necessary to reach our new BHAG. With the benefit of hindsight this now looks like it was a very conservative plan considering we collapsed a twenty year goal down to seven years.

Today, our net worth is just over \$12M and even modest compounding will yield incredible sums without any additional contributions or effort – as long as we [avoid making any destructive decisions](#). As you can see in the table below our net worth with a compound rate between 5% and 10% results in an ending net worth of \$32M to \$81M.

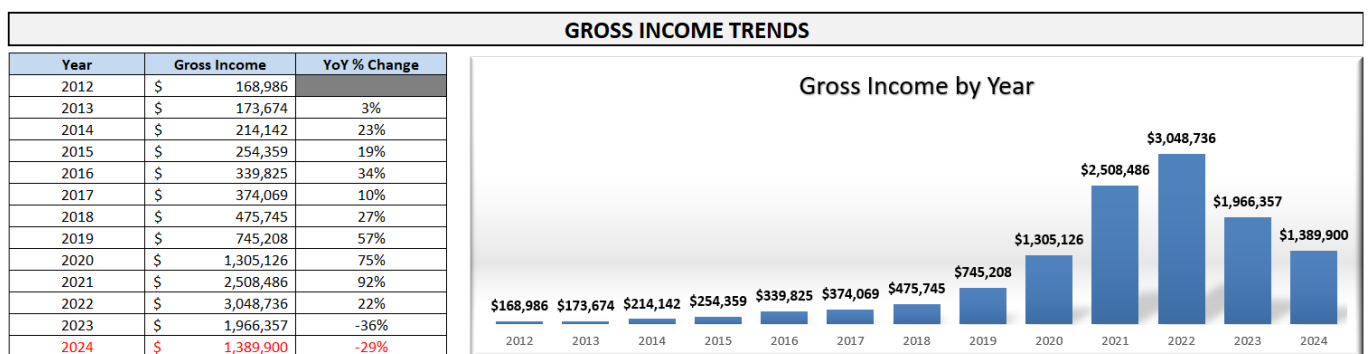
Current NW	Years	CAGR	Ending NW
\$ 12,064,947	20	5%	\$32,011,897
\$ 12,064,947	20	10%	\$81,166,931
\$ 12,064,947	20	15%	\$197,461,409
\$ 12,064,947	20	20%	\$462,541,117

We have hit our [number](#) and we no longer have the same pressure or need to save 50% of our income. In fact, we no longer have pressure to save *any* of our future income if we don't want to.

Once you reach a position of economic security, saving and accumulation are no longer as important as they were prior to hitting the target that allows you to underwrite your desired lifestyle indefinitely. We've used our economic security to eliminate any sort of debt from our life and to thus unlock ultimate optionality (and peace of mind).

With no debt and no pressure to save a specific amount, we stopped targeting a savings rate several years ago. Does that mean we have stopped saving? No. We have yet to experience a year where our spending outstripped our income. It's hard to stop following the golden rule (**to spend less than we earn and invest the different wisely**) that got us to where we are today. We have been fortunate to have some very high income years and have managed to spend 40% or less of our income in any of these last five years (when our income has exceeded seven figures, from all sources).

Our income peaked in 2022, has been falling ever since and is expected to keep falling this year and next barring any additional liquidity events. A liquidity event is not guaranteed and without one our income is looking like it will drop by 50% in 2025 to ~\$750K (vs. the 2024 forecast of \$1,389,000 in the below screenshot).



Our income is falling and we still have no plans to track our savings rate or to even aim for a target savings rate - except for a very vague and low bar of greater than or equal to 0%. We have actually agreed to find ways to spend between \$300,000 and \$400,000 per year. One way we came up with was the [\\$100,000 per year memory making budget](#) I posted about a few months ago. We currently have fixed costs of between \$90,000 and \$100,000 per year depending on how you classify things, which leaves \$200,000 to \$220,000 open for spending.

*Note: Our fixed expenses are things like food (\$15,000), property taxes (\$15,000), insurance (\$6,500), daycare (\$27,000 per year), utilities (\$10,000), house cleaners (\$10,000), landscapers (\$12,000), pool service (\$2,400), and things to maintain what we consider a bare minimum standard of living (based on our standards, of course; we could still make cuts if we had to). We don't have any debt to service and so we consider the majority of our spending to be discretionary in nature.*

Over the last several years, we spent a large chunk of this extra bucket on home

improvement projects as we made our “dream resort home” a reality. I would say we are 90% complete with our improvements and only have \$100,000 to \$150,000 of improvements left on our list to address in the next 24 to 36 months.

Are we crazy? Are we being reckless?

We could spend far less and watch our net worth grow even faster, but to what end? We wanted wealth in order to provide economic security for our family, to underwrite our desired lifestyle, and to provide us with optionality and time autonomy. We have all of that now. The last thing we want do is to look back someday and wish we had enjoyed the wealth we built because we got stuck in an accumulation cycle, always pursuing MORE.

We are not optimizing for some legacy we want to leave behind.

Notice that I said we are okay with a 0% savings rate, yet we are not planning a 0% savings rate. We are not there yet but one day there will be an inflection point where we will aim to have a negative savings rate and thus enter an official phase of decumulation.

**The ultimate goal would be to die with zero!** (Not in the literal sense but more that we gave to the people and causes we care about while we were alive. There is much more utility of money for our kids in their 20's to 40's then there will be in their older years. In other words, we don't want to get to the end of life waiting to do all the giving in our old age - assuming live goes as planned.)

- Gen Y Finance Guy



## 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](#)