What is the FIRE movement?

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With rising living costs and increased feelings of burnout, the FIRE movement is challenging conventional ideas about money, career, and freedom.

Key points

- **Lifestyle choices compound over time.** Spending more today not only reduces how much you can save, it also increases the size of the portfolio you'll need to support that lifestyle in the future, pushing financial independence further out of reach.
- **Intentional habits accelerate financial independence.** Living below one's means, automating saving and investing, and allowing portfolio growth to compound may help to dramatically shorten the path to financial freedom.
- The **Financial Independence, Retire Early (FIRE)** movement is best understood as a framework for prioritizing financial independence early in one's career. While early retirement is one possible outcome, the broader goal is flexibility —i.e., creating options to work less, change careers, withstand disruptions, or retire on one's own terms.

Introduction

The Financial Independence, Retire Early (FIRE) movement focuses on prioritizing saving—especially in the early years of a career—to reach financial independence as quickly as reasonably possible. While some FIRE proponents may choose to

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retire early once they reach financial freedom, the overall focus of the movement is to achieve financial independence as a way to gain greater flexibility—i.e., reducing work hours, switching careers, taking entrepreneurial risks, or simply working with less financial pressure.

Imagine two friends, Alex and Jordan. Both are in their early careers, with similar earnings, but they live very different lifestyles. Alex is drawn to the latest gadgets, frequent dining out, and spontaneous weekend getaways. Jordan, meanwhile, enjoys life but is more intentional—tracking spending, saving aggressively, and investing for the future.

Over time, these choices set them on very different paths.

Alex and his partner are able to squirrel away 10% of their income. After about 35 years or work, they have enough to retire.

Jordan and his partner, by contrast, are able to boost their savings rate to over 50% of income. These early savings habits lead to a huge head start in investment growth compared to Alex's family. Moreover, their frugal lifestyle means that they won't need to draw much from the portfolio in retirement. Within about 15 years, Jordan and his partner reach financial independence, with enough assets to sustain their lifestyle for the rest of their lives, even if they choose to retire at that time.

This story of balancing spending today versus financial freedom in the future is at the heart of the FIRE movement —a financial independence philosophy that is increasingly popular among working-age families. The FIRE movement emphasizes the value of avoiding "lifestyle creep" as a way to supercharge the power of compounding.

The journey to FIRE isn't about how much a family earns; it's about how much they are able to save, and the compounding impact of spending habits and investment growth.

Nevertheless, it is a topic that's especially popular in the High Earner, Not Rich Yet (HENRY) community, where families tend to have a long time horizon and ample earnings to support a high savings rate. With many HENRYs working in the tech industry—and worried about the risk of being left behind owing to AI disruptions—the FIRE movement is becoming an increasingly popular philosophy.

Let's dig into some of the math underlying the FIRE movement.

The double impact of spending

Every dollar spent today is a dollar not saved or invested for the future. But the effect is even greater: Higher spending now means you'll need a larger nest egg to support that lifestyle in the future. In other words, spending more doesn't just slow your progress toward financial independence—it moves the finish line farther away.

This dynamic is closely tied to the "hedonic treadmill," a psychological phenomenon where the initial satisfaction from spending fades quickly, prompting us to seek new purchases just to maintain the same level of happiness. When "more" will never be "enough," increased spending doesn't lead to lasting happiness or life satisfaction.

To help illustrate this point, it's helpful to consider the "safe withdrawal rate"—the percentage of your portfolio you can withdraw each year in retirement without running out of money. While the 4% rule is a popular guideline, many investors may prefer a more conservative approach. Using a 3% withdrawal rate can provide a greater margin of safety, especially when accounting for longer life expectancy, higher starting market valuations (which may imply lower future returns), and the risk that tax rates may be higher in the future.

For example, if you aim to spend $40,000 per year in retirement, you would need a portfolio of about $1.33 million ($40,000 ÷ 0.03) using the 3% rule. If your lifestyle creeps up to $60,000 per year, your target jumps to $2 million. At the same time, you're saving less each year, so it takes longer to reach your goal. The compounding effect of lifestyle choices is powerful—both for and against your financial freedom.

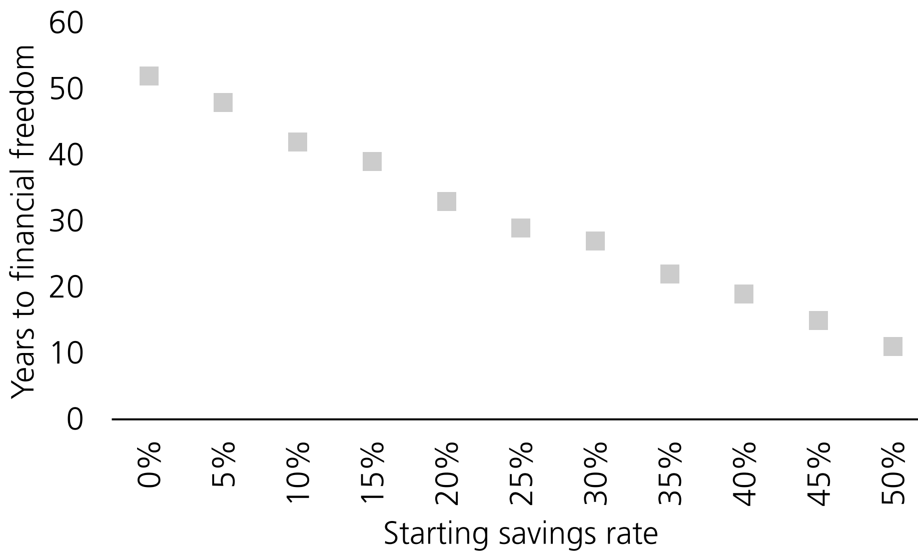
Figure 1 - As you spend more, your finish line moves further away

Source: UBS. For illustration purposes. Image created with Microsoft Copilot.

This chart shows the hypothetical relationship between a family's savings rate and the number of years it would take to reach financial freedom, assuming that the family's earnings grow faster than their spending (which allows for a rising savings rate over time).

Figure 2 - A higher savings rate may provide a faster path to financial freedom

Years to financial freedom based on starting savings rate



Source: UBS. For illustration purposes.

Assumes income growth of 3%, inflation of 2.4%, and investment growth of 6%. Assumes Social Security primary insurance amount of $33,600 per year (consistent with $100,000 annual salary, waiting until full retirement age to claim income). Savings rate defined as investment contributions divided by pre-tax income. Financial freedom is reached when the portfolio reaches a safe withdrawal rate, as described in the CIO research report, "Beyond the 4% rule," published 30 April 2025.

Habits compound

Jordan's approach—living below their means, automating savings, and investing consistently—creates a virtuous cycle. Each year, their portfolio grows, and the returns themselves start earning returns. Small, repeated habits—like cooking at home, driving a modest car, or resisting lifestyle inflation—add up to big results over decades.

Alex, on the other hand, finds that as income rises, so do expenses. Raises disappear into bigger homes, fancier vacations, and new subscriptions. Saving feels harder, and the idea of retiring early drifts further out of reach.

The role of earnings growth

When it comes to boosting a family's savings rate, growing income is just as powerful as curbing spending growth. Investing in skills and certifications and being willing to change jobs, move for job opportunities, and/or accept increased responsibilities may help to accelerate raises and promotions. Starting a side business may also generate some additional income to help to widen the gap between income and spending, allowing a family to save more while still enjoying their lifestyle.

Higher earnings also tend to compound indirectly. Skills development, career capital, and professional networks built in one's 20s and 30s may lead to steeper income growth over time, creating a virtuous cycle: higher income supports higher savings, helping to fuel larger investment balances and faster progress toward financial independence.

The "why" behind FIRE

FIRE is not about never spending money, or even about retiring early. The movement, as a whole, is more focused on making conscious trade-offs to reach financial independence—the point at which work becomes *optional* rather than *mandatory*.

Some FIRE proponents choose to use their independence to fully retire in their 30s, 40s, or 50s. For others, financial independence enables career changes, entrepreneurship, travel, or simply peace of mind in knowing they could step back if needed. The common thread is intentionality—clarifying what matters most and directing resources accordingly—as opposed to keeping up with the Joneses or running endlessly on the "hedonic treadmill," where ever-higher consumption fails to deliver lasting satisfaction.

Simple, but not easy

The math behind FIRE is straightforward: the less you spend, the less you need to save and the faster you can reach financial independence. But the emotional side—resisting lifestyle creep, staying focused on long-term goals, and finding contentment in "enough"—is where the real work happens.

The compounding impact of lifestyle habits has a ripple effect that goes beyond finances. By prioritizing what truly brings joy and meaning, many find greater satisfaction and less stress. The discipline built through saving and investing often spills over into other areas, such as health, relationships, and personal growth.

The "flavors" of FIRE

Within the FIRE movement, there is a spectrum of different approaches depending on each family's ability to boost their savings rate, preference for spending today versus spending in retirement, and their desire to retire early.

These variations all share the same destination—financial independence—but differ in how aggressively families save, the lifestyle they want to support, and whether they plan to stop working once independence is reached.

For example, "Lean"/"Fat"/"Chubby"/"Slow" FIRE communities reflect different levels of prioritization of frugality in spending.

The "CoastFIRE" community argues for higher savings rates in a family's early working years, to boost upfront investments and reduce the need for savings later in life.

The "BaristaFIRE" community favors working a high-earning, stressful job in the early years, allowing for a high saving rate, and then shifting to a more relaxing, lower-income job to cover day-to-day expenses and thus allow the investment portfolio to keep compounding until the transition to full retirement.

Table 1 - There are many FIRE communities, with different emphasis on frugality and lifestyle choices

Community	Savings rate	Retirement age	Lifestyle	Key tradeoff
Lean FIRE	Very high	Earliest	Minimalist	Frugality required
Fat FIRE	High/Very high	Early or standard	Comfortable/ luxury	More savings needed
Barista FIRE	Moderate	Flexible	Balanced	Some continued work
Coast FIRE	High (early), then low	Standard or early	Balanced	Early discipline
Slow FIRE	Moderate	Later	Moderate	Slower progress
Chubby FIRE	Moderate/high	Early or standard	Comfortable	Balanced spending

Source: Boston Institute of Finance, UBS. For illustration purposes.[1]

Final thoughts

When families reach financial independence earlier in life, they gain options. Some may choose to retire early, but many simply work differently, focusing instead on projects they enjoy, with greater flexibility, and with far less financial stress.

To make the most of hard-earned retirement savings, it is important to prioritize where and how those savings are invested. After all, some investment accounts offer greater after-tax growth potential than others. To learn more, please check out the CIO Global Investment Management team's Savings waterfall worksheet, published 11 December 2025, and speak with a financial advisor about building a financial plan to help you map out your path to financial freedom.

End Notes

[1] Mick, C. (2025, December 9). *The FIRE movement: What financial planners and advisors need to know*. Boston Institute of Finance. https://www.bostonifi.com/resources/blog/financial-independence-retire-early

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