How To Retire In Your 30s

Scott A. T.: Broadcasting from one Dallas tower deep in the country of Texas, welcome to the Financial Rockstar show. I'm your host Scott Alan Turner, ready to help you get out of bed, save more money and retire early. In the studio with me is producer Jet still filling in for Katie. On the show today I'll be answering your questions about money business and life. You have a question like in some other show, visit goaskscott.com, leave me voice mail or send me an email.

Retiring in your 30s may seem unattainable, if you're barely making ends meet now, how could you ever consider making it to retirement three decades early, or maybe you're in your 40s and you want to retire early, or maybe even your 50s. A recent poll by Wells Fargo shows 22% of middle class Americans would rather die early, die early than live a life without any money. Think about that, one in five Americans would rather live a permanent home in the cemetery than go broke, that is crazy.

If you are one of the five who would rather die than go broke, developing a strategy for early retirement or just retire with some money, should be priority number one. Retiring in your 30s, it sounds good on paper, the bigger question is, "How do you achieve early retirement success?" Michelle, I'll be sharing the fundamentals and the broad overview, the math behind it, that's going to be for another time. Because the math doesn't matter if you don't set the foundation, lay the foundation, build the foundation.

It's not like I could give you a mathematical blueprint in 10 minutes anyways, plus with all the information I'm going to give you with this. Just going to plant the seeds, give you something to get excited about. If you're older and you have children, plant the seeds in them, no reason to work a 40 year lifetime or work for 40 years, have your kids work 40 years, have your grandkids work for 40 years, if you've got older grandkids, if they don't have to. Make it, so they want to, not because they have to.

Let's define your retirement success, some people think about retiring in your 30s, that might be sitting on a beach with a Margarita. For others early retirement is spending more time with your family, your friends, your loved ones, and for others, early retirement means leaving a corporate job or just a job that you don't like to pursue a passion or something might more interested in.

Regardless, of your definition of early retirement, you got to define your retirement goals to have any shot of achieving them. Just like any goal, you have to have a method for achieving it, then you got to work towards it, no matter what. You got to give it some thought and you've got to write it down or have a picture of it somewhere posted so you can see it and focus on it. Once you've filled out your goals, then you got to figure out how we're going to pay for it and what is the method that's right for us.

By building up streams of revenue, your income or passive income earlier in your life, you can begin planning for early retirement, and enjoy the life that you want to live. After you get something written down what you're trying to achieve. The first thing is, becoming very, very meticulous with your money. Because no amount of money that you have, is going to matter if you don't have a plan to spend it.

Be completely honest and open with yourself, "What are you spending your money on right now?" Take a good hard look in the mirror, evaluate the value you get from every purchase on everything you buy everyday. You got to scrutinize, look at the credit card statements, the debit card statements and eliminate the waste. You take that knowledge, you begin developing your spending plan that allows you to save a larger portion of your income.

You can't retire early saving 10% of your income, 15% of income, 20% of your income, it's got to go way up. When you scrutinize what you buy, it's usually a rude awakening, that's what I always get. The 115 bucks you spent last weekend on a date, or partying with friends, or a weekend getaway, the $300 a month car payment, the $50 a month on afternoon snacks from vending machines that you had no idea you were spending. Just drop a couple bucks, getting the cinnabon and the diet coke every afternoon, because they're delicious.

How could you ever achieve retirement with those financial burdens, and they are burdens when you're trying to use that money for early retirement. If you pocketed that money each month, you'd have 6,000 extra at the end of the year. I'm not saying turn into Mr. or Mrs. No fun, or Miss No fun, just use a critical eye, see if there are some savings you're missing out on, or to see if there is some waste there.

Online banking, that is the financial truth serum, there is an old saying in the financial community, "The closest thing to truth serum is online banking." When you login there is no denying you spent $80 on dinner for two, when you could have gone to the grocery store and cooked the same meal for 20 bucks. If you chose the at home dinner over the restaurant, what would you do with the $60 difference? Can you put it to work for you, can that go into the early retirement fund, online banking, spending tracking, these are always going to point out all your vices.

As well for me, it's like all the desserts I eat, yey for ice cream, but other things you could circle on your list or point out as you're going through the statements, eating out, impulsive retail purchases, money you spend outside of your planned spending. Take a highlighter on your paper statements and you find the bills that you'd like to reduce, do your research, figure out methods of reducing the monthly bills.

Everyone is going to highlight the rent or mortgages spent as something they'd like to reduce, but you have to keep in mind, you can shop around for a little health insurance, possibly depending on where you live. Your energy providers, depending on the state you live. Just seek out, spend a little time, lower monthly expenses on some of these fixed expenses that you've got coming in every month.

Car expenses, always going to be on that list, think about waste or you source, paying off your car early, trading in for a lower more manageable mode of transportation. Ask yourself what is more important, "Do I want to retire a couple years earlier or do I want to have this new car?" You may want the new car and be happy with working, you want to retire early, probably get this down to the car. Can you ride a bike, can you ride a scooter, which is a death trap while some people ride them.

I know I used to own one. Could you get a roommate to help with the household bills, could you Airbnb your spare bedroom, once a month for a year, bring in some extra cash. Different things you can do to reduce your burn rate. Paying off high interest consumer debt, people who retire early, people who have achieved great wealth, they don't carry credit card balances.

You ought to really scrutinize your lifestyle and ask yourself, "What is it I want?" Consider everything you buy and what brings you joy and happiness, then you can focus on those things that make you happy, spending money on those things. Eliminate all the other stuff, you make those tiny adjustments now, it's going to be much easier for them to carry forward into the future.

If you want to travel the world, you want to spend big bucks on entertainment, stuff for your kids, early retirement goals, you're probably going to focus more on passive income to pay for all that stuff. If you want a really stripped down simple life, you can figure out ways to reduce your monthly costs. You don't have to have as much money coming in.

Once you've picked apart all your spending habits, all your purchases, you've identified the waste, you've made a commitment, that, "Hey I'm going to be a great saver, I'm going to save more money." When you figure out your monthly number, you've got a goal for income generation, you know exactly how much you need to bring in each month to retire early. To supercharge your savings, you got to put that money to work for you.

One of the best perks of living in the 21st century, all the different ways you can capitalize on your existing income and create new ways of earning more. Basic premise of capitalism, buy or create a product or service and sell to someone else for a profit. Once you've established your profit margin, you can scale it up, once the operation is scalable, you can hire other people to run it for you. That's how many enterprising 30 somethings have achieved early retirement, it's not the only way, it's one way.

Basic formula can be applied to pretty much anything, here's a few examples. You get training in a specific field, you leverage that experience into industry certifications, which can allow you to charge more for your services or earn more at your job. You might do some research, find a solid investment opportunity and you invest in that opportunity, watch your money grow.

Investing in stocks, bonds, other opportunities that millions and millions of other people take advantage of. You can start investing without a lot of money and let that money compound in the stock market. Start your own side business, that you can enjoy, and that will add to your savings and your regular income. You can buy rental homes and earn income from the rents, lot of early retirees do that, a lot of them. Even though each of those ideas are examples of acquiring money, they're different from each other, they all have one thing in common, they require an investment, they require a vision, and they require work.

When you don't have any money, you've got to invest in yourself. When you do have money, you invest your money in the best possible opportunities that will get you closer to your ultimate goal of early retirement. It sounds simple yet many people, they have trouble following that simple principle. They bang their heads against the wall, "Oh I'm never going to get there." Why is that? Many people, they'd rather continue trading their time for paying down debt and buying stuff, rather watch TV than trying to start something new.

You don't want to commit to investing in themselves and bettering themselves, or they worry so much about risk and losing money, it keeps them from trying new things. If you hear any of those, and that kind of sounds like you, some of the time or all the time, the answer is pretty simple, you start by setting your goals. The first thing we talked about, doing whatever it takes to achieve them.

Don't set a goal you know you can't achieve, don't set a goal of, "Hey I want ten million dollars by next," and it's not realistic. Start some reasonable goals based on what you think you're going to need, what you want to try to achieve and then get some small goals in between to get you moving along. Maybe your first goal, get out of debt, second goal, start saving, third goal, start earning extra income on the side, researching how you're going to get some extra cash flow so that you can have money coming in without you working, whether that's passive real estate, passive investing in the stock market.

If you want to retire early, you just start by setting your goals, getting out of budget and savings, working to invest, creating some extra income streams, it's a proven path, anyone can walk.

Lucy writes,

Lucy: "I wish you could narrow down the list of work from home options. I'm a retired school administrator subbing for extra income, I just got my first paycheck from the district and realized I was subbing eight hours a day for a $5 an hour." This is simply not okay. "Please look through your most recent most successful work from home databases and help me find a solution to my extra income desire?"

Scott A. T.: 5 bucks an hour, I can imagine after taxes that's what you would end up with, you're right, that is not good. If you're subbing, clearly you've got some teaching skills to share with people, so that's a good thing. You definitely want to look at online tutoring services. That is a great way to pull in some extra cash. Set your own hours, work with people that you choose to work with and use the skills that you've got. A few websites that you can check out chegg tutors, C-H-E-G-G and I'll include these links in the show notes.

Chegg Tutors is one website where you sign up, and all these sites work pretty similar, you're going to sign up, create a profile and look for opportunities to connect with people that need tutoring services, you get chegg tutors, care.com, is another one, that is a site where you can do in person tutoring, that is not online, but if you're already subbing, going out and about in person tutoring could be something that you could look at as well.

The other one is Upwork, upwork, which is a site I use a lot to hire contractors but I just looked at upwork.com, they have 184 English tutoring jobs active right now to pick from. That is English tutoring, you may be doing some other thing but they have other tutoring opportunities on there as well but 184, if you want to get in English tutoring. That's a lot to pick from, a lot of opportunities, those are open positions on upwork. Any one of those, certainly a great opportunity for you to get way above the $5 an hour mark and get paid what you deserve to get paid. Thanks Lucy for the question.

Kelly from San Francisco California asks about financing private schools for young kids. She says,

Kelly: "So glad I found your show, I listen to it regularly while driving to and from errands, folding laundry, cooking dinner, or wherever I have a moment to multitask, while being able to learn so much throughout my day by just putting in my ear buds."

Scott A. T.: I appreciate that Kelly, thank you for allowing me in your ears. She continues, "We live in an area where the public schools are not that exceptional, and because we don't want to move from this exceptional area, we would like to explore ways how we can give our kids a great education by sending them to a private school, preschool on upwards. While we make a pretty good living between the two of us, well over six figures, which is considered high by any standard across the U.S. that is unfortunately not the case in the Bay area." You're right, that's chump change in the Bay area.

"It isn't a lot to really feel financially comfortable, sending our kids to school at full tuition without feeling stretched. Also given this, I don't think we would necessarily qualify for a financial edge. My question is, are there any creative ways to get discounts or finance the education for our children during the younger years. One school we are looking at in particular is Montessori. I know everyone is more concerned about how they will pay for their kids college, but I wondered if you have any tips for parents who are considering shelling out money for education in the pre-college years."

I can certainly appreciate the desire to provide your kids with the best possible education, even in their early development years. Because that's going to set the stage for the rest of their lives growing up the values they learn and the education they get and the quality of education and the people that they interact with, who are going to have an influence on them, in either a positive or a negative manner. Every parents, every parent wants to have their kids a good education.

My next door neighbors had to leave a pretty decent school near where we are because of a bad teacher, a singular bad teacher, pulled them out and now those kids are in a private, let's see, one of them is elementary school and the other one is getting ready to go into junior high I think. If you think the tuition is going to be a stretch, go ahead and call the school, anyway, explain the situation and just see what they have to say, if there is anything they can do, or if there is a way they can work with you.

Some schools are, because they're not just looking at how much money can you pay us, they want a diversified group of students there. Different backgrounds, different races, potentially different income levels. They might be able to give you a discount so that you can get your kids in their. You might consider a charter based school, charter schools, they are publicly funded, but they are kind of more on the long sides of an independent or a private based school.

A bit harder to get into, sometimes they have lottery systems for those, so that may not work out for you, but it is an option. Another option I am going to point out is taking out a loan, I'm not fan of this, not a fan of it at all but I'm also not in your situation. I don't have your school district around me to in order to be able to make that choice. Now I'm going the give you the information so you can make your own decision, because we are all adults here.

There is a website called Lightstream and that link will be in the show notes, they provide student loans for kindergarten through high school, and the loans, they're similar to college loans. Similar terms, similar interest rates, you're not going to get a 20 year loan out of them but you just check out that website and you'll be able to see if any of that is possible. Some parents, they work 80 hours a week to give their kids a shot at a better education.

If you need to take out a loan to give your kid a shot at a better education, because the elementary schools are not good in the area, if your children are getting picked on, abused or whatever, you got to consider that as an option. You just can't rule it out simply because it's a loan and it's debt. Another thing many people fail to realize is how well a student does, no matter what their age is. It's not always a reflection of the teachers or the schools, it's a reflection of the parents and their involvement in the kids education.

Do good schools and good teachers help? Yeah of course they do, but the way our education system is in this country, they hand out As like it's candy. We're not going to go down that tangent about this school system itself, read with the kids, play with the kids, don't let them see you on your phone or iPad all the time, because then they're going to want to be on the phone or iPad all the time. I'm totally guilty of that and I'm trying to get better at it, but I try the road out there.

Just do stuff with them, and talk to them. I tell my kids about the gas prices when we're at the gas station. Even though they have no idea what I'm talking about, they can't even read the numbers on the gas station sign. Just little things like that, and explaining stuff is going to get them further along, a lot of times in what they learn in school. Help them out with their homework, just be involved, that's what we all need to do, is be involved if we have kids with their lives, as much as possible.

That in the long run is going to be 10 times more important than what they're getting at school. You can take that info with a grain or some, my kids are two and a half, in 16 years we'll see if my parenting experiment has my desired result. Thanks Kelly for the question.

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I have a name to poll to you, the Rockstar nation, but if I were, if I were to recommend something to you, I would tell you about sweet potato skin cleanser. Never will your skin look so fresh and smell so scenty, it's illegal in nine countries. It's made with bits of real sweet potato, so you know it's good. They've done studies and 60% of the time it works every time, available nowhere, tell them Scott Alan Turner sent you.

In the battle for your online dollars, who gets your dollars? Is it Amazon or maybe Walmart, which one is cheaper or are you even paying attention. If you're an Amazon prime member like myself, maybe you just buy without even doing any price checking at all, just because of these simple convenience of it all, in the ability to click and buy.

CNN did a study awhile back, they bought 25 different items across multiple categories, jeans, books, electronics, varied stuff, personal grooming items like deodorant. Amazon, the total came out to about $820 for these items, Walmart about 670, so the difference was $150 for those items. This is an old study but it's something to be aware of and by mean old it's about a year and half ago. The cost differences still ring true today.

If you're an online grocery shopper or if you want produce, you can kind of forget about Amazon, they've got Amazon pantry or is that Amazonfresh, very, very limited areas where you can get that. Walmart, you can't really buy tomatoes online, and have them shipped to you, but they do have their new Walmart service where you can order online and then go pick it up, so that's very convenient.

What about packaged foods, processed foods, I checked Oreos, same price, $3.74 if you're a prime member on Amazon, that's from Amazon pantry, Walmart same price. However, if you're not Amazon prime, $9.75 for one bag Oreos, or container of Oreos whatever you want to call it. That is crazy and prime $99 a year, so you're paying that extra fee on top of it, maybe you get use out of that $99, maybe not.

How about Charmin toilet paper, ultra strong, 24 double rolls, 24.99 at Amazon, 11.97 on Walmart, half the cost for the same product. Whether you're a prime member or not. The benefit of Amazon of course is two day shipping if you're a prime member. You won't get that at Walmart, Walmart shipping in very, might take a week or you can have it delivered to your local Walmart for pick up. Which means carrying the screaming inside, weighing them at the pick up counter behind the people of Walmart, of which I am proud to say, I am one, go to YouTube, Google people of Walmart. It's a funny video, if you are a prime member it's almost like Amazon is becoming a convenience store for those members.

What happens in a convenience store, you're paying for the convenience. $6 for at Ben & Jerry's Ice Cream at CVS or Walgreen's compared to 3.99 at Walmart, prices are usually higher at a convenience store for that convenience. A lot of times you're going to find the prices are higher on Amazon as well, even if you're a prime member for that two day shipping. Want to save money, just got to shop around.

Dave from Seattle Washington has a question on investment companies. He says,

Dave: "I saw you recommend Betterment for a lower investment amount, about something like Vanguard or TD Ameritrade for larger amounts. I was wondering why that is? My guess is since the fees are higher on Betterment for a similar product on other sites. I have about $100,000 to roll over from a previous employer out of 175k total retirement balance, which includes Roth IRAs, and I'm thinking of spreading across a few different places, Vanguard or Betterment and maybe some any fidelity IRA, or TD Ameritrade."

"If I put in less than 100,000 in Betterment, they charge a quarter percent whereas I saw some Vanguard funds at 0.16% and TD Ameritrade even had some ETFs at 0.09%, is it just a basic fee comparison for you? Of course comparing the stock or performance of the funds as well, when you consider where to invest?"

Scott A. T.: Some listeners eyes just glazed over, "What the heck is Dave talking about, I don't understand any of that stuff." We'll cover that. 175 grand, nice chunk at coin dude, that's nice work. You're talking about going to multiple places, for multiple investments to get multiple investments. I want to give you, there's something to think about, it's kind of like, "Hey let's have a barbecue this weekend, we're going to barbecue out some chicken and, what goes along with chicken, grilled pineapple, we'll say, grilled pineapple or veggies. We're going to get some veggies, and we're going to go over to Whole Foods and buy some chicken and some veggies."

"Then we're going to hop in our vehicle and we're going to go over to Walmart and buy some chicken and some veggies and then we're going to go over to Costco, and buy some chicken and some veggies." You would never do that, you just pick one spot. What you're talking about doing is investing in multiple places and it's a lot easier just to stick with one broker for a couple reasons. One, it's easier to figure out your asset allocation.

If you're in one spot, the tools are there, you click a button you can figure out how much bonds do we have total, how much stocks do we have total, how much international do we have total. When you get in with Roth IRAs, you can easily figure out how much you've invested for that particular year, to make sure you're maxing amount appropriately as opposed to having Roth IRAs in multiple places.

As time goes on, you get more assets, more investments, it just easier to figure out, to keep track of it all. One thing yes, I'm looking at fees, number one, when I'm comparing where I'm going to invest to. I'm not looking at the historical performance at all. Because I'm picking low cost index funds which historically be actively managed mutual funds. How much of the time? Nearly 100% of the time, over time, based on economic studies, Nobel prize winning research.

It's boring, it's boring investing, I'm a boring investor, doesn't make the nightly news, that's why so few people know about it, about how it works, picking those low cost index funds like the ones that you mentioned at Vanguard. Myself I just have a little bit of fund money at Betterment A, because I wanted to try it out so that I can make sure it's a good product. I'm not going to recommend anything that I haven't tried out or used myself, and that's just money that comes out of my personal allowance each month, I just throw it in there, to just see how it works and see how the service is doing.

I like that, especially if you don't have that much money to get started investing, it's a great way to start. If you do have more money like you, then I would say go to Vanguard, they're the leader in the low cost index funds and they're going to give you the lowest fees, and you can get into those funds that are going to do well over time based on the index that they are tracking.

I have the vast, vast majority of my investments at TD Ameritrade but that's because I'm an institutional investor which means I'm in funds that are just a little bit better than Vanguard and the general person can't get into. They're still index funds but they're just a fraction of a fraction of a fraction of a percent better than Vanguard, depending on which report or study you do. Some people say Vanguard is better but neither here nor there.

If I'm in your shoes, I've got a 100 grand to invest, I'm going to go with Vanguard directly, I'm going to bypass Betterment because Betterment does have a little bit of markup for their fees that they manage and they're investing in Vanguard funds, so why not just go with Vanguard to begin with. There are certainly good index funds at other places like Fidelity and TD Ameritrade as well, which are at very low cost and that's a good thing, that causes competition in the marketplace, it drives the cost down for all of us and that's a good thing. Thanks for the question Dave.

Over in the Facebook community Meghan, she said, "I got my husband to agree we would seal up our credit cards in an envelope and not spend on them. We have struggled paying down the debt but physically having them unavailable is going to help." Way to go Meghan, lot of people of do that, freeze them in a block of ice, or they cut them up, whatever works for you.

When you take the emotion out of your decisions, you increase your odds of making a better decision, some spark logic for you. Those are the words, that's it for this episode, I'm your host Scott Alan Turner, is my producer, although he's mentioned in the show earlier up on the show notes, on scottalanturner.com. If you have a question you like answered on the show visit goaskscott.com, please leave me a voice mail. Thanks for listening.