Leigh Baldwin & Co.
Investment Brokerage

F.I.R.E. Investing!

Have you heard about the movement called F.I.R.E. investing? F.I.R.E. stands for Financial Independence Retire Early. Sounds like a great idea as who would not want to be financially independent with the ability to retire on their timeline rather than on the timeline of retirement income like social security. The goal for F.I.R.E. investors is to save and invest 50% to 70% of their income so that they can retire in their 40s maybe even their 30s! You may need to read that sentence again, as the answer to the question you are inevitably asking is YES, F.I.R.E. investors work to save over 50% of their income.

How does this work? A F.I.R.E investor first calculates their financially independent (FI) number. This number provides the investor the ability to retire early, switch jobs, work part-time or whatever the investor desires. Everyone's FI number is different, but one easy calculation someone could use is 30x their projected yearly expenses. Thus, if your expenses are $50,000 and using this F.I.R.E. investor calculation you may need about $1.5 million.

Saving 50% of one's income is nearly impossible for most investors with the unpredictability of life from raising a family, the cost of education, investor debt, and the list goes on. However, what we can learn from the F.I.R.E. movement is the power of a financial plan and the liberating feeling of being financially independent. We constantly work with our clients to put a plan in place to help them achieve their financial goals whether that be retiring early or building a nest egg for generations to come.

As for financial markets today, we just finished our 6th consecutive positive quarter for the S&P 500, albeit with the recent volatility in September it does not feel that way. The S&P 500 is up about 17% YTD (year-to-date), the Dow Jones Industrial Average is up about 14% YTD and the NASDAQ is up about 15% YTD. Investment-Grade Bonds (represented by the Bloomberg Barclays Aggregate Index) dampened volatility for portfolios in September as they outperformed equities on a relative basis but are still negative on the year.

Recent headlines frame a daunting wall of worry for investors as Wall Street Bulls sound a bit more cautious on media outlets. Rising interest rates, raising the debt ceiling, the US government defaulting on its debt, and a government shutdown would make anyone fearful of what is to come in the markets. However, as some investors worry about a correction that will inevitably come, we prepare for the volatility and the opportunity it presents like buying great companies at lower prices or managing taxes for our clients as Uncle Sam is always lurking and happy to tax capital gains.

We are excited to close the chapter on September as it is historically one of the worst months of the year for the equity markets and are ready for a fall filled with crisp air, football, and a little more volatility in the equity markets. We thank you for your support and trust in our company and cannot wait for our next discussion to help you reach your financial goals. As always, "you do the dreaming, we'll do the math."

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