



How much do you need to be financial independent?

Description

What is the amount needed to achieve financial independence? Everybody has a different number, but starting on this path is very insightful. Stronger personal finance enables you to be more independent and resilient in periods of adversity. It also creates more peace of mind for less financial stress.

Calculate how much money do you need to get financially independent

- I. Determine your desired annual income for financial independence
- II. Estimate your annual expenses (in retirement)
- III. Calculate the savings required using the following formula:
$$\text{Savings Required} = \text{Annual Expenses} / \text{Safe Withdrawal Rate}$$
- IV. Use a financial calculator or spreadsheet to determine the savings required assuming a safe withdrawal rate of 4%
- V. Adjust the calculation based on individual circumstances such as expected lifespan and inflation.

Note:

Annual income $\hat{=}$ expenses = savings rate per year

Tips for building capital

- Increase savings (spend less on unnecessary items like cars)
- Earn more $\hat{=}$ get a side hussle or up your income from jobs
- Save even more
- Invest (in yourself, in businesses, in revenue generating assets like houses, or businesses, royalties etc.)
- Re invest the growth

Category

1. Finance
2. Running a Business

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