How To Retire Early & Overseas Retirement: Interview With Jeremy & Winnie

Jeremy and Winnie run a personal finance blog called GoCurryCracker.com. The couple was able to retire in their 30s and become financially independent by finding a balance between minimizing spending and maximizing their happiness and quality of life. Jeremy and Winnie, along with their infant son Julian, moved from the United States and are currently living internationally.

<u>What are the steps to reaching financial independence?</u>

- **Step 1: Start with no debt. "**When I graduated from college, I had about $40,000 in student loan and credit card debt," Jeremy shares. "Every possible dollar went towards paying off that debt." By focusing on paying off the high interest loans first, Jeremy was able to capitalize on his losses. "If you need the motivation, you can just look at the amount of interest you paid monthly going down. That number will shrink much more rapidly if you pay off the highest interest loans first."
- **Step 2: Spend wisely and live below your means.** Jeremy and Winnie were able to put 70% of their paycheck into savings by cutting costs. "Don't spend very much money," Jeremy suggests. "You can live well on a middle to lower middle class cost of living while earning something higher than that. We didn't have a car. We were a block from a grocery store, a few blocks from a library, a few blocks from a large park with old growth forest and a creek. That's where we spent our time. Between a bicycle and our feet and low rent and taking our own kitchen as a source of amazing food, we didn't really have to spend a lot of money. Most people spend 80% of their total cost of living on housing, transportation, and food, and we spent quite little on all of those areas."
- **Step 3: Save, and let compound interest work in your favor.** Over a period of 10 to 20 years, your portfolio can start to generate more income than you actually spend. Jeremy's asset allocation strategy included investing in index funds through Vanguard ETFs and mutual funds, which have the lowest fees, the lowest burden on your portfolio, and the most efficient tax burden. "We just invested in the total broad market so we own everything that the stock market holds."

- **Step 4: Reduce your taxable income.** Utilize tax deductions from retirement planning vehicles like a 401(k) or an IRA. If you put the maximum amount of money into those types of accounts, you can take an immediate tax deduction then all of the tax savings that you receive, you can invest as well. “As a working couple, if you're making median level US incomes or above, you can be saving 15% to 25% immediately,” says Jeremy. “And then typically, you'll get 401(k) matching, employer contributions, and so you can get immediate returns from the tax and the matching of 50%+.”

<u>Income with Preferential Tax Treatment</u>

- All qualified dividends and long-term capital gains are taxed at 0% as long as you're within the 15% marginal rate. What that means for a married couple filing jointly, you can make about $100,000 in investment income and pay zero tax.
- All other income sources; income from a job, income from interest, income from short-term gains; are taxed just like your paycheck, and you have very little control over the taxation
- Jeremy and Winnie structured their retirement income to be mostly derived from qualified dividends and long-term capital gain.
- There are annual contribution limits to a 401(k) and an IRA. You can really only save maybe about $20k a year per person in that case, so you end up with additional savings in a standard brokerage account. Any withdrawals from the 401(k) in the future are considered income and are taxed at that time, but all of the dividend and gain income are be tax-free.
- As long as you have no working income, as Jeremy and Winnie had for several years, you can withdrawal from your 401(k). As long as withdrawals are small enough that your standard deductions and personal exemptions will wipe them out (about $20k a year for a married couple), you can move money from your 401(k) into a Roth IRA at 0% tax, so those gains will be tax-free forever.

<u>Advice for People Who Fear Investing in the Market</u>

- Many people start investing by just selecting one stock, and then when it doesn't work out, and they develop a fear of investing.
- To expose yourself to less financial risk, consider investing in mutual funds, ETFs, etc., which are collections of stocks.
- The market has cycles and stocks tend to drop every 15 or 25 years. When everybody is panicking and the market is down, you only lose if you sell.
- “We can't control risk,” Jeremy muses. “We can only choose how much of it we take up.”

Living Internationally

- Winnie and Jeremy loved to travel, which was one of their motivations for saving.
- When you are able to pick and choose your living location, you can substantially reduce your overall cost of living.
- “We're in Chiang Mai, Thailand right now and we're renting a one-bedroom apartment. It's a modern building. It's got a secure entry. They clean the whole building, including our apartment, twice a week. We got a rooftop infinity pool, a saltwater pool with beautiful views of temples. There's a great gym. Central location. It's like we could not find a better place, and it's $375 a month.”
- Our portfolio can support much more, we're basically continuing to live below our means and our portfolio continues to grow.

Resources

- Bogleheads Forum: https://www.bogleheads.org/forum/index.php
- "Your Money or Your Life": http://vickirobin.com/books/your-money-or-your-life
- Jim Collins Blog: jlcollinsnh.com