Early Retirement & Financial Independence: Mr. Money Mustache

Retired at age 30. Writes about early retirement and financial independence at Mr.MoneyMustache.com

JD Roth: Hey, everybody. This is JD Roth, and I’m here again to talk to you about personal finance, of course. And today, I’m talking with my friend Pete. Pete is better known as Mr. Money Mustache at mrmoneymustache.com. Hey, Pete. Thanks for being here.

Mr. Mustache: Thanks a lot, JD. It is fun to be on your show.

JD Roth: [Laughter] My show. Ahh, that sounds awesome. I should have my own show, shouldn’t I? So, Pete and I have actually been talking for almost an hour now, and we both had a beer or two. And we’re in good shape. And so, it’s very pleasing to be able to talk about personal finance after getting set up like this. So, Pete, why don’t you tell us a little bit about your background, and how did you become a personal finance expert?

Mr. Mustache: Well, I’m not sure if I’m even a personal finance expert now, but the way I became Mr. Money Mustache was I was raised as kind of a low key, lower middle class family kid with three siblings in Canada. And Canada’s that country to the north where things are just a little bit less flashy than they are here in the United States.

JD Roth: Do you mean America’s hat?

Mr. Mustache: Yes, or the 51st state, or whatever.

JD Roth: Okay.

Mr. Mustache: So, anyway, I moved here – I went to school, graduated in computer engineering. Worked in that field for a while, and then I moved to the United States. And I continued my Canadian habits, which are basically not spending everything you earn, with my new hire US salary. And I found that just before age 30 I had enough money to retire, and my wife – my new wife at the time and I, who was also from Canada – we just quit working in order to start a family. And that was about eight years ago.

JD Roth: Okay, I’m going to stop you right there, because –

Mr. Mustache: All right.

JD Roth: What it sounds to me as if you’re saying is that Canadians can move to the United States and in ten years of working, they can retire.
Mr. Mustache: Yeah, you don’t have to be Canadian to do that. I mean, you could also do that if you’re Brazilian or Swiss. But maybe even American, if you actually – if you read the – if you follow the concepts of the Mr. Money Mustache blog.

JD Roth: Okay.

Mr. Mustache: So, yeah. The whole point is kind of like not following the materialistic trends of this country, which is kind of unique in the world for being one of the most caught up in this trend of, like, a bigger house is better, and a faster car is better, and this and that. So, if you really want the boiled down, super short note of how this all works is that my wife and I saved just a little over half of what we earned – half of our take home pay. And we earned a little more than normal, but not a lot. And we invested it. And every time we got a raise, we didn’t increase our spending; we just increased our saving.

JD Roth: Mm-hmm.

Mr. Mustache: And at some point, we just had enough. We paid off our mortgage, had some Vanguard index funds, had our retirement funds. And our low-cost lifestyle that was basically around $25,000.00 a year was easily covered by the investments we had. So, luckily, we quit our jobs right around the same time as we had our first and only child, and we’ve been going strong for the last eight years under this plan. And life is good.

JD Roth: Okay. So, to recapitulate, then the essence of the plan was you had a slightly higher than normal income; you were only spending about $25,000.00 a year between the two of you, right?

Mr. Mustache: Yeah, that’s true. Well, actually, because we had a mortgage back then, it was higher, you know? There was mortgage payments, principal and interest. So, what you could say is our spending was really about $35,000.00 a year, but $10,000.00 plus of that was really into housing expenses.

JD Roth: Okay.

Mr. Mustache: So, some of our savings went towards paying off the mortgage. And now, we live mortgage free, and our actual expenditures on the regular necessities of life, like groceries and travel and health insurance and whatever else you spend money on – that’s been coming out at $25,000.00 a year every year. No matter how much we try to spend, it seems to just end up right about that amount.

JD Roth: So, $25,000.00 per year; to me, I don’t actually know how much I’m spending per year right now. I used to know, but I stopped tracking for a long time. I’m currently in a process of resuming the tracking process. But that sounds a little low. I mean most people, if they earn $50,000.00 a year, they spend $50,000.00 a
year. How is it that you were able to get your costs down to $25,000.00 per year?

Mr. Mustache: The real fundamentals of that are probably stuff like cars. Like, I ride a bike everywhere. I do have cars, but I find that I don’t need to use them. Cars can easily burn up most of a middle class salary just like that, you know? I just got an email from somebody who earns $100,000.00 a year. He’s doing well. But he has a BMW X5 sport utility vehicle with a $46,000.00 loan on it.

JD Roth: Wow.

Mr. Mustache: So he’s got – which is most of the price of the vehicle. So, most of what he earns is just getting burned by that truck, you know? Like, insurance, and the payments, and the thing is depreciating faster than my whole family’s living expenses.

JD Roth: And I should note that the average American spends – or, the average American household spent about 17 percent of their income on transportation.

Mr. Mustache: Yeah. And that’s because they drive everywhere, you know? People be like, “Well, I really like this house because it has pink curtains. So, let’s buy this one, honey.” And then it’s 17 miles from work, so suddenly they’re driving 34 miles round trip every day, times two people, which – that adds up to $10,000.00 a year of commuting costs.

JD Roth: Right.

Mr. Mustache: Little stuff like that; doing the math on your cars first; maybe your restaurants second; and your travel, third; these things can make a huge difference. So, I live a life –

JD Roth: What about housing costs?

Mr. Mustache: Well, housing is really interesting in the US because it’s so variable from one area to another. So, you really have to take it on a case by case basis. Like, for example, if you’re going to live in Washington, DC and have a $600,000.00 condominium, you should not do that if you’re a school teacher making $50,000.00 a year, you know? You might want to move over one state to the left and keep a $50,000.00 salary, or go down to 40, and then live in a $100,000.00 house.

JD Roth: Right.

Mr. Mustache: You know, if you’re going to live in DC or a big high cost area, you should be in a job that works – that pays a corresponding amount if money is important to you. If other things are important to you, of course you should ignore my advice and live where you want. But I always choose my area of living based on – cost is one of the things. And when I moved to Colorado as my choice for a
United States location, that was a big thing. Great engineering jobs here. Then I got an offer here, and I got an offer in San Francisco area.

And the salaries were similar, but here the houses cost a lot less, and it’s still a beautiful area with mountain bike trails and awesome weather. So I took this one, because I did the math. And that actually helped with early retirement.

JD Roth: So, wait a minute. You’re saying that – based on what you were saying before – the fact that you bike everywhere and you don’t drive a lot, I just naturally assumed you must live in California. But you say you live in Colorado, where it, like, snows eight months out of the year.

Mr. Mustache: [Laughter]

JD Roth: So, you know, seriously, tell me – I live in Portland, Oregon. And as you and I discussed beforehand, I can look out my window at a 50 mile bike trail that runs around the circumference of the city. And it’s awesome. Everyone here bikes. You live in a place that bikes.

And so – I know that a lot of people, when I suggest biking or walking as alternate modes of transportation, they say, “Yeah, it’s easy for you to say. You live in Portland.” What about the people who live, say, in rural Iowa, where biking doesn’t seem to be an option?

Mr. Mustache: Well, there’s different situations. I mean, biking works everywhere. I lived in I don’t even know how many different cities and neighborhoods in my life. But growing up in Canada, the places where I live have worst winters than anywhere in the lower 48, for the most part. Like, Ottawa, Canada, pretty much takes the cake for bad climate.

JD Roth: [Laughter]

Mr. Mustache: And I still biked year round. I put big, knobby tires on my bike, and I made a point of buying – at the time I was renting houses, but I rented houses closer to work so that I could not have to commute. So, it’s a little complicated. You can’t just say, “Everybody must bike all the time.”

JD Roth: Right.

Mr. Mustache: Even though I try to say that. But if you just keep it in mind, then next time you move, or next time you get a new job, you’re going to have this decision as one of your – this factor in your decision. You’ll say, “Okay. Well, I don’t want to drive 40 miles each way to work.” And you can make improvements over time. Since this has always been in the back of my mind, I’ve never lived further
than about maybe 14 miles from work, which for me is kind of the upper limit on a convenient bike ride.

JD Roth: Mm-hmm.

Mr. Mustache: And I prefer to be more like three miles. So, yeah, it made a big difference. That's probably saved me $200,000.00 in car costs, just not living far from the stuff I like to do.

JD Roth: Yeah, I think you're making an important point there; a couple of them, actually. First of all, if you prioritize transportation costs when you look for housing, you can make it so that it works. And second of all, it's not an all or nothing thing. It's not like anybody saying, “You must bike all the time or you're evil.” That’s not how it works.

It’s trying to find ways you can do a little bit more to walk for your errands, or to bike for your errands or your transportation. It’s just looking for little steps you can make, and it eventually makes those little steps even larger steps, so that they’re contributing to your financial well being, I guess.

Mr. Mustache: Yeah, you're definitely right. You don’t have to do an all or nothing thing. Even if you just get yourself a library card; figure out where your library is, and start going there.

JD Roth: Right.

Mr. Mustache: That can be a keystone habit that suddenly you’re like, “Hey, I like reading books.” And then suddenly you’re buying less movie tickets, or buying less books, and borrowing from the library again. And these things build until eventually you become what I call a bad-ass Mustachian, which is just somebody who leads an efficient life that's based on effort and reward and personal growth and learning. And this kind of lifestyle doesn’t cost a lot. It’s really satisfying.

But I know a lot of people who spend a lot less than my family because they’re even better at this stuff than I am. And they’re just very, very happy, satisfied people, which is really what life is about. It’s getting a happy, satisfied life.

JD Roth: Absolutely. I agree with you. My first line in my first book is, “You don’t want to be rich. You want to be happy.” And when I write, most of my writing that I do is not about wealth or about money management. It’s about happiness, and finding a life that is contributing to your well being, I guess.

Mr. Mustache: Yeah, that’s very well said, because if you double your wealth, or if you cut in half your needs or desires, you end up in exactly the same place.
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JD Roth: Right. So, you know, Pete – and I should – I don’t think I actually said this at the start; that Pete’s site is mrmoneymustache.com. And I did say that you were Mr. Money Mustache. And you mentioned Mustachianism a little bit ago. And so, you’ve built this whole – I don’t want to say cult. Yeah; no, I will say cult.

Mr. Mustache: You bet. I like to call it a cult.

JD Roth: Okay. A cult; a cult of Mustachianism. And Pete has built a following around his philosophies. And one of your philosophies really is what a lot of people see as extreme saving. And what I mean by that is in general, you will hear people say, “Oh, you should save 10 percent of your income,” or, “You should save 20 percent of your income.”

But from what I know of your philosophy, you’re saying, “You know, 10 percent or 20 percent isn’t enough, because if you save 10 or 20 percent – yes, if you’re diligent about that, you can retire at age 65. But who wants to retire at age 65?” So, you recommend saving more. Isn’t that right?

Mr. Mustache: It’s true, yeah. I wouldn’t call it even – I wouldn’t even call it extreme. I just call the philosophy slightly less ridiculous than average.

JD Roth: [Laughter]

Mr. Mustache: That’s all it takes to save 50 percent of your income.

JD Roth: So, 50 – okay; so, why 50 percent of your income?

Mr. Mustache: Well, that’s just kind of a nice, easy to remember goal. And it really depends. If you’re going to become all sensitive about it – you know, you have to say, “Well, if you’re lower income and you have a large family, then it might be harder, blah blah blah.” And in general, though, if you just take the typical middle class person or family, then saving 50 percent of the take home pay is quite possible. And here’s – if you do that, and you just invest it in very average, kind of passive stuff – index funds – then it’ll take you about 17 years to become financially independent. So, if you start that at age 20, you’re all set to go at age 37. If you’re 40 now, and you start with no money, then it’s going to take you to 67. But it’s not really that bad, because social security is going to kick in and speed things up.

JD Roth: Right.

Mr. Mustache: And your kids are going to grow up, which lowers your cost of living. And some people never have enough to retire. If you got no savings and you hit social security age and your lifestyle cost is $5,000.00 a month, well, guess what? You’re going to have to keep working to make up the difference.
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JD Roth: Right.

Mr. Mustache: It helps everybody.

JD Roth: And I think you just hit on an important point, Pete. Because of the power of compounding, and because of a lot of other things, it’s actually easier to do this stuff the younger you start. And I would actually say that lots of other things that I just lumped together there – that actually has a bigger impact. So, before I talked to you, I met with a friend who wanted some financial advice. And we were talking about her son, who was 22 years old.

And her son is working three jobs, and he’s earning a lot of money for a 22 year old, because he’s working three jobs. But he spends all of his money, and he’s always having to borrow from his parents.

Mr. Mustache: [Whistles]

JD Roth: And I said, “You know, if your son would just sit down and right now make a commitment to save 50 percent of his income from now until forever, it would have a huge impact. Because if he could do that – he’s 22 – then by the time he’s 40; by the time he’s my friend’s age, he would have all the money he needed for the rest of his life, as long as he maintained that same lifestyle where he was living on whatever it was that was 50 percent of his income.” And my friend couldn’t really grasp the math; and to be honest, I couldn’t explain it, because I had been at a wine bar with her, which is where we discussing it, and we had had a couple of glasses of wine.

But the point I’m trying to make is, it’s much easier to do this stuff if you start younger. That’s not to say you should not start if you’re 40, or if you’re 50. But wherever you are, you should start as soon as possible to do these things.

Mr. Mustache: Well, I have a slightly different perspective on that –

JD Roth: All right.

Mr. Mustache: Just because –

JD Roth: Go for it.

Mr. Mustache: I would definitely agree that starting young is awesome, but I think that’s more of an – because of an attitude; flexibility rather than a financial thing.

JD Roth: Okay.

Mr. Mustache: Here’s the thing; so, traditional financial planners are like, “You know, start at 20, and save a tiny percentage, and just do this for
a super, super long time, like 40 years. And if the stock market just keeps appreciating at whatever, 9 percent” – they usually use high numbers – “then you’ll have, like, 4 million dollars by the time you retire. The key is that you invest it for 40 years. So, they’re emphasizing starting young because of allowing a huge amount of compounding.

JD Roth: Right. So, they’re emphasizing the time aspect.

Mr. Mustache: Yeah. They’re emphasizing the power of compounding; you know, compound interest over a huge number of years. Like, half a human life span.

JD Roth: Right.

Mr. Mustache: And that is true. It’s valid. But my point is, who wants to work for 40 years? So, when you want to work – if you’re trying to retire or become financially independent in a short time frame, like 10 years, 15 years, the compounding is not nearly as important. And at that level, what matters is how much you ride your bike, and how efficiently you can run your lifestyle; how low you can get your cost of living while maintaining an awesome life.

JD Roth: Mm-hmm.

Mr. Mustache: Because that’s a much bigger factor than an exponent multiplied by the number of years you’re going to be working.

JD Roth: So, it’s really, basically, trying to boost your saving rate as high as possible. Or, as I say in the guide where I write about being the chief financial officer of your own life, boosting your profit to the highest level possible, because the greater your profit, the shorter amount of time it takes.

Mr. Mustache: Yep. And then, to keep the business metaphor, if you lower your operating expenses then you can coast on a lot less once you are financially independent. So, get a high profit margin; get those OEs low. And then, the thing about operating expenses is it becomes a habit. So, stuff that’s just automatic, and you’re not actually making sacrifices.

For example, when I need to get groceries right now, I just hop on my bike and I go there, and I bring a trailer if I have to carry a lot of stuff. I’m not making a sacrifice. This is just what I do. That’s just how I get groceries. And it makes me happy. I love being outside on my bike, whereas if I had not been trained in the art of getting groceries by bike, I’d have to take my big BMW X5 and waste, like, ten bucks of car depreciation and gas every time I wanted, like, a green pepper.

JD Roth: Right. [Laughter] And I should point out that for a long time, I was deep in debt, and I bought into the American way of life. And I drove a mile to the grocery store, and I drove a mile home.
And it wasn’t until I realized that I wanted to get out of debt that I started to change my habits, but even then I would still drive to the grocery store. It’s only recently that I’ve changed my habits with this kind of thing.

And so now, I live in a place where it’s again, about a half mile walk to the grocery store. But I go up there every day, and I walk, and I wear a backpack. And I take my backpack to the grocery store, and I think, “Okay; what am I going to make for dinner tonight?” And I’m able to fill up my backpack and take it home. And I know that part of that is because I can work from home, but my point is – and I think Pete’s point is – if you plan this into your lifestyle, you can make it so that it does work with a minimum amount of inconvenience.

And in fact, it doesn’t even seem like inconvenience. It’s part of your exercise. It’s just part of your way of life.

Mr. Mustache: Yeah. I’ve never heard from a person who adopted these things and then said, “My life is less good now.” Every single person has said, “Well, yeah, I’m saving a lot more money, but I’m also a lot happier,” so, that’s what it’s really based on. If I was just making recommendations to make your life suck so you could have more money, I would really not have a good, strong platform to stand on. This is not about money. It’s about a better life.

JD Roth: Yeah, I think that’s great. It’s a better life, and it’s a life that actually does save you money for the future, which buys freedom. I know that when I walk to the grocery store – this is going to maybe seem irrelevant – but I often run into my neighbors. I live in a condo building with about 40 people, and I’ll run into neighbors and I’ll chat. And I’ve gotten so that I’m friends with the neighborhood cats.

And so over this half mile walk, I’ll see the same cats again and again. They’ll come out to greet me, and I’ll pet them, and I love that. And I get to watch the construction. They’re building a bridge right here next to the condo, and so I can just see the bridge. And I really enjoy it. It’s actually a highlight of my day when I get to say, “Okay, it’s time to walk to the store to get groceries.”

Mr. Mustache: Man, that does sound awesome. Cats and construction?

JD Roth: [Laughter]

Mr. Mustache: That totally beats traffic jams. What more could you want?

JD Roth: Yeah, it beats traffic jams. Hell yeah. That’s right. So, we’ve talked a little bit about saving more, and I want to go a little bit more into this. I mentioned in the guide, and I mention it in a lot of my writing lately, that we’re often told that we should save 10
percent of our income, or we should save 20 percent of our income. And that’s fine advice. It’s not bad advice.

But you hinted at this earlier; the problem with the advice is that when you follow it, it’s going to take you 40, or 45 years, or maybe even 50 years to earn enough to be able to retire. And do you really want to retire when you’re 65 or 70 years old? I’ve spent a lot of time on trips; on excursions with people in France and Africa who are 65 or 70 years old, and every one of them says, “I wish I was able to do this when I was younger, but I couldn’t afford it.”

And the joy of saving 50 percent – not only do you learn to live with less and realize, “Oh, this isn’t such a bad thing,” but it buys you freedom sooner. Instead of retiring at the age of 65, you can retire at 40 or 45. And so, I know you’ve written a lot about this, Pete. I was wondering if you could talk a little bit more about it.

Mr. Mustache: Yeah. Well, number one, it is great. I’ve been retired since 30 years old. And I feel like that’s when my life began. I thought it was good before, but ever since then it has been spectacular. But before I get into it too much, you gotta remember that we’re talking about retiring as a different definition than the old-fashioned definition.

JD Roth: Okay.

Mr. Mustache: In fact, I wrote a whole article proposing that we redefine what retirement means, because it doesn’t mean sitting around doing nothing, unless that’s really what your goal in life is. You and I since we “retired”, we’ve still done a lot of stuff, like writing. I started a construction company at one point and built a couple of houses. It didn’t agree with me, so I closed it down.

JD Roth: Mm-hmm.

Mr. Mustache: Then I did some professional carpentry, because that’s my love. That was a lot more agreeable. Then I phased that out. Then I started this blog, which has now become kind of a dominant factor in my life. Some people accuse me of not being retired at all, because I’m doing all these activities, some of them that earn money.

JD Roth: Right. You and I are talking right now. We’re both supposedly retired, and yet we’re doing this work here where we’re talking to each other about money.

Mr. Mustache: Yeah, we’re making a professional podcast, like fake – we’re talking heads commentators.

JD Roth: [Laughter] But while drinking.
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Mr. Mustache: At the same drinking beer, so technically it’s a little bit of retirement activity. But yeah; so, this is the whole point is, you’re not going to sit around doing nothing unless that’s your true personality type. Most people, especially if they retire young, they find that their mind is freed up, and suddenly they can do stuff that’s even better than what they were doing when they were – when they had a paid job.

JD Roth: Right.

Mr. Mustache: And that’s really the human animal is – most of us are designed to produce and learn and think, and that’s when we’re happiest. So, retirement to me just means you’re free to do what you really want to do.

JD Roth: Exactly. The way I think of it is, instead of doing what you have to do, or what you feel like you have to do, you can instead do what you want to do. So, neither Pete nor I need to be sitting here right now talking about this stuff, but we both want to do it. We enjoy it. It’s fun. And we feel like it’s of benefit to us and to other people. But we don’t have to do it, but we do it nonetheless.

Mr. Mustache: So, that’s why I’m kind of hoping that other people can free themselves. If the country’s best mind – the world’s best minds were freed from their jobs, some people would keep those jobs, ’cause they love them so much. Other people would do things that are probably even more valuable to society, because they’d be locking on to what their minds are the very best at. So, I think for society it’s actually a good thing for people not to be dependent on a stream of money.

JD Roth: Yeah, I agree. Yeah.

Mr. Mustache: I just wanted to add that –

JD Roth: Yeah.

Mr. Mustache: I might even end up earning more by quitting my job than I did working at my job. So, it’s kind of ironic that financial independence allows you to earn more than you might have done if you hadn’t saved your money.

JD Roth: I think this is exactly true. And it doesn’t work in all circumstances. I mean, if what you want to do is sit around and watch Survivor and The Amazing Race, you’re probably not going to make a lot of money at that. But there are other people who have wanted to pursue art, for example. Or, I talked to a friend recently who says, “I love yoga, and I’ve always wanted to open a yoga studio. But I can’t do it. I’ve gotta work at my job.”

And I keep thinking, “Wow; if she would just take the risk; if she had – if she had saved enough for retirement at this point, maybe
she could take that risk and open a yoga studio.” And knowing who she is and knowing her personality, I’m fairly certain it would be a very large success. And so, she’s not going to try that until she’s retired, and I’m sad that she can’t try it now.

Mr. Mustache: Yeah. I’ve seen a lot of happy stories. A lot of my closest friends in this area where I live are entrepreneurs, and they’re semi-retired. So, they get to do what they want; still work very hard, but none of it would be possible if they were actually dependent on that next paycheck.

JD Roth: What do you mean by semi-retired?

Mr. Mustache: Well, I mean they’ve got rental income from rental houses, and enough savings, and a low enough cost of living that they’re more or less set. They only need to earn a tiny bit of money to keep their families going, so therefore they’re able to take more risks; start more stuff up. They can afford if a business doesn’t make money for a while. And it’s proving to be a much happier and low-stress live for these guys.

JD Roth: Yeah. So, Pete, what do you say about those who argue that this is impossible? I know you must have seen this at your blog, because at Get Rich Slowly where I don’t actually write a lot about this, but have written a little bit, I get people who say, “This is impossible. This works for you, but it won’t work for me because of x,” where x is, “They argue that they’re not able to pursue whatever their financial goals are; not even just early retirement, but other financial goals as well. What do you think about this?

Mr. Mustache: It’s a little tricky, because the very fact that someone would take the time to post that in a public forum is kind of a bad sign. It’s a self-defeating attitude. Even if I read something that I disagreed with, I would never make a point of saying, “I can’t do this,” and telling, like, 10,000 people about it. So, that would be the first step, is stop writing stuff like that, because it’s not helping you.

JD Roth: [Laughter]

Mr. Mustache: And then secondly, there’s obviously going to be some valid cases where people really can’t save money.

JD Roth: Right.

Mr. Mustache: That’s fine. That’s not the only goal in life. On the other hand, blogs like ours are written to address the other 95 percent of the population that really could improve their lot in life by making some changes. So, I have a secret mission in my blog. It’s actually an environmental mission, which is to get us, the rich world, to consume less stuff.

JD Roth: Right.
Mr. Mustache: Consume less of our natural resources, and lead better lives because of it. So, I’m really targeting the middle class and upper middle income and high income people. And the thing is that even people that make $250,000.00 a year still write the same stuff. “Oh, I can’t save anything. Life is too expensive.”

JD Roth: [Laughter] Right. They do.

Mr. Mustache: The kids need cell phones and cars, and they need clothes, and they need college plans, and they need their weddings paid for, and they need international travel every spring break. And the condo; the ski condo just went up in price. Have you seen lift tickets this year? “It’s just all this stuff. Everyone has the same problems, just scaled up to match their income.

JD Roth: This is true. I mean, my younger brother – Tony, if you’re listening, I apologize – but he’s, for a long time, made much more than me or my other brother, both of whom are older than him. And Tony has always complained that he just does not make enough money. And me and my other brother look at each other and go, “Really?” [Laughter]

Mr. Mustache: Yeah.

JD Roth: “You make more than we do, and yet you don’t have enough money to do what you need to do?” And it’s really baffling, because his lifestyle isn’t anything out of the ordinary; or it doesn’t seem to be. And to me, the lesson from this is we all in general seem to adapt to whatever income we have. And we grow our needs and our desires based on the income we have. And if instead of doing that we can just confine our needs and desires to something more reasonable, or to something that might have been true in the past.

Like, think back to when you were younger, and what you wanted and needed then. Well, that can actually free up a lot of money to use for other things.

Mr. Mustache: Ah, yes. That’s true. That brings a piece of wisdom that just occurred to me. So, it is possible to blow and be unsatisfied with almost any amount of money. It’s only once you get up to about a billion dollars a year that it becomes almost impossible.

JD Roth: A billion dollars? [Laughter]

Mr. Mustache: Yeah. Maybe even – I think Paul Allen could probably blow more than a billion dollars a year and still be unsatisfied with it. And it is also possible to spend and be happy with any amount of money. So, keep those two things in mind. Like, write that down on your fridge and say, “You can blow and be unhappy with any amount of money, or you can spend and be happy with any amount of money.”
And these things are true. I’ve seen examples of people at both extremes. And then, once you realize that, you’re like, “Whoa.” So, there’s this giant spectrum. Well, where in the spectrum am I going to put myself? It really is a choice that you can make. So, just remember that it’s not your life that’s doing it to you. It’s where you’re putting yourself in that spectrum.

JD Roth: Pete, that is fantastic, actually, because you’ve just – I’ve been aware of a couple of the things you just said there, but you framed it in a way that it’s kind of new to me. So, I’m going to try to rephrase it for myself, and for the listeners. So, you have people who whether be necessity or choice will live on 10 or 12 or 15 thousand dollars per year, which seems like a very small amount for people in the United States. But I have a friend – another personal finance writer, actually – who has lived on $12,000.00 per year, and she’s been quite happy with that.

Mr. Mustache: Oh, yeah. It starts lower than that. I mean, people can – some people live on $4000.00 a year.

JD Roth: Holy cow.

Mr. Mustache: But that’s enough to... So, let’s start the bar at four in this country. That’s another country –

JD Roth: Oh, yeah. $4000.00 is where we’re at. And then you have people who win the lottery, or professional athletes who receive large contracts, and they end up with, say, millions of dollars per year. And for a short time, admittedly. But still, millions of dollars per year. Yet they spend through that, and they’re not necessarily happy. And so you’ve got this wide spectrum.

I love the phrase you used, though; the spectrum. You’ve got the spectrum of earning from $4000.00 per year. So, let’s put it up to four million dollars per year, to make it not too high. And people can be happy or unhappy at any point along the spectrum. And so it’s not the earning that is actually affecting their happiness. It’s not the $4000.00 or the 4 million that makes them happy. It’s where their expectations are.

Mr. Mustache: Yeah. And if you look at the – I love how you mentioned the professional athletes, ‘cause one of my favorite stats is that something like 75 percent of NFL players end up with financial problems within how many years after retiring; like 5 or something like that?

JD Roth: Yeah, I’ve seen the same thing. It’s a high number, and very soon. Professional athletes, or at least NFL athletes, they have money problems.

Mr. Mustache: Yeah. It’s – when you think about it, it’s a bunch of young guys who probably didn’t grow up with financial training, and then
when they come up with a lot of money, then what are they going
to do with it? Well, they’re going to probably live pretty large, and
it’s a recipe for disaster if you’re not thinking out what to do with
your windfall in advance.

JD Roth: And that’s a good point right there, because you talk about they
didn’t grow up with a lot of financial training, and I think that’s
true. And I know that’s very true in my case; not that I’m a
professional athlete or could ever be close. But my parents – my
mother was raised in modest circumstances. My father was
raised poor. And we as a family did not have much money
growing up, and my parents did not know how to handle the
money, even when they did have it.

We would have windfalls at times, or my father would make
money, and they would just spend through it. Whatever money
they had, they would spend through it. And so, I like to think of
this as money blueprints. We each have his blueprint in our
minds about how we deal with money, and how we communicate
about money, and how money affects us. And as adults, I think
it’s very important to become of what these blueprints – how they
affect us, first of all; and then also, how we can change the
blueprints.

So for me, over the past ten years since I started Get Rich Slowly;
since I started reading about personal finance and started writing
about it; one of my greatest challenges has been to overcome
some of these habits or blueprints that are just so deeply
ingrained in me. So that, instead of just spending money all the
time, I look for reasons to save and, I don’t know, be more
rational with it.

Mr. Mustache: Yeah. It is a good point. The stuff that your parents pass on to
you can sometimes stick pretty thoroughly. And my parents had
the opposite blueprint. It was a pretty non-materialistic lifestyle. I
think my dad at times earned pretty good money, but there was
never any kind of splashing out. He always bought his cars
without any loans.

JD Roth: Was that …. Canadian?

Everything was kind of like, “Well, you know, money is important.
You can’t really waste it.” That was just kind of the whole thing.
I don’t think I even took my first airplane trip until I was 16 years
old, for example.

JD Roth: Yeah. So it’s just –

Mr. Mustache: And meanwhile, even though I’m Mr. Money Mustache, my son
has been on I don’t even know how many flights and countries, so.
JD Roth: [Laughter]

Mr. Mustache: So maybe I’m giving him the wrong blueprint, even with our level of spending. But yeah; you learn from your parents, I think.

JD Roth: Yeah. You know, my parents, like I said, most of the time they didn’t have much money. My dad, he just didn’t do well with his jobs. And – but every once in a while, he would have a large amount of money. He was a serial entrepreneur, so he was always starting businesses. And he sold at least one of the businesses for a large amount of money. And he’d get the money, but then he would go out and buy airplanes and sailboats.

And he wouldn’t save it. He was just like, “Whoa, look at what we’ve got.” And he’d go fly the airplanes and crash them.

Mr. Mustache: [Laughter] Whoa.

JD Roth: He’s lucky he’s alive – well, he’s not alive anymore, but he was lucky to be alive after some of those. And then he would take us out on the sailboats, but then within five years he’d have to sell these things, because all of a sudden we were on hard times because he hadn’t saved any money.

Mr. Mustache: Yeah. When I get a big windfall – let’s say I encounter, like, an extra $40,000.00, I’ll go out to sushi one night. That’s my idea of splurging.

JD Roth: [Laughter] Yeah. It’s important to be wise with your money.

Mr. Mustache: Yeah. And then I’ll make a large investment purchase. And I’m like, “There. That $40,000.00 is taken care of.” Well, I guess $39,950.00, because $50.00 went to the sushi.

JD Roth: [Laughter] Right. Well, Pete I don’t want to keep you much longer. I just looked at the time on the recorder, and we’ve been almost 40 minutes. But I do want to mention again that your website is mrmoneymustache.com. And you write a lot about early retirement and – not necessarily about frugality, but about making conscious choices with your money, I guess.

Mr. Mustache: Yeah; lifestyle improvement, and most of what you can – making the most of life.

JD Roth: Right. And you and I are both, for the past couple of years, have been participating in a retreat in Ecuador; an annual retreat to Ecuador. And you can find that at abovethecloudsretreats.com. Last year we were both together, but this year you’ll be doing one week and I’ll be doing another, and –

Mr. Mustache: That’s kind of sad. And mine’s sold out, too, so.
JD Roth: Oh, is it really already? Well, mine’s not, although by the time this podcast goes live, maybe it will be. But again, if people are interested, they can check out abovecloudsretreats.com. And if both are sold out, you can email Cheryl and say, “Hey, add a third,” and maybe they’ll do that.

Mr. Mustache: Yeah. It’s a good idea.

JD Roth: But anyway, thank you very much for taking the time to chat with me. I appreciate it.

Mr. Mustache: All right. Thank you to you. It was nice to talk to you.

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