



Financial Independence (FI/RE) Stages & Safe Withdrawal Guide

Milestones, net worth multipliers, and capital preservation formulas to retire early.

THE 6 STAGES OF FINANCIAL INDEPENDENCE PROGRESSION:

1: Stability	2: Coast FI	3: Lean FI	4: Flex FI	5: Full FI	6: Fat FI
#1 Stage 1: Financial Stability (0 to 1x Annual Expenses) Debt-free (excluding mortgage) + 3 to 6 months emergency fund in cash/HYSA.					
#2 Stage 2: Coast FI (Net worth compounds to target FI without adding new capital) Investments will grow to full retirement target even if you never save another dollar.					
#3 Stage 3: Lean FI (15x to 20x Annual Expenses) Covers absolute baseline survival needs (food, shelter, utilities, healthcare). Safety net achieved.					
#4 Stage 4: Flex FI / Barista FI (20x to 25x Annual Expenses) Combine passive investment withdrawals with part-time, low-stress, or passion project income.					
#5 Stage 5: Full Financial Independence (25x to 30x Annual Expenses) The standard 4% Rule target. Full freedom to stop working forever based on investment income alone.					
#6 Stage 6: Fat FI (30x to 50x+ Annual Expenses) Abundant lifestyle covering luxury travel, philanthropy, and zero-compromise living.					

SAFE WITHDRAWAL RATE (SWR) FORMULAS FOR EARLY RETIREES

- * The Trinity Study 4% Rule: Designed for a 30-year horizon. Withdraw 4% in Year 1, adjusted for inflation.
- * The Early Retiree Rule (3.25% to 3.50%): For 40-50+ year horizons, lower initial withdrawal to safeguard against sequence risk.
- * **Rule of 25: Target Net Worth = Annual Expenses * 25 (e.g. \$80,000 / year = \$2,000,000 portfolio).**
- * Variable Spending Buffer: Cut discretionary spending by 10-15% during market downturns to protect capital.
- * Cash Cushion: Maintain 1 to 2 years of living expenses in cash/short-term bonds to prevent selling equities in recessions.
- * Tax Optimization: Draw from taxable accounts first, then Roth principal, saving pre-tax 401(k) for conversion ladders.

HOW TO CALCULATE YOUR EXACT FI NUMBER:

1. Calculate annual core spending (exclude mortgage if it will be paid off before retirement).
2. Multiply by 25 (standard 4% rule) or 30 (conservative 3.3% safe withdrawal rate).
3. Track savings rate: A 50% savings rate achieves full financial independence in roughly 16.6 years.

Milestone Benchmark: Reaching Coast FI (Stage 2) means your baseline compound interest does all the future work.

