

# Financial Independence, Retire Early: Practicing FIRE and Its Effects on Consumers' Lives

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Siru Inkinen

Aalto University School of Business

Department of Marketing

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**Author** Siru Inkinen

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### **Abstract**

Financial independence, retire early (FIRE) is a relatively popular lifestyle among consumers while little mentioned in the academic field. FIRE refers to a lifestyle with the goal of achieving enough self-generated sustainable passive income to fund desired life choices. It provides individuals a freedom from paid work and a freedom to live a more meaningful life.

The traditional approach to consumption includes the assumption that consumers' aspirations increase alongside their income. In contrast, the FIRE practitioners aim for reducing consumption while maximizing their saving and investing. In this way, they transfer their consumption somewhere in the future, when they can potentially become financially independent and conduct their life-choices without monetary restrictions.

This thesis forms a basic understanding of FIRE as a lifestyle movement and how it affects consumers' lives. It examines previous literature and brings together a definition of FIRE. Furthermore, this thesis adopts a pioneering approach by creating a new framework for understanding the reasoning behind FIRE. This conceptual framework is created based on literature review, and it illustrates the individual's motivations behind practicing FIRE. This framework consists of two parts: "freedom from" and "freedom to". First, FIRE provides individual freedom from paid work, consumer debt, materialism, and consumerism. Second, it provides freedom to retire or work from a non-monetary basis, spend more time with family, relatives, and community, more meaningful life, moderate consumption, and financial well-being.

This model acts as an important advancement for future research in the field. To broaden the understanding of this field, one semi-structured in-depth interview with a FIRE practitioner was conducted, and it acts as a secondary supportive reference in this thesis. The findings of the interview were evaluated based on the framework, which provides insights of the role of FIRE in consumers' lives. Altogether, this thesis contributes to the relatively little researched area of FIRE, offers insights for consumers' motivations to practice FIRE and its role in consumers' lives. This thesis acts as a base for future research.

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**Keywords** financial freedom; financial independence; early retirement; consumption; lifestyle; FIRE movement

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# 1 Introduction

The “Financial Independence, Retire Early” movement (known as FIRE) has gained popularity in past decades. Currently, a simple Google search of ‘financial independence and retire early’ results in 183 million hits (Google, viewed 21 April 2021), which is just one indicator of the relevance of FIRE. Much of it is written in books (e.g. Kiyosaki, 1997; Robin et al., 1992), blogs (e.g. see Mr. Money Mustache; Millennial Money and Tread Lightly, Retire Early) newspaper and magazines, and there are many seminars and workshops offered to help people in their journey to financial independence and freedom. Hashtag #fire-movement results 69k hits, #financialindependence results 890k hits and #financialfreedom results 8,8 million hits in Instagram (Instagram, viewed 21 April 2021) where people aiming financial independence or people that have achieved financial independence share their saving tips and rules that they have followed to change their lives.

This indicates that many individuals have found the idea of FIRE where consumers seek freedom from paid work at an early age by saving enough financial resources to maintain a desired lifestyle independent of the employee (Perrone et al., 2015). Yet, there are only a few academic researches of FIRE lifestyle (Brüggen et al., 2017; Chancellor & Lyubomirsky, 2011; Farhi & Panageas, 2007; Olen, 2019; Perrone et al., 2015; Rubin & Spaht, 2021; Taylor & Davies, 2021; Youngling, 2020; Yumarma, 2016). To address this lack of information, this thesis forms an overview of the basic concepts of ‘financial independence, retire early’, and how it affects consumers’ lives.

Consumer culture theory addresses consumption from sociocultural, experiential, symbolic and ideological aspects, and believes that consumers express their identity, social status and lifestyle goals by consuming (Arnould & Thompson, 2005). Consumerism encourages consumers to spend more and more, and values people’s success based on their possessions (Firat et al., 2013) and materialistic values often drives consumers’ purchase decisions in Western consumer society (Jackson, 2005). The FIRE movement challenges the social norms of consumption and encourages people to save and invest instead of consumption (Chancellor & Lyubomirsky, 2011; Olen, 2019; Stokel-Walker, 2018; Tergesen & Dagher, 2018). As the FIRE practitioners seem to act as opposed to the ideology of consumer society and question the role of consumption in enhancing social status and identity, it is an interesting research topic from the perspective of consumer research and marketing.

The purpose of this thesis is to form a broad view of FIRE, why consumers practice it and how it affects their lives. The primary research question is:

- (1) What is the role of FIRE in consumers’ lives?

To answer the primary question, there are two secondary research questions that highlight the background of FIRE and consumers’ motivations to practice it. The secondary research questions are:

- (2) What is FIRE and what are its key aspects?
- (3) Why do consumers practice FIRE?

First, this thesis provides literature review of financial independence and early retirement as separate concepts. After that, individual's motivations behind consumption from the perspective of consumer culture theory, as well as the values behind consumer society including materialism are reviewed. As a result, this thesis provides a definition of FIRE and explains its aspects related to consumption and personal finances. Second, to understand consumers motivations to practice FIRE, this thesis provides a model of the motivations behind practicing FIRE. This conceptual framework is formed based on the systematic literature review (Appendix 1). Finally, to deepen the understanding of the role of FIRE in consumers' lives, a semi-structured qualitative interview with one FIRE practitioner is conducted. The results of this interview are combined to the theoretical framework, which broadens the understanding of FIRE and provides real-life examples of the framework. At the end, socio-political implications of FIRE are discussed and there are suggestions for future research in this field.

## 2 Financial independence

### 2.1 Definition of financial independence

There are various ways to determine financial independence. One article refers to financial independence as a young adult's economic independence from their parents and ability to pay their own expenses (Xiao et al., 2014) when another states that financial independence eliminates the necessity of paid work (Perrone et al., 2015). One article refers to financial independence as the ability to whatever you want whenever you want (Rubin & Spaht, 2021), which might be a too broad statement as money is not the only component that affects people's decision making. However, it highlights individual's freedom that is one of the most referred components of financial independence. Perrone et al. (2015) argue that financial independence means the state where a consumer does not have to work to cover her living expenses and therefore is not obligated to work and has a freedom to do whatever she wants. In addition, there is a study investigating the dentists' confidence of being able to retire as financially independent, where the respondents' confidence of being able to retire comfortably was the measure evaluating financial independence (Snyman et al., 2017).

Some definitions refer to financial independence and financial freedom interchangeably (Perrone et al., 2015). Financial freedom refers to a state in which an individual does not feel stressed or forced based on finance when making choices (Brüggen et al., 2017). According to Youngling (2020) financial freedom does not equal being rich. Instead, it means being independent of an employer, a government program or a pension fund (Perrone et al., 2015; Youngling, 2020). Being financially free enables one to make life choices with non-monetary basis and without economic constraints (Brüggen et al., 2017; Yumarma, 2016). Therefore, achieving financial freedom would improve one's comprehension of her financial well-being. (Brüggen et al., 2017).

As the previous paragraphs showed, the definitions of financial independence seem to vary. However, there are some characteristics of financial independence or financial freedom that repeatedly come up in research. One of them is that financial independence increases freedom (Perrone et al., 2015; Rubin & Spaht, 2021). Financial independence decreases the role of money in an individual's decision making (Brüggen et al., 2017; Yumarma, 2016). In addition, being financially independent decreases the significance of work in an individual's life leaving more room for other goals (Perrone et al., 2015).

Brüggen et al. (2017) do not directly talk about financial independence, but instead they refer to financial well-being "*as the perception of being able to sustain current and anticipated desired living standards and financial freedom*" (p.230) which links financial freedom and financial well-being. There is debate of the connection of financial well-being and financial literacy. The Financial Well-Being (FWB) scale measures financial well-being, and is not strongly associated with financial literacy (Collins & Urban, 2020). However, in the same study, they found an association between positive financial behaviours and

higher scores of financial well-being (Collins & Urban, 2020). In addition, there is evidence that financial well-being is influenced by financial practices such as credit management, cash-flow management, and investment and saving decisions (Brüggen et al., 2017) which are activities that require financial literacy (Lusardi & Mitchell, 2007). Therefore, it seems that financial literacy has a connection with building financial well-being and financial independence.

## 2.2 Financial literacy

Financial literacy enables individuals to recognize economic opportunities and make return for their savings (Jappelli & Padula, 2013). In practice, it refers to consumers' ability to understand basic economic concepts like inflation, diversification and compounded interest (Jappelli & Padula, 2013). Lusardi and Mitchell (2014) define financial literacy as: *"peoples' ability to process economic information and make informed decisions about financial planning, wealth accumulation, pensions, and debt"* (p.2). Financial literacy has many positive connections to individual's wealth accumulation (Lusardi & Mitchell, 2007; van Rooij et al., 2011) and economic skills (Jappelli & Padula, 2013; Lusardi & Mitchell, 2014) which are important in pursuing financial independence. Therefore, I argue that becoming financially independent requires financial literacy.

Financial literacy is crucial for individual's financial and social welfare (Brüggen et al., 2017; Lusardi et al., 2010). Household net worth and financial literacy are positively connected (van Rooij et al., 2011). The fact that consumers are to an increasing extent responsible for their economic well-being and retirement planning highlight the importance of connection between financial literacy and economic behaviour (van Rooij et al., 2011). Because of the complicated nature of the saving decisions, consumers need to have significant financial information and knowledge to cope with them (Lusardi & Mitchell, 2007).

Financial literacy influences significantly for financial behaviour (Lusardi et al., 2010) which includes building wealth over time as well as making rational saving and portfolio decisions (Jappelli & Padula, 2013). There are two channels in which financial literacy might increase wealth accumulation (van Rooij et al., 2011). First, it raises an individual's probability to invest in stocks (Lusardi et al., 2010; van Rooij et al., 2011). Second, it has a positive connection with planning for retirement (Brüggen et al., 2017; Lusardi & Mitchell, 2007, 2014; van Rooij et al., 2011). Financial literacy can be learned, which requires time and money (Jappelli & Padula, 2013). People confident of their economic futures often seek out more financial knowledge (Collins & Urban, 2020)

As making rational economic decisions highly depends on financial literacy (Lusardi et al., 2010), the lack of literacy may have serious consequences. Even though economic models assume consumers being rational and executing financial plans that smooth their cash flows over time, the fact is that there are few people that have enough intelligence to make these decisions (Lusardi & Mitchell, 2014). Financial illiter-

acy is connected with bigger risks due to bad diversification, weak portfolio allocations and minor savings (Jappelli & Padula, 2013). In addition, poor financial literacy relates to decreased likelihood to buy stocks, to raise wealth and plan for retirement. Also, it increases the likelihood to have debt problems and choose a high premium fund over the cheaper one. (Lusardi et al., 2010).



### 3 Early retirement

#### 3.1 Definition of early retirement

Classically, retirement has been seen as the point where a consumer's active working life ends or she pull-outs from the workforce (Feldman, 1994) and it has been seen as an indicator of upcoming ageing and a loss of youth (Emerald & Carpenter, 2014). Nonetheless, as the nature of retirement has changed over time, it does not automatically imply ageing nor full and constant withdrawal from work (Beehr et al., 2000; Emerald & Carpenter, 2014; Feldman, 1994). Feldman (1994) defines retirement as "*exit from an organizational position or career path of considerable duration, taken by individuals after middle age, and taken with the intention of reduced psychological commitment to work thereafter*" (p.287). Objectively, Feldman's definition links the retirement with later steps of career that take place after middle age as well as withdrawal from a long-term job position. Subjectively, retirement can be determined based on how consumers see their careers. In this determination, consumers' own intentions for future working and their mental engagement to work play the key role. (Feldman, 1994.)

As the nature of retirement has shaped, it can be considered as an opportunity for freedom, reward and economic security instead of loss of capability, autonomy and self-expression (Emerald & Carpenter, 2014). Retirement brings individuals more leisure, but decreases the optimal investment and consumption possibilities (Chen et al., 2018). Therefore, retirement can be seen as a trade-off between the future income and the extra leisure time (Farhi & Panageas, 2007) and there is evidence that leisure preferences are the most important factor driving the decision to retire early (Chen et al., 2018). Leisure can be thought as work's antithesis and it contains the optional time allocation to different aspirations (Warde, 2015), and the magnitude of leisure benefits compensate the wealth loss caused by early retirement (Chen et al., 2018).

When it comes to early retirement, the definition seems to be highly subjective, and even though there are academic research conducted of the early retirement decision (e.g. Chen et al., 2018; Farhi & Panageas, 2007; Feldman, 1994; Browne et al., 2019), there is no definition of early retirement (Chen et al., 2018; Farhi & Panageas, 2007) or it is determined based on the age. For example, Feldman (1994) refers to early retirement as a decision of leaving a long-term job before the age of 65, and Browne et. al (2018) refers to early retirement simple by retiring before statutory pension age. In the terms of this thesis, I define early retirement as *a state where an individual decides to change her paid work income to more leisure before statutory pension age*. This definition contains several important factors. In this definition, early retirement is voluntary and becoming a retiree in this case is an individual's decision. The age of the retiree is not a threshold and retirement is considered being early when it occurs before statutory pension age. Retirement does not implicate permanent withdrawal from the workforce but requires reduced mental commitment to work. For example, early retirement does not exclude working part-time or smaller hours.

### 3.2 Factors behind the decision to retire early

The decision of early retirement depends on the consumer's preferences (Farhi & Panageas, 2007; Feldman, 1994; Perrone et al., 2015). Thus, it is about how much a consumer values of leisure upon retirement compared to decreased income (Chen et al., 2018; Farhi & Panageas, 2007). The timing of the early retirement decision depends on personal economic situation (Browne et al., 2019; Chen et al., 2018; Farhi & Panageas, 2007; Perrone et al., 2015), health and psychosocial work characteristics (Browne et al., 2019). Chen et al. (2018) argue that early retirement is optimal in two situations: if leisure achieved by retiring is highly valued or the living standards (the level of consumption habits) are low. In contrast, Browne et al. (2019) write that high job satisfaction and control are associated with intentions and actions to retire later. However, there is no clear evidence of the higher job demands being would affect this decision. This might be due to the fact that because of their economic situation individuals are not able to retire even if they wanted to (Browne et al., 2019).

Feldman (1994) divides the factors affecting consumers' decisions to retire early in four categories: (1) individual differences, (2) career opportunities, (3) organizational factors, and (4) external environment. Of these factors, individual and environmental levels seem to have the biggest impact on the decision to withdraw the workforce. Individual differences involve work history, marital, demographic and health status, as well as individuals' attitudes toward work and retirement. Feldman (1994) writes that the decision to retire is often made collaboratively, and it depends on things like the spouse's economic situation, desires, and health. Usually, consumers are not likely to retire if their partners are working. From the financial point of view, working couples are likely to have bigger pension benefits as well as greater savings compared to the couples of where one person is working. External environment contains uncertainty about macroeconomic trends, social security, economic growth, inflation and government programs. (Feldman, 1994).

The variables affecting the decision to voluntarily retire early can be work-related or non-work-related (Beehr et al., 2000). These can be divided into "push" factors that lures consumers to quit their regular jobs and "pull" factors that refer to the reasons why retirement would be an attractive option for consumers (Feldman, 1994). First, there are various push factors. Work-related negative experiences such as decreased wellbeing, depression, stress, burnout and health issues can make working very negative experience for some people resulting in unhappiness with their employment situation, which drives them to seek escape from paid work (Perrone et al., 2015). Uncertainty or low expectations about future paid income pushes consumers towards early retirement (Chen et al., 2018). There are also variables independent of work that pushes through early retirement. For example, if the expected remaining lifetime is low, it pushes the consumer away from the workforce (Chen et al., 2018).

Second, pull factors refer to the things that make early retirement more attractive for consumers (Feldman, 1994). One of the biggest of these favourable retirement factors is leisure (Beehr et al., 2000) that was argued in section 3.1. In addition to leisure, people may expect having more time to travel or to spend with their friends and family (Beehr et al., 2000). The ability to choose optimal consumption during retirement, sufficient savings, low standards of living, gains from leisure are factors that affect an individual's retirement decision positively (Chen et al., 2018). Another pull-factor is the certainty about the retirement plans. This factor also affects the ability to maintain the current standard of living or change it in an eligible way. (Feldman, 1994). The smaller habit level during retirement enables consumers to retire earlier as she needs less savings to maintain her standard of living (Chen et al., 2018).

As in most OECD countries people would like to retire early but they need to have sufficient savings to maintain their living standards after retirement, there is a trade-off between early retirement and saving enough for that (Chen et al., 2018). Beehr et. al (2000) argue that wealth is the most important predictor of decisions to retire early. Mathematically, the choice between work and retirement depends on the current level of wealth. The development of wealth itself is reliant on optimal portfolio choice as well as consumption (Farhi & Panageas, 2007) and for individuals, it is important to maintain their standards of living after the withdrawal from paid work (Chen et al., 2018).

People with higher wages are more likely to retire early as their higher salary enables them to maintain their living standards in early retirement (Chen et al., 2018; Feldman, 1994). However, this view might be controversial as people's aspirations tend to increase with their income (Stutzer, 2004), which drive them to consume more (Chancellor & Lyubomirsky, 2011) and increase their habit level (Chen et al., 2018). This leads to a situation, where the increase of the income from paid work would postpone one's retirement as individuals need to work longer to accumulate enough savings to maintain their desired lifestyle through retirement (Chen et al., 2018). In fact, individuals expecting to earn more income in the future prefer to retire later while wealthy people tend to retire earlier (Chen et al., 2018).

## 4 Consumer culture theory (CCT)

### 4.1 The multi-dimensional role of consumption

Arnould and Thompson's consumer culture theory (2005) address the various aspects of consumption such as sociocultural, experiential, symbolic and ideologic dimensions. The focus of CCT lies on a theoretical point of view that combines the dynamic meanings among consumer action, cultural meanings, and the marketplace. CCT sees consumers as active actors that enhance their social and personal conditions as well as their identity and lifestyle goals by consuming. (Arnould & Thompson, 2005). According to Jackson (2005) there have been various approaches to consumption during time. An earlier approach sees increasing consumption improve wellbeing, while a more recent approach states that we could increase our quality of life consuming less (Jackson, 2005).

Academic literature recognizes various non-material needs to be the drivers of consumption behaviour including reflecting identity (Ahuvia, 2008; Arnould & Thompson, 2005; Firat et al., 2013; Jackson, 2005; Martin, 2019; Zukin & Maguire, 2004), social status (Ahuvia, 2008; Bourdieu, 1984; Firat et al., 2013; Jackson, 2005; Zukin & Maguire, 2004), sexual motivations (Ahuvia, 2008; Jackson, 2005), and symbolic meanings (Arnould & Thompson, 2005; Bourdieu, 1984; Firat et al., 2013; Jackson, 2005; Zukin & Maguire, 2004), to name a few. A key lesson is that consumption is affected by complex decision architecture including aspects from history, society, institutions and politics (Jackson, 2005), and it is a process including social, cultural and economic factors (Zukin & Maguire, 2004)

There are four related research programs in CCT. First, consumer identity projects explore consumers who are seeking and making their identity through self-representation. Second, marketplace cultures explore consumers as culture producers instead of a traditional view of seeing consumers as culture bearers. Third, the sociohistorical patterning of consumption explores consumer society and how institutional structures such as gender, social class or community systematically affect consumption preferences. Finally, mass-mediated marketplace ideologies and consumers' interpretive strategies address the multidimensional meanings of market messages and how consumers respond to them. (Arnould & Thompson, 2005).

At a deeper level, the goal of human actions is to increase one's happiness (Ahuvia, 2008) and the basic economic assumption is that the buying decisions of rational and informed individuals are driven by individual's preferences and aim to maximize utility (Dolan et al., 2021; Jackson, 2005). However, there are concerns that individual's preferences would not effectively increase individual's well-being (Dolan et al., 2021) and there are at best a very weak relationship between happiness and consumption (Ahuvia, 2008). Therefore, there rises a question of why do we consume so much even though it does not bring us happiness?

In addition to possessing happiness, managing one's identity and social relationships are reasons for people to consume (Ahuvia, 2008). One example of the importance of consumption for an individual's identity is pricing, as the prices are driven by identity instead of quality. Buying particular items is a way to reinforce who you are, as well as a way to sign others to make the same conclusion about you. (Martin, 2019). It is natural for humans to desire for status (G. D. A. Brown & Gathergood, 2020) and individual's use consumption to practice self-expression (Zukin & Maguire, 2004). By buying something people send conscious or unconscious messages to the marketplace (Alexander & Ussher, 2012). To summarize, we do not consume to stay alive but to create our identities including who we are, in which groups we belong to and how we separate ourselves from each other.

## 4.2 Consumer society and materialism

Over the past century, consumption has been a culturally accepted means for seeking happiness, success and the perception of good life (Burroughs & Rindfleisch, 2002). There are two connotations of consumption: one that separates consumers from producers, and the other with more negative meaning: to use up, to waste and to destroy (Firat et al., 2013; Warde, 2015). Western society is characterized by consumption – the relevance of the 'citizen' has declined when people are more and more referred as 'consumers' (Forno & Graziano, 2014; Warde, 2015). As a term, 'consumer' is predominantly related to personal preferences that are often fulfilled by 'private goods' (Forno & Graziano, 2014) and customer-consumers predominantly focus on maximizing their private financial interests (Warde, 2015). In contrast, the term 'citizen' is more about 'common good' and fulfilling their responsibilities to the community as a citizen (Forno & Graziano, 2014; Warde, 2015).

After the Second World War, the consumption of services and goods has grown significantly, and average households' lives have changed a lot alongside rising earnings (Warde, 2015). After the Industrial Revolution, we have moved to mass production and mass consumption, where 'workers' converted into 'consumers' which reflect the availability of consumer goods like a car for a larger number of people (Firat et al., 2013). The allocation of household's income for basic needs like nutrition, clothing and housing has changed from 80 percent to 30-40 percent in the past century (Stehr & Adolf, 2010). However, people's happiness has not increased with increased income, because alongside the rising earnings, people's aspirations have risen as well (Chancellor & Lyubomirsky, 2011; Stutzer, 2004). Jackson (2005) names various studies indicating that the correlation between increasing life-satisfaction and GDP is weak at best. Similarly, Chancellor and Lyubomirsky (2011) writes that even though the income American people has more than tripled from 1940 to 1990, it did not increase mean happiness scores more than slightly from 7,2 to 7,5 (out of 10). In fact, financial insecurity is related to most US consumers (Netemeyer et al., 2018).

A consumer society refers to the phenomenon in which the society is organized around the consumption. In consumer society or consumerism, consumption acts as an ideology in which life is concentrated

around purchasing items and promotes modern capitalism. There are multiple features in consumer society. It builds identities based on material objects, prefers consuming now instead of postponing consumption to the future and enhances the idea that economic growth is dependent on consumption. In consumer society, individual's prestige and status depend on one's possessions, and consumption is seen as a path to happiness and national success. Altogether, consumer society made consumption as the goal by using organized mechanisms to manipulate people's wants and desires. These tools (including mass-media culture, advertising and consumer credit) aim to assure the continuous existence of consumerism. (Firat et al., 2013).

While materialism acts as a value (Kasser, 2016), consumerism is the product of the capitalist order which includes structural changes including urbanization, innovation, commercial initiatives and individual self-expression through material acquisitions (Zukin & Maguire, 2004). For example, Zukin and Maguire (2004) write that advertisements create needs and desires for consumers as well as change our understanding of the desirability of certain products. Hedonic adaptation enhances overconsumption and encourages people to overspend and take more debt (Chancellor & Lyubomirsky, 2011). Consumerism refers to the culture where we are involuntarily bound in the logic and behaviour of consumer society and the consumption of mass-produced products (Stehr & Adolf, 2010). For environmental perspective, overconsumption has disastrous consequences as materialists are less likely to be engaged in environmentally friendly activities, and more likely to cause greater ecological footprint (Chancellor & Lyubomirsky, 2011).

Materialism refers usually to placing value on the acquisition of material goods (Burroughs & Rindfleisch, 2002). Western consumer society focusing on material consumption causes damages in environmental, psychological and social well-being (Jackson, 2005). From an individual perspective, there is a clear negative association between materialism and subjective well-being (Burroughs & Rindfleisch, 2002; Dittmar et al., 2014; Kasser, 2016). Even though materialistic individuals believe that they can enhance their well-being by possessions, in fact, addressing oneself to purchasing material items reduces one's life satisfaction (Burroughs & Rindfleisch, 2002).

Kasser (2016) describes materialism as a one facet of identity. The materialistic aims of wealth, property, status, and image are fundamental aspects of the human value system. Yet these materialistic goals conflict with wellbeing, as well as spiritual and personal growth. Individual's high prioritization of materialistic values impacts by increasing consumption, taking more debt as well as on one's relationship to other people, education, work and wellbeing. (Kasser, 2016). There is evidence that orientating on material values leads to conflicts with collective-oriented values including family and religion, and because of this psychological tension individual's well-being decreases (Burroughs & Rindfleisch, 2002).

The evolved desires drive our actions in a way that they can be inconsistent with an individual's subjective well-being (Ahuvia, 2008) and overconsumption lead to consumer malaise, environmental problems, global poverty and peak oil (Alexander & Ussher, 2012). In other words, there are negative long-term

consequences of materialistic lifestyle both for the individual and the society (Alexander & Ussher, 2012; Burroughs & Rindfleisch, 2002). Orientating one's life to achieve high levels of consumption often lead to various negative effects such as stress, lack of time, illness, isolation from nature, wasteful status competition, loss of community, and a feeling of alienation or meaninglessness in life. These lead to general unhappiness as well as environmental problems. (Alexander & Ussher, 2012)

## 5 FIRE

There are only a few academic research of the FIRE (financial independence, retire early) lifestyle (Brüggen et al., 2017; Chancellor & Lyubomirsky, 2011; Farhi & Panageas, 2007; Olen, 2019; Perrone et al., 2015; Rubin & Spaht, 2021; Taylor & Davies, 2021; Youngling, 2020; Yumarma, 2016). There is no clear definition of ‘financial independence, retire early’ and only two of these studies use the term FIRE (Olen, 2019; Taylor & Davies, 2021). Different academic studies refer to this same phenomenon in different terms. Perrone and her colleagues (2015) use words ‘financial independence’ and ‘financial freedom’ interchangeably to illustrate the FIRE movement. In addition, there is a study of financial well-being which refers to “*perception of being able to sustain current and anticipated desired living standards and financial freedom*” (Brüggen et al., 2017, p.229) which seems to resemble the basic logic behind FIRE.

Taylor and Davies (2021) describe FIRE as a community consisting of consumers who reduce their personal consumption to accumulate wealth that is ultimately sufficient to live off. They name three economic practices and techniques to characterise FIRE. First, frugality as one important component of FIRE community that separates it from other self-help ideologies. It includes reducing consumption in innovative ways as well as recording income and expenses in detail. Second, they rely on passive investment strategies and long-term growth in the stock market. Third, FIRE is an economic philosophy that generates a new way to think money and time as a value. The fundamental principle is that in the labour market, consumers pay for money with their time. As people can always get more money, but human lifespan restricts the amount of time, free time is more prestigious than money. To maximize value, consumers should reduce debt, consumption and working hours. (Taylor & Davies, 2021).

Another article written by Yumarma (2016) underlines the fact that financial freedom is not about finance only. Instead, it is a way of creating continuous happiness, enjoyment, and freedom without economic obstacles. In addition, it highlights the gratitude attitudes associated with financial freedom: love, material comfort and friendship with others. Being financially independent makes individuals free from economic limitedness and troubles, worry and anxiety. (Yumarma, 2016).

Financial independence is an alternative lifestyle producing financial freedom and independence from work, without compromising the desired standards of living (Perrone et al., 2015). Perrone and her colleagues (2015) define financial independence “*as a state or condition whereby an individual receives a sustainable source of income that is not reliant on paid work, and is sufficient to fund their desired life choices*” (p.196). In this determination, the relationship to work should be highlighted, as being financially independent eliminates the need for paid work and leads to the situation where quitting an unfulfilling or meaningless job is possible but not necessary (Perrone et al., 2015).

The beginning of this thesis provided review of financial independence and early retirement as separate concepts. Financial independence is one an economic state that offers individual freedom (Perrone et al.,



2015; Rubin & Spaht, 2021) enabling them to make life choices without economic obstacles (Brüggen et al., 2017; Yumarma, 2016). Early retirement includes the ability to withdraw from workforce (Beehr et al., 2000; Emerald & Carpenter, 2014; Feldman, 1994) and gain more leisure (Chen et al., 2018; Farhi & Panageas, 2007) to perform more fulfilling and meaningful activities (Warde, 2015). Bringing these together, in purpose of this thesis, I define FIRE as follows:

*FIRE (Financial Independence, Retire Early) is a lifestyle movement with the goal of achieving enough self-generated sustainable passive income to fund desired life choices, and which provides individuals a freedom from paid work and a freedom to live a more meaningful life.*

There are multiple important aspects in this definition. The goal of being financially independent requires passive income, which is the main tool for achieving the goal (Farhi & Panageas, 2007; Perrone et al., 2015). This passive income must be self-generated, as otherwise an individual would not practice FIRE, as he would simply be rich. By becoming financially independent, an individual breaks free from the shackles of work life and is no longer exposed to the constraints of paid work (Perrone et al., 2015). This way, she gains freedom (Perrone et al., 2015; Rubin & Spaht, 2021) to do whatever she wants without economic obstacles (Brüggen et al., 2017; Perrone et al., 2015; Rubin & Spaht, 2021; Yumarma, 2016).

The required amount of money to fund the desired living standards makes the concept of financial independence subjective. Because the required level of funds for early retirement depends on the individual's aspirations (Chen et al., 2018; Farhi & Panageas, 2007), there are no objective measures of determining financial independence. In other words, even though a similar financial situation would mean financial independence for one, for another it would not necessarily be enough to access financial freedom yet. Therefore, only a person can evaluate one's financial independence (Perrone et al., 2015).

In this thesis, I refer to people who practice FIRE by pursuing financial independence as well as people who have already achieved financial independence, as FIRE practitioners. To understand the underlying logic behind FIRE, the following sections cover attitude towards consumption, economic logic behind FIRE and the result, freedom of choice. These are all related to the core of FIRE as they build the base for the FIRE movement from different perspectives: cultural, financial, and individual.

## **5.1 FIRE as a lifestyle movement**

I defined FIRE as a lifestyle movement for two main reasons. First, Haenfler et al. (2012) writes that instead of collaborative actions, lifestyle movements focus on the daily actions of individuals' lives. To name a few, these actions may include spare time activities, consumption practices or money management which are all good examples of typical activities practiced in FIRE. For example, FIRE movement advocates moderate consumption (Brüggen et al., 2017; Chancellor & Lyubomirsky, 2011; Olen, 2019), frugality (Taylor & Davies, 2021), increasing savings and collecting assets (Farhi & Panageas, 2007;

Taylor & Davies, 2021), volunteering and spending leisure with friends and family (Kiyosaki, 1997; Perrone et al., 2015; Robin et al., 1992), which are all individual activities too. Even though FIRE includes a sense of communality (including sharing tips in social media etc.), participating in the FIRE movement occurs mainly through individual lifestyle change, which is the same as described in the case of voluntary simplicity movement (Haenfler et al., 2012).

Second, instead of formal leaders, in lifestyle movements, there are often cultural entrepreneurs that offer a cultural toolkit, a type of a foundation for consumers' action. This can be made through lectures and writings, and cultural entrepreneurs who tend to be charismatic. When it comes to FIRE, the movement can be seen started in 1992 when Joe Dominguez and Vicki Robin encouraged people to reduce consumption and gain economic freedom alongside in their best-selling book *Your Money or Your Life*. (Haenfler et al., 2012). This book aims to change people's relationships with money. Their philosophy combines the ideas of voluntary simplicity movement as well as introduces an optional way of living outside the common expectations of the necessity of paid work. (Robin et al., 1992). It should be noted that New Road Map Foundation – the first official organization of voluntary simplicity in the United States - was founded by these very same people eight years earlier (Haenfler et al., 2012).

After that, there have been numerous other cultural entrepreneurs that have encouraged people towards financial independence. Olen (2019) describes the FIRE practitioners as loosely organized and argues that trading tips online about this lifestyle is typical for them. There are multiple bloggers devoted to this topic (Olen, 2019) as well as a large selection of self-help books (Olen, 2019; Perrone et al., 2015) with emotive names such as 'The Simple Path to Wealth: Your road map to financial independence and a rich, free life'; 'Quit Like a Millionaire: No Gimmicks, Luck, or Trust Fund Required'; 'Financial Freedom: A Proven Path to All the Money You Will Ever Need' and 'The 4-Hour Workweek: Escape 9-5, Live Anywhere, and Join the New' (Amazon.com viewed 17 March 2021). All of these act as cultural entrepreneurs (Haenfler et al., 2012).

FIRE is not the only lifestyle movement concentrated on simpler life and anti-consumption. Mangold and Zschau (2019) name three other movements concentrating on simpler life: voluntary simplicity, minimalism, and downshifting. These movements offer an ideology that we could improve our lives by reducing our consumption, and specifically focus on the fulfilling of nonmaterial needs (Jackson, 2005). There is evidence that individuals get a sense of self-realization by simplifying their behaviours (Carrero et al., 2020; Kasser, 2009). To understand better the different characteristics of these three competitive movements are briefly argued in the following paragraphs.

First, voluntary simplifiers are seeking higher quality of life and simpler life by reducing consumption (Alexander & Ussher, 2012; Mangold & Zschau, 2019; Rebouças & Soares, 2020). Mangold and Zschau (2019) write that the motivations behind voluntary simplicity movement come from various sources like environment, reducing consumption, spiritual growth and being connected to nature. Voluntary simplicity is directly linked to anti-consumption behaviour because it reinforces a simpler lifestyle instead of a

stressful, consumption-centric approach. Also, it reduces constant rush and environmental problems. (Kuanr, Israel, et al., 2020). Voluntary simplicity requires personal actions and its goal is to improve, decrease or avoid overall consumption and therefore, live a happier and simpler life (Kuanr, Pradhan, et al., 2020). The focus of personal actions, reducing consumption, and the aim of a simpler and happier life are similar as the goals of FIRE movement.

Second, minimalism refers to focusing only matters that are important or valuable. Compared to voluntary simplicity, minimalism is more oriented by experiences when voluntary simplicity highlights the values behind the lifestyle. Third, downshifting has been referred interchangeably with voluntary simplicity, but also as a separate movement of people willingly reducing working hours and consuming less, mitigating monetary-based stress, and allocating time to their social relations. The motivations behind downshifting lie in countermovement to consumerism, longing for home life and seeking fulfilment. (Mangold & Zschau, 2019).

There are similarities between these three movements and FIRE: reducing consumption, focusing on what really matters, focusing on your own values and possibly working less and allocating your time differently. However, what makes FIRE unique is that FIRE is the only one that focuses on providing financial security while others seem to ignore the economic factor even though monetary resources highly determine our life possibilities. What enhances the importance of money is that even though many people say they are not interested in it, they are working to get half of their waking hours (Diener et al., 2021). In addition, consumer's perception of one's personal finances play a significant role in her well-being (Netemeyer et al., 2018).

## 5.2 Postponed consumption

In contrast to consumerism where consumers work to maximize their consumption (Firat et al., 2013), the FIRE practitioners try to get out of the consumer society and its values. Instead of instant consumption, they aim to save and invest as much as possible. After collecting enough assets, they can withdraw from the workforce. As saving postpones consumption in the future, it seems to be the opposite of the ideal of consumer society which is to consume now (Firat et al., 2013). Therefore, FIRE can be seen as a critique for high-consumption lifestyles that have bad effects on consumers, environment and human rights (Ahuvia, 2008).

Even though FIRE highlight the individual's freedom to choose the desired lifestyle (Perrone et al., 2015), and therefore, the ideal level of consumption, it critically examines consumption habits and questions unnecessary desires, encouraging people to save and invest instead of meaningless consumption that consumer society represents (Robin et al., 1992). Aspiration level theory states that the gap between hopes and accomplishments determines consumer's well-being. (Stutzer, 2004). However, previous research has argued that consumers' earnings and aspirations increase hand in hand (Stutzer, 2004), which

implicates that this difference will never be met. Income does not positively implicate overall well-being (Netemeyer et al., 2018). For example, people tend to move to bigger houses, buy bigger cars and take more debt when their income increases. As there is always an option for possessing something bigger and better, Fira et al. (2013) argue that achieving happiness through consumption is inaccessible because of the continuously growing desires. FIRE movement questions the constant need to consume more and more and instead, encourages people to settle for less and focus on things that really matter, such as family, friends and community (Perrone et al., 2015; Robin et al., 1992). Only when the current stress of money management is high, there is a positive effect of increasing income in overall well-being (Netemeyer et al., 2018)

As the consumption behaviour of the FIRE practitioners differ from the mainstream, there arise the question if the FIRE practitioners can be happier by consuming less. There is evidence that instead of income changes, it is consumption changes that predict changes in life satisfaction (G. D. A. Brown & Gathergood, 2020). Therefore, by changing their consumption habits, the FIRE practitioners could potentially become wealthier and happier at the same time. One famous example of the thrifty lifestyle is Warren Buffet that decided to stay in the same house that he bought in 1958 even though he became the third wealthiest person in the world (Chancellor & Lyubomirsky, 2011).

There is evidence of the association between materialism and substantially lower well-being which might be rationalized by dissatisfaction of psychological needs (Dittmar et al., 2014; Kasser, 2016). Oishi et al. (1999) writes that hierarchical organization of basic needs starts from the most primitive needs such as physiological and safety needs, and continues towards the needs of love, esteem, and idiosyncratic self-actualization. In wealthier nations, consumers base their life satisfaction judgements less on financial satisfaction in relation to poorer nations, and their life satisfaction depends more on the higher needs like love and esteem. (Oishi et al., 1999). As these lower needs are often fulfilled in Western countries, it supports the hypothesis that happiness cannot be increased by consuming more.

The level of consumption is not everything that counts, as the quality affects as well. Even though the consumption level of the FIRE practitioners is low, it is possible to affect the amount of happiness achieved through purchases by buying things that bring more long-lasting happiness. For example, experiential purchases might improve an individual's well-being more than material items, and prosocial spending has positive effects on well-being (G. D. A. Brown & Gathergood, 2020).

FIRE is not the only social movement resisting high consumption lifestyles while seeking higher quality of life. For example, the voluntary simplicity movement has similar objects (Alexander & Ussher, 2012). In fact, the cultural change against consumerism and materialism has been ongoing for a decades, and there are several social movements that highlight the environmental damages, overuse of resources and climate changes caused by consumption (Forno & Graziano, 2014). A moralization of markets refers to that market behaviour is no longer defined by the self-interest of consumers and producers, but instead the

market behaviour is changing towards self-realizing, and self-reinforcing process, which will lead to overall social change (Stehr & Adolf, 2010).

### 5.3 The economic logic behind FIRE

Being financially independent is characterized by being able to fund everything without obligation to work (Perrone et al., 2015; Taylor & Davies, 2021; Yumarma, 2016). This requires constant passive income that enables continuing the preferred lifestyle without an obligation for work (Perrone et al., 2015). In practice, spending less than earning and allocating the spare for investments is a key to financial freedom. In this process, financial literacy helps individuals to choose activities creating money instead of spending it. (Yumarma, 2016). Financial literate people collect assets (everything that makes money) instead of liabilities (everything that takes money) and in this way, individual's net worth increases (Kiyosaki, 1997). In general, FIRE practitioners favour passive investment strategies and index funds, as they focus on the long-term stock market (Taylor & Davies, 2021). Another typical strategy is to invest in real estate (Perrone et al., 2015; Taylor & Davies, 2021).

Perrone et al. (2015) states that passive income is the main factor that differentiates FIRE from other lifestyle alternatives making it unique. Passive income refers to continuous, sustainable income independent of paid work and it can come from different sources like rental income, dividend or interest, equity revenue or other income streams. In the FIRE movement, it is produced by the FIRE practitioner's own savings and investing efforts, and it should match the amount of money that would be enough to fund the individual's desired lifestyle. Therefore, in acquiring financial independence, the wealth level itself does not matter, as becoming financially independent depends on the gap between an individual's desired and achieved wealth level. (Perrone et al., 2015).

When it comes to the individual's decision to save for early retirement, three main questions follow: (1) what is the optimal amount of money to consume, (2) where to invest the savings, and eventually, (3) when to retire (Farhi & Panageas, 2007). First, the required amount of passive income depends on the FIRE practitioners personal preferences related to desired lifestyle and its estimated costs (Perrone et al., 2015). In other words, individual's beliefs of the money enough to fund their ideal life after retirement are the base of these calculations. There are academic studies providing calculating formulas for optimal consumption for the early retirement (e.g. Chen et al., 2018; Farhi & Panageas, 2007).

Second, the investment decision of allocating the savings for retirement depends on multiple things such as financial literacy (Jappelli & Padula, 2013; Lusardi et al., 2010; Lusardi & Mitchell, 2014) and risk aversion (Farhi & Panageas, 2007). Financial literacy increases returns of wealth (Jappelli & Padula, 2013) and enhances wealth accumulation (Lusardi & Mitchell, 2007, 2014; van Rooij et al., 2011). There are multiple investment options for early retirement, for example Farhi and Panageas (2007) provide cal-

ulation formulas for this investment decision. To name a few, one option is to use DRIP (Dividend Reinvestment plan) by purchasing quality companies' stocks that potentially pay increasing dividends (Rubin & Spaht, 2021) which act as a source of passive income during retirement. Another option, real estate seems to act as an important target of funds for many FIRE practitioners (Perrone et al., 2015), and they act as minimizers of shortfall risk in investment portfolios (Beracha et al., 2017). Beracha et al. (2017) remind that real estate is a highly illiquid asset as they are not typically divisible. To cope with this risk, an investor expecting to withdraw funds for a long time due to early retirement should invest more for REITs (the Real Estate Investment Trusts) instead of buying properties in their real estate allocation.

Third, the optimal retirement time depends on wealth accumulation. Wealth plays a crucial role in the early retirement decision, as it determines the temporal distance to financial independence as well as the funds available for consumption today and in the future. When investing savings in the stock market, economic shocks would affect the savings by postponing the planned retirement time. As early retirement is optional for the investor, she is less risk averse as she can postpone her retirement instead of reducing her consumption. (Farhi & Panageas, 2007).

After the wealth accumulation phase (saving and investing) there is another important phase in retirement planning: the decumulation phase, which refers to spending and investing during retirement. A well-known basic rule for financial planning is the '4% Rule' which means that a retiree can assume to liquidate yearly 4% (inflation adjusted) of the portfolio. There is evidence that this rule has a relatively low risk for the shortfall, which refers to the risk of a retiree outliving one's savings during retirement. (Beracha et al., 2017).

## 6 Conceptual framework - Motivations behind practicing FIRE

The FIRE movement is often referred to as financial freedom (Brüggen et al., 2017; Perrone et al., 2015; Yumarma, 2016). Freedom acts as one of the most important motivations behind the FIRE movement (Perrone et al., 2015; Yumarma, 2016). The desire for freedom is deeply embedded in the American society (Markus & Schwartz, 2010) and the connection between individual's satisfaction with freedom and life satisfaction is more significant in individualist nations compared to collectivist nations (Oishi et al., 1999). Markus and Schwartz (2010) write that the self is defined by choice, as it acts both as the sign and the source of independence. Choice enables consumers to individuate, experience and express themselves and therefore, it acts as a mark of freedom (Markus & Schwartz, 2010).

To understand the desire of freedom more deeply, I conducted a literature review of the motivations behind practicing FIRE (Appendix 1). This review consists of the existing academic articles of FIRE or related themes. In addition, it includes two books (Kiyosaki, 1997; Robin et al., 1992) and two newspaper articles of FIRE (Stokel-Walker, 2018; Tergesen & Dagher, 2018). Based on this literature review, I classified the most common motivations of the FIRE practitioners in two categories: "Freedom from" and "Freedom to" (Figure 1). The most apparent motivations are listed in the table below. "Freedom from" pushes the FIRE practitioners away from their current state of life and motivates them to pursue something more. There are four factors in this section: (1) freedom from paid work, (2) freedom from consumed debt, (3) freedom from materialism, and (4) freedom from consumerism. Section 6.1 argues these factors more in depth.

"Freedom to" includes all the factors that lure consumers towards financial independence and make the goal of achieving financial independence desirable. There are five factors in this section: (1) freedom to retire or work from non-monetary basis, (2) freedom to spend more time with family, relatives, and community, (3) freedom to live a more meaningful life, (4) freedom to moderate consumption, and (5) freedom to financial well-being. Section 6.2. argues these factors more in depth.

Freedom from			
Paid work	Consumer debt	Materialism	Consumerism

  

Freedom to				
Retire or work from a non-monetary basis	Spend more time with family, relatives, and community	More meaningful life	Moderate consumption	Financial well-being

Figure 1: Simple conceptual model for the motivations behind FIRE as a lifestyle.

## 6.1 Freedom from

The first factor is freedom from paid work. Becoming independent from the labour market brings freedom and enhances an individual's autonomy (Taylor & Davies, 2021). FIRE challenges the social norm of paid work being the essential and natural part of life (Perrone et al., 2015) and highlights its negative effects because work takes away prestigious and limited free time (Taylor & Davies, 2021). Sufficient wealth possessions and passive income provides freedom from the workplace and enables early retirement (Beehr et al., 2000; Chen et al., 2018; Feldman, 1994). Farivar and Richardson's (2020) study argues the predictors of work- and nonwork satisfaction. Alongside the increasing intensification of work, the employee's understanding of her work and nonwork satisfaction is one of the main concerns among companies' stakeholders. Scarcity hypothesis addresses the conflict between work and the home which rises as a result of individual's restricted resources, multiple responsibilities and roles both in both places, and traditionally, it has acted as the dominating explanation of the state of individual's work-nonwork satisfaction. (Farivar & Richardson, 2020). Becoming financially independent authorizes consumers to choose freely whether they want to exit the workforce or not (Perrone et al., 2015).

The second factor is freedom from consumer debt. Consumption behaviour and debt-taking can lead to financial stress (Brüggen et al., 2017) and heavy consumer debt decrease subjective well-being in all income levels (Ahuvia, 2008). As different types of credit are easily available, the credit dependence has increased, which enhances consumers' reliance on earned income (Froud et al., 2010). A hedonic adaptation and effortless access to credit ease enormous consumption that frequently leads to borrowing, over-spending and heavy debt load (Chancellor & Lyubomirsky, 2011). According to Lusardi et al. (2010) high student loan and increased credit card debt are typical for many young consumers, and they determine their economic situation. The high debt load affects youth by inducing anxiety and because of the debt, many young people have taken a job they did not want (Lusardi et al., 2010). In fact, young adults aged 20-30 are especially exposed to financial threats, and there is evidence that over-indebtedness has an increasing effect on depressive symptoms (Brüggen et al., 2017). Taylor and Davis (2021) name debt as one of the aspects that cause feelings of status anxiety, unhappiness, and heteronomy. Considering these negative effects of indebtedness, it seems no wonder that freedom from debt motivates young adults to pursue financial independence through FIRE.

The third factor is freedom from materialism which has several negative effects on an individual's well-being (Dittmar et al., 2014). Chancellor and Lyubomirsky (2011) state that materialism is unfulfilling as it makes people to consume more and more while being less and less happy as a result. Being free from materialism brings freedom from over-consumption, over-spending and wasting. According to Kasser (2016), there is a connection between materialism and fewer prosocial behaviours including volunteering and helping others. As the FIRE practitioners pursue both moderate consumption and more fulfilling lives (Perrone et al., 2015), it seems clear that they want to get rid of materialistic values that are proven to do



the opposite. Freedom from materialistic values can be achieved by focusing on intrinsic and self-transcendent goals and values (Kasser, 2016) and all purchases are judged based on the valuation of future returns (Taylor & Davies, 2021). For example, a coffee maker can be seen as an asset if it replaces the visits in Starbucks.

The fourth factor is freedom from consumerism. FIRE mentality resists over-consumption and highlights asset ownership and investing instead (Taylor & Davies, 2021). Consumer society reflects the phenomena that the entire society is organized around the consumption (Firat et al., 2013). It encourages consumers to desire goods and creates structures where these items can be sampled, acquired and consumed (Zukin & Maguire, 2004). Generally, consumerist society considers that there are conflicts between anti-consumption lifestyle, financial well-being and personal well-being (Balderjahn et al., 2020). However, the study of Balderjahn et al. (2020) shows that anti-consumption is not experienced as a loss of well-being nor personal sacrifice. It seems obvious that FIRE practitioners want to get free from the idea of consumer society, as they aim for more meaningful life and moderate consumption (Brüggen et al., 2017; Chancellor & Lyubomirsky, 2011; Perrone et al., 2015). By shaping the consumer behaviour in a way that reduces meaningless consumption and allocates resources in order to gain happiness and life-energy the FIRE practitioners are able to get away from the desires and needs created by consumer society (Robin et al., 1992). By consuming less, individuals can become happier and wealthier simultaneously (Chancellor & Lyubomirsky, 2011), and anti-consumption might improve one's perception of autonomy or self-esteem (Balderjahn et al., 2020).

## 6.2 Freedom to

The first factor is freedom to retire or work from a non-monetary basis. For some people, being financial independent means quitting their paid job for good, but for those enjoying their current paid work, it would mean cutting down work hours and having more time for their other interests (Perrone et al., 2015). Instead of quitting the paid work, the goal of financial independence is to remove obligatory work, which refers to working to get money (Taylor & Davies, 2021). Helping others and spending time volunteering is argued as one of the outcomes of minimalistic lifestyle (Mangold & Zschau, 2019) as well as voluntary simplicity movement (Haenfler et al., 2012). The interview results of Perrone et al.'s article (2015) indicate that being able to donate time for volunteer work motivated several respondents for practicing FIRE. On the other hand, there is evidence that expected occasions to growth activities such as volunteer work decrease the likelihood to retire (Beehr et al., 2000), which is against the idea of non-paid work attracting people to retire early.

The second factor is freedom to spend more time with family, relatives, and community. As leisure acts as an antithesis of work (Warde, 2015) it can be seen as a target of the FIRE movement. Alongside with the freedom from work obligation (Haenfler et al., 2012; Perrone et al., 2015; Taylor & Davies, 2021) FIRE offers enough financial resources to live according to self-selected lifestyle (Perrone et al., 2015).

Family values are named one of the motivating factors in FIRE movement by Taylor and Davies (2021). According to Warde (2015) the quality of free time is partially determined by economic resources, as ability to pay for services, memberships and fees is one of the constraints when it comes to leisure. Therefore, consumption is highly dependent on the time and money trade-off (Warde, 2015) and FIRE aim to bring a solution for these both obligations by providing people more time and enough resources to maintain their desired living standards (Perrone et al., 2015). Developing resources for the future by strengthening social relationships and learning new things is most likely for people who experience positive feelings (Diener et al., 2021).

The third factor is freedom to live a more meaningful life. Lifestyle movements are connected to the development personal meaningful identity (Haenfler et al., 2012). In the study of Perrone et al. (2015) respondents believed that financial independence is their way to achieve more happiness, fulfilment, and meaningfulness in their life. As high consumption lifestyles do not increase personal wellbeing, there is a possibility that reducing consumption would lead to more meaningful and fulfilling lives (Alexander & Ussher, 2012). On the other hand, there is an evidence that money is not everything and the impact of earnings on life satisfaction is small (Brzozowski & Spotton Visano, 2020). Another study argues that income predicts life valuation but not individual's positive and negative feelings as much (Diener et al., 2021). However, even though life quality requires more than money (Diener et al., 2021), having it enough can help individuals to fulfil their dreams and goals and therefore, provide freedom to live a more meaningful life without financial obstacles.

The fourth factor is freedom to moderate consumption. Taylor and Davies (2021) name frugality as one of the most important factors of FIRE. While frugality acts against consumption and materialism, it also acts in favour of investing (Taylor & Davies, 2021). In modern society, money acts as an object that the majority of people pursue and desire during the most of their waking hours (Diener et al., 2021). Meanwhile, recent academic studies show that there is a weak relationship between high levels of consumption and subjective well-being (Ahuvia, 2008). In other words, consumption does not increase happiness significantly. By applying ways to maximize happiness while spending less, people are able to increase their savings as well as enjoy more at the same time (Chancellor & Lyubomirsky, 2011). The healthy balance between saving and spending is an important indicator for an individual's long-term personal and financial well-being (Brüggen et al., 2017).

The fifth factor is freedom to financial well-being. Brüggen et al. (2017) define financial well-being as the perception of one's ability to maintain present and estimated preferred standard of living and financial freedom. This is exactly what the FIRE practitioners pursue (Perrone et al., 2015). Financial well-being includes money-management skills (Collins & Urban, 2020; Gardarsdóttir & Dittmar, 2012), and absence of financial worries (Gardarsdóttir & Dittmar, 2012). It is characterized by financial health, meeting financial goals and having the monetary freedom to make choices that allow the enjoyment of life (Collins & Urban, 2020). Netemeyer et al. (2018) argue that financial well-being consists both of a stress related to current money management and the expectations of future financial security. When a consumer faces

high financial stress and has a feeling of not having enough money, it has a big impact on consumer's perceived life satisfaction (Brzozowski & Spotton Visano, 2020). Avoiding financial difficulties by having the capacity to absorb losses increases financial well-being (Brzozowski & Spotton Visano, 2020; Collins & Urban, 2020). Financial well-being acts as an important factor for an individual's overall well-being (Brüggen et al., 2017; Netemeyer et al., 2018) and therefore, it acts as one of the most important factors of FIRE.

## 7 Case study of FIRE

### 7.1 Interview with “Anna”

To gain deeper insight of how fire affects consumers’ lives, I conducted one semi-structured in-depth interview with “Anna”, a woman in her thirties, student for a high-income profession and property investor who is seeking financial independence with her spouse. She was found for an interview through her social media channel where she shares her lifestyle for her followers. Respondent is assigned with a pseudonym to protect her privacy. The interview was conducted on 19<sup>th</sup> February 2021, recorded, and used as a secondary qualitative reference in this thesis. More background on this interview is available in the Appendix 2.

The goal of “Anna” and her spouse is to achieve financial independence by the ages of 40 by having enough monthly passive income to finance their standard of living. At the time of the interview, the respondent’s assets were divided in residential property of over 40 investment properties, low-cost index-fund investments, €100k buffer, family home and cash savings. Currently, “Anna” and her spouse have €100k passive income per year, and it takes them on average 2-3 hours a week to govern these investments. In the future, “Anna” will try to outsource more and more to keep the number of required managing hours sensible. However, the contrast to the past is big, as in the case of their first investment properties it took her even 20 hours per week to renovate the properties.

For “Anna”, FIRE means freedom. Being financially independent brings her the feelings of safety and not being vulnerable. She described FIRE as a lifestyle and feels privileged to have an advanced salary that enables her to implement FIRE as a way of life. Economic self-sufficiency removes stress as being financially independent brings her individual freedom to live based on her own rules. She believes that it can help her away from the shackles of working life. According to her words, she does not want to be a slave labourer but a master of her own life. She wants to determine her own pace of working, keep long vacations, and have a comfortable and peaceful life. Despite her profession being an important part of her identity, she confesses that working in today’s working environment is not very attractive as she must work long hours. In addition, she feels that combining work and family life is not easy especially for women. For her, professional development is important, but not everything. Alongside the work, she wants to make good for other people. In the future, she plans to combine her passion for properties and helping other people by providing good housing and living for the elderly.

Discussing the reasons behind starting to practice FIRE, she says they started their lifestyle three years ago when her spouse graduated and started to get a full salary from a high-income profession. Before that, they were used to modest living with a student budget. Instead of increasing consumption alongside the increased income, they continued living based on their old living standards. As “Anna” said, *“the best things in life are free”*. A significant factor that motivates her to practice FIRE is anxiety. “Anna” has

some relatives in high-paid jobs who have not been able to accumulate wealth as they have always consumed almost everything. “Anna” saw the anxiety and insecurity of paid work when a couple of her relatives got fired despite their long-term career in the same corporation. The fear of drifting into a similar situation motivated “Anna” and her spouse to look for something more than the social norm of working from nine-to-five until sixty-five. This curiosity drove them to seek more information from FIRE from cultural entrepreneurs such as Robert Kiyosakis’ books.

After starting practicing FIRE, they recognized that as high-income employees, they had more income than regular people, whereas aggressive saving was both easy and motivating. As the monthly saving rate was high, the results showed up quickly, which felt rewarding. Alongside the aggressive saving, they also made many conscious decisions to consume less. For example, their first own apartment was very cheap, and they were able to save by moving from the rental apartment to their own first home. However, “Anna” says that practicing FIRE and growing capital rapidly does not happen by itself, but it requires conscious decisions, sacrifices and prioritization of consumption. Despite their relatively high monthly income of €50k they buy their groceries from Lidl, buy children’s clothes used and do not travel abroad. As “Anna” said, for a family with kids, one travel costs as much as the down payment for a new property.

When it comes to the consumption habits, “Anna” says that when they started practicing FIRE, Marie Kondo’s KonMari movement was very popular and therefore, it was easy to reduce consumption massively. She feels that for her as a woman, it is easy to get rid of the items that do not produce joy. “Anna” says that understanding the logic of market economy and how it creates needs and wants for consumers moved her “above the consumption” and today, she cannot imagine herself “consuming” or “shopping”. Instead, she values and appreciates the stuff she owns and understands that buying new things does not produce long-lasting happiness. Instead of unnecessary things, she highlights the importance of understanding the real sources of your own happiness and focusing on finding the true meaning of life.

The target income level without need to work, or in other words, the breakpoint of financial independence for them, is monthly gross income of €50k. “Anna” firmly believes they will reach this goal by the age of 40. When I asked how realistic achieving this goal is, she convinced me that it is simple math. Currently, the vast majority (90%) of their investments lie in rental assets and the saving rate of their monthly income is 50%. What should be highlighted is that for “Anna”, the current saving rate does not feel significantly big. Instead, she describes them more as “slower FIRE practitioners” and feels like instead of saving everything they could, they are spending money for themselves too. “Anna” does not seem like a risk averse person. Asking about the possibility of increasing interest rates, she answers that she does not believe that will happen soon. However, they are prepared for economic surprises by keeping a €100k buffer as a safety net to absorb potential losses.

Sharing the finances, the impact of the spouse should not be underestimated. “Anna” and her spouse own everything half and have shared finances. For them, there is a big importance of having common values, sharing opinions, and discussing before bigger purchases. For example, one time the spouse bought her a

new car as a gift without asking. This made “Anna” upset leading to a discussion about the true necessity of the car. Despite this incident, she highlights the importance of investing in the relationship. In addition, she states that practicing FIRE alone would be boring.

In the future, after achieving financial independence, “Anna” believes they will not increase their consumption significantly. Her attitude towards consumption is moderate, even though she says that there are some categories they want to put more money into. For example, they like to spend money on electronics and cars. More importantly, they do not save when it comes to children’s hobbies. She has a clear opinion and understanding of her own values and things she wants to invest in as well as things she does not want to waste her money. As they are happy with their current lifestyle, instead of increasing the aspirations, they want to be able to maintain their current standard of living in the future, only with more freedom and without the need for paid work.

To summarize, for “Anna” FIRE means freedom to choose what work to do and how much. She emphasizes that people can have crazy amounts of money, but the only limited resource is time. Therefore, she wants to oversee the allocation of her own time. For her, practicing FIRE means being able to implement her own dreams but also putting her family and children first as well as contributing to society by donating money and her time for serving others.

## 7.2 Motivations - Implementing the interview results to the conceptual model

Based on the conceptual model presented in section 6, this section implements the interview results to discuss them based on the conceptual framework. The purpose of this section is to deepen the understanding of the motivations to practice FIRE and answer the research question: why consumers practice FIRE.

There are two tables that provide examples from the motivation factors behind practicing FIRE based on the interview results. Figure 2 lists the ‘freedom from’ motivations of “Anna”.

	<i>Freedom from</i>
Paid work	<ul style="list-style-type: none"> <li>• <i>anxiety, uncertainty, and insecurity related to paid work</i></li> <li>• <i>the heavy workload, long hours, stress, the rat race</i></li> <li>• <i>difficulties in combining family life and challenging profession</i></li> </ul>
Consumer debt	<ul style="list-style-type: none"> <li>• <i>being dependent on others</i></li> </ul>
Materialism	<ul style="list-style-type: none"> <li>• <i>consume for the sake of consumption</i></li> </ul>
Consumerism	<ul style="list-style-type: none"> <li>• <i>the needs created by consumer society</i></li> <li>• <i>continuous spending and increasing standards</i></li> </ul>

Figure 2: Freedom from - Implementing the interview results to the conceptual model

First, freedom from paid work was mentioned in the interview in many different contexts. Unemployment decreases subjective well-being beyond the amount of the income lost (Ahuvia, 2008), which explains the

emotions anxiety, uncertainty and insecurity related to paid work and possible work loss that “Anna” described. Respectively, in the article of Chen et al. (2018) uncertainty is named one of the factors that affect the decision to retire early. “Anna” describes working life as a “wild west”, which embodies her thoughts of work life being unpredictable, unreliable, and even dangerous. According to one recent study, employment status and children’s ages have the most significant impact on employee’s work-nonwork satisfaction (Farivar & Richardson, 2020), and for “Anna”, combining a challenging profession and family life is not easy. Therefore, she believes that achieving financial independence would improve her satisfaction.

Second, freedom from consumer debt was not directly mentioned in the interview. However, indebtedness was indirectly addressed when “Anna” said that one thing that motivates her to practice FIRE is being financially independent from others. However, the absence of consumer debt does not mean that she would not take debt at all – in fact, she has relatively big debt obligations because of her real estate possessions. Instead of being free from debt, she wants to manage her debt load and take advantage of leverage. Taylor and Davies (2021) argue that in financialized capitalism, debt is used as a powerful tool to make money, while FIRE practitioners are deeply debt averse and prefer extreme saving over debt. This is inconsistent with the interview, as “Anna” uses debt to increase her assets.

Third, freedom from materialism was not directly addressed in the interview, but it was indirectly mentioned during the discussion. There is evidence that materialism has several negative effects on individual’s well-being (Chancellor & Lyubomirsky, 2011; Dittmar et al., 2014), which is something that “Anna” has recognized too. Her comment “the best things in life are free” reflects that she is focused on intrinsic and self-transcendent goals that are important when getting free from the materialistic values (Kasser, 2016). By valuing intrinsic goals and using time and energy to them, individual’s happiness and fulfilment increases (Chancellor & Lyubomirsky, 2011), which act as a motivation for achieving something else instead of materialism.

Fourth, the freedom from consumer society was mentioned multiple times during the interview. Consumer society creates needs, wants and desires for consumers (Firat et al., 2013; Zukin & Maguire, 2004) and increases individual’s aspirations continuously (Chancellor & Lyubomirsky, 2011; Stutzer, 2004). This makes individuals desire to consume more and more (Firat et al., 2013). For example, “Anna” realized the effect of continuously increasing aspirations when she saw the inability of the high-paid relatives to raise wealth due to their consumption habits. To avoid the same situation, “Anna” wanted freedom from the values and practices of consumer society. Escaping consumer society and collecting personal resources adequate to live off was named as an element of FIRE (Taylor & Davies, 2021). The attitude of conspicuous non-consumption and resisting messages sent by advertising were mentioned both in the article of Taylor and Davies (2021) and the interview.

All in all, there seem to be relevant connections between the freedom from -framework and “Anna’s” interview. Only one of these four factors, freedom from consumer debt was not confirmed. This might be

since consumer debt has not been a problem for “Anna” before she started to practice FIRE, she does not feel that FIRE would bring her freedom from it. On the contrary, she likes to use debt as a tool to increase her wealth. As a result, there is lack of real-life evidence of freedom from consumer debt being one of the motivators behind practicing FIRE. Figure 3 lists the ‘freedom to’ motivations of “Anna”.

	<i>Freedom to</i>
Retire or work from a non-monetary basis	<ul style="list-style-type: none"> <li>• <i>work fewer hours, have longer vacations</i></li> <li>• <i>work at your own pace</i></li> <li>• <i>help for free instead of working for money</i></li> <li>• <i>work to develop professionally instead of working for money</i></li> <li>• <i>pursue several professions</i></li> </ul>
Spend more time with family, relatives, and community	<ul style="list-style-type: none"> <li>• <i>more leisure</i></li> <li>• <i>more time with family</i></li> <li>• <i>help others, do charity, and donate one’s time rather than money</i></li> </ul>
More meaningful life	<ul style="list-style-type: none"> <li>• <i>comfortable and peaceful life</i></li> <li>• <i>be the master of your own life</i></li> <li>• <i>seek own meaning by giving for others</i></li> </ul>
Moderate consumption	<ul style="list-style-type: none"> <li>• <i>prioritize the consumption</i></li> <li>• <i>buy only items that produce joy</i></li> </ul>
Financial well-being	<ul style="list-style-type: none"> <li>• <i>choose</i></li> <li>• <i>conduct individual freedom</i></li> <li>• <i>financial self-sufficiency, monetary security</i></li> <li>• <i>invest and accumulate wealth</i></li> </ul>

Figure 3: Freedom to - Implementing the interview results to the conceptual model

First, freedom to retire or work from a non-monetary basis seems to act as an important motivator for “Anna” to practice FIRE. Cutting down working hours and having more leisure is named one of the motivators of early retirement (Beehr et al., 2000; Perrone et al., 2015; Taylor & Davies, 2021), which motivates “Anna” too. Instead of quitting the working for good, she wants to reduce her working hours, work at her own pace, and pursue several professions. She seeks deeper purposes for working than money. For example, she believes that by achieving financial independence and early retirement, she would have more time to help others and learn new things, which makes freedom to retire as an attractive option. This is consistent with the study of Perrone et al. (2015) where the ability to donate time and volunteering act as motivators for multiple FIRE practitioners.

Second, freedom to spend more time with family, relatives, and community seems to be the core of “Anna’s” values. A common reason for re-allocation one’s time is to spend time with family and many FIRE practitioners think family as motivation for financial independence (Taylor & Davies, 2021), and family motivates “Anna” too. According to the study of Beehr et al. (2000) people often expect to have more time to spend with their friends and family after retirement. This is something that “Anna” expects too, and therefore she believes that FIRE would offer her freedom to spend more time with her family.



Having more leisure often attracts people to retire early (Chen et al., 2018; Farhi & Panageas, 2007), which is also the case of “Anna” who expects more free-time in the future. Alongside the time with family, she wants to allocate her time to charity and helping others, which is also connected positively to the perceived meaningfulness of life (Dolan et al., 2021).

Third, freedom to live a more meaningful life is a clear motivator for “Anna” to practice FIRE. She is not the only one who pursues more meaningful and fulfilling life through FIRE, as it is named the goal of other FIRE practitioners in the study of Perrone et al. (2015). As there is evidence that a high consumption lifestyle does not lead to personal well-being, reducing consumption could potentially be the path to a more meaningful and fulfilling life (Alexander & Ussher, 2012). For example, by applying the KonMari philosophy in her life, “Anna” was able to increase her well-being by reducing unnecessary items instead of buying new ones. Ahuvia (2008) writes that subjective well-being is connected to an individual’s notion of the meaningfulness of one’s life. Similarly, “Anna” emphasizes understanding the significance of happiness and the meaning of life and focusing on them. By giving others, she feels that she can give a sense of meaningfulness from others and herself, and practicing FIRE enables her doing that.

Fourth, applying the basic principles of FIRE brought “Anna” freedom to moderate consumption. Consumer society creates commercial initiatives for consumers (Zukin & Maguire, 2004) and by recognizing this, “Anna” was able to get free from the constant need to consume. By understanding the fact that these needs and wants are primarily created by the society instead of herself, she was able to reduce her consumption and save more. In other words, she has found ways to increase her happiness and spend less at the same time, such as Chancellor and Lyubomirsky (2011) suggested in their study. There is also evidence in the article of Balderjahn et al. (2020) that anti-consumption can improve an individual’s well-being. Because of having FIRE as a lifestyle, “Anna” prioritizes her consumption and buys only items that produce her joy, and as the article of Balderjahn et al. (2020) supports, she does not perceive the reduction of consumption as a personal sacrifice. Instead, she believes that her consumption habits bring her happiness and well-being.

Finally, freedom to financial well-being was not directly mentioned in the interview, but it was indirectly discussed in multiple contexts. “Anna” believes that having enough monetary resources brings her freedom to make choices, which was recognized as one of the components of financial well-being in the article of Collins and Urban (2020). The control of your own finances enhance an individual’s well-being in the long term. (Balderjahn et al., 2020). Brügger et al. (2017) link financial well-being to individual’s financial freedom, living standards, and overall well-being, which implies that there is a strong connection between FIRE and financial well-being. “Anna” feels that it is an individual freedom to pursue financial health by investing and accumulating wealth, and she recognizes the connection of financial and overall well-being that Brügger et al. (2017) suggested. In addition, in the academic literature, a capacity to absorb losses or a buffer is recognized to increase financial well-being (Brzozowski & Spotton Visano, 2020; Collins & Urban, 2020), and “Anna” mentioned that it is important for them to have sufficient buffer and in this way, be prepared for surprises.

Altogether, the interview produced evidence of all the five “freedom to” motivators. Going beyond the motivations, the next section provides further discussion of the role of FIRE in “Anna’s” life. Additionally, it argues the connections between the interview and related academic literature.

### 7.3 The role of FIRE in “Anna’s” life

Practicing FIRE is concretely reflected in consumer behaviour. According to the interview, “Anna” believes that materialistic items do not produce her long-lasting happiness, which is consistent with the notions of Alexander and Ussher (2012), Burroughs and Rindfleisch (2002), Chancellor and Lyubomirsky (2011), and Kasser (2016). To allocate her consumption, “Anna” has chosen things to invest in and things to save based on appreciation and their values. This seems to be a logical solution, as according to Chancellor and Lyubomirsky (2011) allocating money and efforts on intrinsic and meaningful goals instead of extrinsic ones makes people happier. Intrinsic goals refer to actions that are meaningful and rewarding for the individual, and fulfil the basic needs for autonomy, connectedness, and competence. Extrinsic goals include striving for external appearance, money, or fame. A well-known example of people focusing on extrinsic goals is a confession of famous New York tabloid editor of being *“part of that strange race of people aptly described as spending their lives doing things they detest to make money they don't want to buy things they don't need to impress people they dislike”* (Chancellor & Lyubomirsky, 2011, p.136).

Similarly as consumption behaviour constructs consumer identity, anti-consumption practices do that as well (Cherrier, 2009). According to the traditional view, consumer choices including taste and style indicate who they are as a person (Firat et al., 2013). For example, fashion acts as an external status mark in consumer society (Firat et al., 2013; Zukin & Maguire, 2004) and it is related to materialistic attitudes too (Kasser, 2016). However, “Anna” said that they buy the greater part of their clothes used and they never buy clothing they do not need. For her, clothing acts as an extrinsic goal, and she does not want to allocate her money in the target that would not bring her happiness in the long run. Instead, she focuses on things that “produce joy” and buy only things that are necessary or otherwise meaningful for her. However, there are some product categories they use for self-expression. For example, “Anna” and her spouse like new technology and cars in which they allocate more money than is required.

Alongside the consumption behaviour, consumer’s attitude towards money affects one’s saving behaviour as well (Brzozowski & Spotton Visano, 2020). “Anna” treats money as a tool for achieving things instead of an absolute value. Her attitude is well reflected by the fact that she says time is the only limited resource, as you can always get more money. Chancellor and Lyubomirsky (2011) argues that it is possible to gain more happiness by spending less and applying thriftiness in financial behaviour. According to economic theory, well-being does not depend on income but by consumption, and the level of consumption may vary a lot from income because of taxation and savings (G. D. A. Brown & Gathergood, 2020). Therefore, thriftiness acts as an important attitude in practice FIRE. A frugal life is natural for “Anna” as

she values freedom gained from FIRE lifestyle more than materialistic possessions. Her attitude is illustrated by the fact that she believes that euro today is three euros in the future, so why waste it now.

Feldman (1994) argues that the decision of retirement is often made together with the spouse, which is consistent with the results of the interview, as “Anna” and her spouse pursue financial independence and early retirement together. Marriage affect household’s finances so that there might be difficulties track back the debt load to an individual’s attitudes, values, and choice (Gardarsdóttir & Dittmar, 2012) and this also appears in the interview results as “Anna” speaks for her own and her spouse’s views, attitudes and finances almost inseparably. According to “Anna”, as they own everything half, they need to negotiate about acquisitions, and continuously ask each other opinions. The importance of a spouse can be examined from the perspectives of values too. “Anna” argues that sharing values is important, as these values guide their life choices. Having similar values can improve the relationship too. For example, Kasser (2016) writes that low levels of materialism relate to higher levels of marital quality.

Considering the role of FIRE in people’s lives one important question is the required wealth level to practice FIRE. One common critique is that FIRE is only for wealthy and privileged people. Individuals practicing FIRE are privileged regarding their financial literacy and cultural capital, and successful FIRE practitioners have often past careers in fields such as finance or software engineering (Taylor & Davies, 2021). Olen (2019) argues that the advanced salaries of the FIRE practitioners enable them to achieve enough savings for financial independence, and names people in the technology industry and other high-salaried professions to be the ones practicing FIRE. Feldman (1994) argued that higher income enables people to maintain their living standards during early retirement. These arguments are consistent with the interview results, as “Anna” feels privileged to have afforded to implement this lifestyle due to her high-income profession and understands that everyone does not have the same possibilities.

On the other hand, considering the household’s financial conditions it should be kept in mind that even low-income people can be financially independent and secure if they are thrifty enough (Collins & Urban, 2020). It should be considered that FIRE is not about the wealth level itself, but it is about the gap between wealth and the desired standard of living (Brüggen et al., 2017; Farhi & Panageas, 2007; Perrone et al., 2015). Chen et al. (2018) write that if an individual’s living standards, i.e. the level of consumption, is low, early retirement becomes an optimal choice. As the level of consumption matters more than the level of income, financial independence could be achievable from different economic starting points as long as the consumption habits remain moderate compared to net income.

Considering the role of FIRE in consumer’s lives, there might rise questions of the quality of life concentrating on accumulating wealth. There are studies suggesting that concentrating an individual's life around collecting money, assets, and position weakens one's spirit and life quality (Dittmar et al., 2014), which questions the role of FIRE in creating a more meaningful life full of happiness, fulfilment and purpose. The materialistic aims of wealth might lead to bad results including decreased well-being (Kasser, 2016).

On the other hand, according to a recent study (Balderjahn et al., 2021) the purchase satisfaction of voluntary simplifiers is higher than non-simplifiers, which might imply that conscious consumption could have positive effects on an individual's perceived satisfaction. In addition, there is evidence of association between simplifying behaviours and increased well-being in the areas of environmental mastery and personal growth (Carrero et al., 2020). If the wealth is accumulated to improve financial well-being instead of materialistic aims, the case is completely different. There are positive connections between financial well-being and overall well-being (Brüggen et al., 2017) and having enough money enables making life choices without stressing about money (Brüggen et al., 2017; Yumarma, 2016). As "Anna" said in the interview, money itself does not matter but what money allows matters.

## 8 Discussion and conclusion

This thesis answers lack of study of ‘financial independence, retire early’ in academic literature. First, FIRE was defined based on previous research. This thesis defined FIRE as a lifestyle movement with the goal of achieving enough self-generated sustainable passive income to fund desired life choices, and which provides individuals a freedom from paid work and a freedom to live a more meaningful life. Based on the literature review, the consumers’ motivations behind practicing FIRE were identified. Based on this identification, a conceptual framework was developed in which consumers’ motivations are divided in two categories: “freedom from” and “freedom to”. This means that FIRE motivates consumers both by the idea of getting freedom from some unpleasant activities and values, and freedom to some activities and mental landscape that they believe would not have been possible to achieve without financial independence.

To illustrate this framework in practice, a semi-structured in-depth interview with a FIRE practitioner “Anna” was conducted. The results of the interview were evaluated based on the conceptual framework to highlight the motivations to practice FIRE. Mainly, this review supported the model, except for “freedom from consumer debt”, which was not supported by the interview. Instead of being debt averse, “Anna” described that she uses debt as a tool for buying real estate and collecting assets, and therefore, they have a relatively big debt load. In addition, the role of FIRE in “Anna’s” life was argued based on the interview results and related literature. This thesis focused on FIRE from the individual’s viewpoint. To broaden this view, the next section evaluates the FIRE movement in broader context and argues its socio-political implications.

### 8.1 Socio-political implications

There are various potential advantages of FIRE for the society which I divide into ecological, financial, and social advantages. First, I argue that there might be potential ecological advantages of FIRE. Because irresponsible consumption and high materialism are in general unsustainable practices (Rebouças & Soares, 2020), the aims of FIRE to get freedom from materialism and consumerism and freedom to moderate consumption imply that there might be several ecological advantages of FIRE. Instead of being the sum of hedonic, financial, or utilitarian criteria, consumption is a political, social and systemic act having far-reaching consequences both for the individual and others (Rebouças & Soares, 2020). Taylor and Davies (2021) write that FIRE movement turns down over-consumption and its ecological harms. As FIRE acts as an advocate of anti-consumerism, it focuses on reducing the environmental impact of consumption (Taylor & Davies, 2021). Anti-consumption lifestyles are more sustainable because they concentrate on conservation instead of consumption (Balderjahn et al., 2021).

Alongside the lifestyle decision, there are indirect ways that can lead FIRE practitioners towards more sustainable consumption. The positive feelings associated with sustainable consumption such as better

self-determination, autonomy, financial stability, and self-esteem are related to anti-consumption as well (Balderjahn et al., 2020), and there seem to be connections between them. There is evidence that happier people live more ecologically sustainable ways (K. W. Brown & Kasser, 2005) and as FIRE potentially increases people's happiness, it would lead to good consequences for the environment too. This phenomenon is referred to as double dividend of sustainable consumption as people could increase their quality of life by consuming less and meanwhile, reduce the harmful impact on the environment at the same time (Jackson, 2005). However, in his article Jackson (2005) argues that this kind of win-win solution may exist but to realize it, concerted societal efforts would be needed. It should be noted that the more recent study of Carrero et al. (2020) argues that the connection between happiness and sustainable consumption is not as simple as previous studies show. Instead of sustainable consumption, happiness is mainly resulted from simplifying behaviours (Carrero et al., 2020). Despite the debate of causality, it might be so that FIRE practitioners could potentially practice a more sustainable lifestyle, and the next paragraph provides concrete examples of it.

Thrift leads to more effective use of limited resources (Chancellor & Lyubomirsky, 2011) as consumers do not waste as much, repair their items instead of purchasing new ones and so on. Collaborative consumption includes shared consumption practices such as renting, leasing and borrowing, and it acts as an ecological, anti-consumption behaviour (Balderjahn et al., 2021). FIRE practitioners do not necessarily want to own everything they need but instead prefer lending and renting if it is reasonable. For example, renting instead of buying is named one tool for spending less and gaining more hedonic benefit in the article of Chancellor and Lyubomirsky (2011) and the article of Taylor and Davies (2021) presents DIY and self-sufficiency as techniques of FIRE, which enhance environmentalist point of view alongside frugality. In addition, by criticizing consumer society and its values, FIRE might act as a pro-environmental actor.

Second, I argue that practicing FIRE might have positive effects on finance. The lack of adequate financial resources has fundamental consequences both for the individuals well-being and public policy (Brüggen et al., 2017; van Rooij et al., 2011). Therefore, sufficient savings act as a buffer that helps households to cope with financial shocks as well as decrease the likelihood of driving into financial problems (Brüggen et al., 2017) and need of public support (van Rooij et al., 2011). The interview supports the perception that FIRE practitioners often have significant savings, which implies that they would not need public support as easily due to their buffers. Alongside the absence of the need for support, another way in which FIRE practitioners contribute to society is paying taxes on their profits. Also, they might have a positive economic impact as they invest their savings, which contributes positively to economic growth. Considering the consumption, even though FIRE practitioners concentrate on reducing the amount of consumption they might pay more attention to the quality of the product and therefore, they could be potentially more willing to pay for them. In this way, retailers could gain bigger profits by selling less.

Third, I suggest that there are several positive social effects of FIRE. As it was noted earlier in the thesis, materialism has various costs not only for the individual but the society too (Chancellor & Lyubomirsky,

2011). As FIRE acts as an anti-term for a materialism, it reduces these costs. Contributing to community activities and giving back was highlighted both in the research of Perrone et al. (2015) as well as the interview conducted in the purpose of this thesis. Therefore, the FIRE practitioners may have higher probability to contribute to social activities such as volunteering, and with their significant financial resources they have possibilities to help others.

Alongside the positive effects argued above, there are some potential disadvantages of FIRE too. These disadvantages apply to financial inequality, the lack of sufficient societal support, the lack of societal contribution, excessive risk-taking and the potential tax losses. First, I propose that even though FIRE is promoted to everyone financial independence is not achievable for all. Even though there is rhetoric of 'democratisation of finance' (Froud et al., 2010), in reality everyone does not have a chance to choose their lifestyle or consumption, and many people lack financial knowledge to make rational and informed decisions. Managing financial tasks and achieving financial security requires consumers both access to useful information and high competence (Netemeyer et al., 2018), which all consumers do not have.

FIRE is criticized for being most common among well-paid professions and being out of reach for most Millennials. There is an argument of FIRE taking politicians out of responsibility, because they are not able to secure retirement for younger generations. (Olen, 2019). Furthermore, Youngling (2020) criticizes that financial freedom is sold to people who have limited economic resources and experience, or in other words, financially illiterate people. As taking debt is easy, it is offered for the poor, and people are encouraged to buy assets (Froud et al., 2010) it might lead to serious problems. This could potentially encourage low-income individuals to carry more debt instead of increasing assets. Selling the idea of financial independence for people who have not enough financial knowledge, could increase debt problems and financial inequality.

Second, there is an argument of FIRE being a result of insufficient societal support. This implies, that if Millennials do not have enough money to cope after an active working life, there should be other solutions than aggressively saving half of the income and living modestly. As the society is not equal, even though purchasing assets is recommended for everyone, it might not be a smart solution for all (Froud et al., 2010). Even though retirement is not one of the main saving priorities of 85% of working-age adults, in the meantime, over two-thirds of people are concerned about the lack of enough monetary resources during retirement (Brüggen et al., 2017). Olen (2019) argues that this concern should be solved by the government, not by aggressive saving efforts of individuals. This point of view highlights FIRE's position as the way of the privileged to secure their future while the government should take care of student debts, childcare and raise social security benefits (Olen, 2019).

Third, the societal contribution of FIRE practitioners is controversial. There is critique of FIRE practitioners being super-rich asset-holders and rent-seekers that do not contribute to a productive economy and expect continuous returns and growth (Taylor & Davies, 2021). However, as consumption acts as an engine of economic growth and as FIRE practitioners try to avoid consumption, they do not contribute to

this growth themselves. In addition, FIRE is criticized by the financialization that transfers risk elsewhere (Taylor & Davies, 2021). In this case, the asset owner would benefit on the expense of others and might take more risks because others would bear the losses. Taylor and Davies (2021) argue that if everybody would act as FIRE practitioners, the whole system would collapse. Therefore, only a limited number of people could potentially benefit from the advantages of FIRE. Meanwhile, others would not only stay outside of its positive effects, but also act as ultimate payers of this lifestyle.

Fourth, there are suspicions of FIRE practitioners being blinded by the momentum of long increasing stock markets, and therefore taking too many risks. Olen (2019) and Youngling (2020) argue that the bull market in stocks during the twentieth century has resulted in investors believing their ability to save an investment enough for retirement. This implies that FIRE would attract uninformed people to invest in risk assets, which might lead to excess risk taking and overly positive attitude that would be realized later. According to Farhi and Panageas (2007), the likelihood of early retirement affects consumer's investment decisions. When the option of early retirement comes closer it leads consumers to take more risks with their stock portfolios (Farhi & Panageas, 2007). If the closeness of early retirement would have the same effect of additional risk taking in real estate business where FIRE practitioners are most likely taking debt to fund their asset positions, the risk of default would be bear by the bank. And if the risk would be realized, the bank's loss would be eventually carried by the depositors.

Finally, the tax planning of FIRE practitioners may lead to tax losses. In normal cases, even though early retirement would be a desired option for the individuals themselves, it creates a potential problem for society, as larger retired populations decrease the population bearing the primary financial load of social support (Beehr et al., 2000). In other words, workers exiting the workforce early (before the statutory pension age) have a harmful impact on the economy, as there are fewer people working while more people claiming pensions (Browne et al., 2019). However, this is not the case of the FIRE practitioners, as they do not rely on statutory pension systems but instead their own savings and investments to finance their retirement. Nevertheless, quitting paid work early has consequences for the companies, as replacing a prominent number of employees yearly is both costly and time-consuming (Beehr et al., 2000). In addition, it decreases the income taxes paid for the government if a FIRE practitioner decides to withdraw from the workforce. It should be noted that they would pay capital gain tax from their profits, which would bring income to the society. However, if the investment activity is carried out through a limited company, the taxation is generally lighter than that of an individual, which leads to tax losses.

## **8.2 Limitations and suggestions for future research**

As a conclusion this thesis extends our understanding of the FIRE as a lifestyle movement and how it affects consumers' lives. It uses recent literature in related topics to bring them together for creating a definition for FIRE. Therefore, the thesis adopts as a pioneering approach by creating a new framework for understanding the reasoning behind this relatively popular lifestyle. Based on this conceptualization, a



model for classifying consumers' motivations to practice FIRE is provided. This is an important advancement for future studies in the field.

Although this thesis is based on academic research and one qualitative interview, the results are somewhat limited by the lack of relevant research. As noted before, even though FIRE is born decades ago, there are only a few academic studies of it (Brüggen et al., 2017; Chancellor & Lyubomirsky, 2011; Farhi & Panageas, 2007; Olen, 2019; Perrone et al., 2015; Rubin & Spaht, 2021; Taylor & Davies, 2021; Youngling, 2020; Yumarma, 2016). Because of the limited materials, some of the studies might be overweight in this thesis (e.g. Perrone et al., 2015; Taylor & Davies, 2021). Another limitation concerns the interview, the results of which may be affected by the translation, as the interview was conducted in Finnish.

There are promising directions for future research. One of the most interesting things related to FIRE as a lifestyle is the different consumption behaviour compared to the one that we are used to in consumer society. As consumption has been reflected as a way for enhancing one's identity (Ahuvia, 2008; Arnould & Thompson, 2005; Firat et al., 2013; Jackson, 2005; Martin, 2019; Zukin & Maguire, 2004) and social status (Ahuvia, 2008; Arnould & Thompson, 2005; Firat et al., 2013; Jackson, 2005; Martin, 2019; Zukin & Maguire, 2004), there comes a question of how the FIRE practitioners reflect these things when they consume minimally and save aggressively. This would be an interesting research topic for the future. From the perspective of psychological or consumer research, the relationship between materialism and the meaning of consumption could be an interesting topic.

I suggest that forming a broader view of the FIRE from consumers perspective would require a systematic research with a larger sample of the FIRE practitioners. Potentially, future research could collect data both from the consumer practicing FIRE and the consumers that have already achieved the break-out point of financial independence. In this way, it could be examined if there is a connection between FIRE and happiness or subjective well-being, and if the objectives and motivations of FIRE really fulfil when a consumer becomes financially independent.

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### Appendix 1: A literature review of the motivations behind practicing FIRE

		Freedom from				Freedom to				
		Paid work	Consumer debt	Materialism	Consumerism	Retire or work from a non-monetary basis	Spend more time with family, relatives, and community	More meaningful life	Moderate consumption	Financial well-being
<i>Reference</i>										
<i>Academic articles</i>	Brüggen et al. (2017)		x	(x)	(x)			(x)	x	x
	Chancellor & Lyubomirsky (2011)		x	x	(x)		(x)	x	x	(x)
	Farhi & Panageas (2007)	x				x	(x)			(x)
	Olen (2019)	x		x	x	x			x	(x)
	Perrone et al. (2015)	x				x	x	x	(x)	
	Rubin & Spaht (2021)	x				x				
	Taylor & Davies (2021)	x	x	x	x	x	(x)		x	(x)
	Youngling (2020)	x				(x)				(x)
	Yumarma (2016)	x			(x)			x	(x)	(x)
<i>Books</i>	Kiyosaki (1997)	x	x			x	x	x	x	(x)
	Robin et al. (1992)	x	x	x	x	x	x	x	x	(x)
<i>Newspapers</i>	Tergesen & Dagher (2018)	x	x	x	x	x		x	x	(x)
	Stokel-Walker (2018)	x			x	x		(x)	x	(x)

x = directly, completely agree

(x) = indirectly, somewhat agree

  = uses term FIRE

  = uses a different term (financial independence, financial freedom, early retirement)

  = does not use these terms but means the same

## **Appendix 2: The interview outline 19<sup>th</sup> February 2021**

The interview with “Anna”, a thirty-something retail investor, student for high-income profession and a FIRE practitioner since 2018.

### Questions

1. What does FIRE mean to you?
2. How did you start to practice FIRE?
3. How does practicing FIRE affect your life?
4. What are your financial goals, how realistic are them and when do you accomplish them?
5. What are your investment strategies?
6. How much time do your investments require weekly?
7. How much do you save?
8. What risks have you identified and how are you prepared for them?
9. How does your husband affect your finances?
10. Which kind of freedom financial independence brings you?
11. What are your targeted living standards?
12. Do you have any role models related to FIRE?

In addition to these pre-planned main questions, there were additional specifying questions included in the interview situation to gain deeper insight in the answers.

The semi-structured interview was conducted on 19<sup>th</sup> February 2021 via video connection, and it was utilized in this thesis as a secondary supportive reference.