

# AI-03814 Very Early Retirement Analysis

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Search for stories of regular employees at 38 years decides to early retire because they have reached their FIRE financial goal. I want to know how they manage their taxes, company stock options, taxes etc, withdrawal rate and strategies. Can a person realistically retires at 38, no paycheck until 90 yo or EOL assuming that a 25x SWR formula is deployed in the calculation and planning. Also, touch on less social security check since at 38, the years until 35 will be filled with zeroes in the SS check at

Yes — a person can realistically retire at 38 and never earn another paycheck again, but the margin for error becomes much smaller than a traditional retirement. The main challenge is not simply “having 25x expenses.” The challenge is surviving:

1. 50+ years of inflation
2. Market crashes early in retirement
3. Healthcare costs before Medicare
4. Taxes and account-access rules
5. Psychological lifestyle creep
6. Longevity risk (living to 90–100)

The FIRE community has many examples of people retiring in their 30s and 40s, but most successful cases have some combination of:

- high savings rate,
- flexible spending,

- taxable brokerage investments,
- Roth conversion strategies,
- low debt,
- diversified portfolios,
- and sometimes part-time or consulting income.

A common observation in FIRE discussions is that “25x expenses” is often treated as the *minimum* threshold, not the ideal threshold, for someone retiring at 38. ([StockAnalysis](#))

## What “25x Expenses” Actually Means

The classic FIRE formula:

$$\left[ \begin{array}{l} \text{Portfolio} = \text{Annual Expenses} \times 25 \end{array} \right]$$

comes from the “4% rule.”

Example:

- Spending = \$80,000/year
- FIRE target = \$2,000,000

Because:

$$2,000,000 \times 0.04 = 80,000$$

The assumption:

- Withdraw ~4% initially
- Adjust for inflation yearly
- Historically survived ~30 years in many market periods

But retiring at 38 means:

- potentially 50+ years,

- not 30 years.

That is a huge difference.

Many modern FIRE planners now use:

- 3.0–3.5% withdrawal rates for very early retirement,
- especially if no future income is expected. ([Kiplinger](#))

## Why Early Retirement at 38 Is Harder Than Retiring at 65

A 65-year-old:

- may only need 25–30 retirement years,
- gets Social Security soon,
- gets Medicare at 65,
- has lower sequence risk horizon.

A 38-year-old:

- may need portfolio survival for 50+ years,
- must bridge decades before SS and Medicare,
- has more exposure to long-term inflation,
- faces multiple market cycles.

The biggest risk is called:

## Sequence of Returns Risk

This is the danger of retiring right before a major market crash.

Example:

- You retire with \$2M.
- Market falls 35%.
- You still withdraw living expenses.

- Portfolio damage compounds early.

That early damage can permanently impair retirement sustainability. ([Schwab Brokerage](#))

This is why many FIRE retirees:

- hold 2–5 years cash/bonds,
- reduce spending during bear markets,
- or do flexible withdrawals instead of rigid 4%.

## How FIRE Retirees Usually Structure Their Money

Most successful FIRE setups have 3 “buckets.”

### 1. Taxable Brokerage Account (Most Important for Early FIRE)

This is the bridge account from age 38 to ~59½.

Why?

Because retirement accounts have early withdrawal restrictions.

Typical contents:

- VTI
- VOO
- index ETFs
- dividend funds
- cash reserves

Tax advantages:

- long-term capital gains rates,
- tax-loss harvesting,
- lower taxable income control.

Many FIRE retirees intentionally build very large taxable brokerage accounts for this reason.

## 2. Roth IRA / Roth Conversions

One of the most powerful FIRE tools.

Strategy:

- Convert traditional IRA/401(k) money into Roth annually
- Pay taxes strategically at low income levels
- Wait 5 years
- Withdraw conversions tax/penalty free

This is called a Roth Conversion Ladder. ([NerdWallet](#))

Typical FIRE flow:

- Retire at 38
- Live from taxable account
- Convert \$40k–\$80k yearly from traditional IRA to Roth
- Minimize taxes
- After 5 years, access converted funds penalty free

This creates long-term tax optimization.

## 3. Traditional 401(k)/IRA

Usually preserved for:

- later retirement,
- tax arbitrage,
- required minimum distributions management.

# How They Access Retirement Accounts Before 59½

There are several methods.

## Method A — Roth Conversion Ladder

Most popular among FIRE people.

## Method B — Rule 72(t) / SEPP

IRS allows substantially equal periodic payments before 59½. ([IRS](#))

But:

- rigid,
- difficult,
- mistakes are costly,
- less flexible.

Many FIRE people prefer Roth ladders over 72(t).

## Method C — Taxable Brokerage First

Simple and flexible.

# Company Stock, RSUs, and Stock Options

This is a major issue for tech/high-income employees.

Most FIRE-oriented people treat:

- unvested RSUs
- future bonuses
- future stock grants

as "not real money yet." ([Reddit](#))

Common FIRE approach:

- sell RSUs immediately upon vesting,
- diversify into broad index funds.

Reason:

- your employment and investments are already tied to one company,
- concentration risk becomes dangerous.

Reddit FIRE discussions repeatedly emphasize:

| Don't count unvested RSUs in FIRE math. ([Reddit](#))

## Taxes in Early Retirement

One of the most misunderstood FIRE topics.

Ironically:

many early retirees pay surprisingly low taxes.

Why?

Because:

- no salary,
- capital gains can be managed,
- Roth withdrawals may be tax free,
- conversions can be controlled.

Example:

A married couple with low ordinary income can potentially realize sizable long-term capital gains at 0% federal capital gains rates depending on tax brackets.

This is why tax planning becomes extremely important.

## Healthcare Before Medicare

This is one of the biggest FIRE risks.

Between ages 38–65:

- ACA marketplace,
- private insurance,
- subsidies based on taxable income.

Many FIRE retirees intentionally keep taxable income low to qualify for ACA subsidies.

## Social Security Problem at 38 Retirement

Your concern is correct.

Social Security uses:

- your highest 35 earning years.

If you stop working at 38:

- the remaining years may become zero-income years,
- lowering your SS benefit.

But several important nuances matter.

### Example

Suppose:

- you worked 18 high-income years,
- then stop forever.

Your SS formula averages:

- 18 earnings years
- plus 17 zero years

This definitely lowers projected benefits.

However:

# Why FIRE People Often Don't Worry Too Much About This

Because:

1. SS becomes supplemental, not primary income.
2. High earners often already accumulated strong earnings records.
3. FIRE math usually excludes SS entirely for conservatism.
4. Delaying SS to age 70 can substantially increase payouts. ([MarketWatch](#))

Many FIRE retirees treat SS as:

- "bonus safety margin later."

## What Usually Makes FIRE Fail

Not math alone.

Usually:

- divorce,
- overspending,
- healthcare shocks,
- helping adult children,
- lifestyle inflation,
- concentrated investments,
- refusing to reduce spending during downturns.

## What Usually Makes FIRE Work

### 1. Flexible Spending

Very important.

People who can reduce spending during recessions survive better.

## 2. Lower Withdrawal Rate

3–3.5% is safer for age 38.

## 3. Geographic Flexibility

Lower-cost living dramatically improves odds.

The recent Reddit example of a 38-year-old retiring with \$1.7M and relocating to Thailand illustrates this principle. ([Reddit](#))

## 4. Diversification

Broad index investing instead of concentrated company stock.

## 5. Some Optional Income

Even small side income greatly improves sustainability.

A person earning even:

- \$10k–20k/year consulting  
can drastically reduce sequence risk.

## Practical Reality

A 38-year-old retiring permanently with:

- no debt,
- moderate spending,
- diversified investments,
- healthcare planning,
- flexible withdrawals,
- and ~30–33x annual expenses

has a materially better chance than someone trying to retire at exactly 25x with rigid spending.

For ultra-long retirements, many FIRE planners today consider:

- 25x = aggressive/minimum
- 30x = stronger
- 33x+ = robust

especially if there will never be future employment income again.

Gemini

Retiring at 38 is an ambitious and mathematically complex goal. While the "25x rule" is a popular benchmark, it was designed for traditional 30-year retirements. Extending that to 50+ years requires a more nuanced approach to bridge the gap between early exit and "old age" benefits.

## 1. The Strategy: Managing Assets and Taxes

Regular employees who successfully FIRE at 38 often use a "tiered" withdrawal strategy to avoid early withdrawal penalties and minimize the tax "drag" on their portfolio.

- **Tax-Gain Harvesting:** In years where your earned income is zero, you can sell assets in taxable brokerage accounts up to the 0% long-term capital gains threshold (\$47,025 for singles or \$94,050 for married couples in 2024/2025). This allows you to "reset" your cost basis for free.
- **The Roth Conversion Ladder:** To access 401(k) or Traditional IRA funds before age 59½, retirees often convert small portions to a Roth IRA annually. After a 5-year waiting period, the converted principal can be withdrawn penalty-free.
- **SEPP (Rule 72(t)):** This allows you to take "Substantially Equal Periodic Payments" from an IRA at any age. However, it is rigid; once started, you cannot stop or change the amount until age 59½ without heavy penalties.
- **Stock Options (ISO/NSO):** Managing these is a timing game. Employees often exercise ISOs (Incentive Stock Options) while still working to start the one-year "holding period" for long-term capital gains, but they must watch out for the Alternative Minimum Tax (AMT). After retiring, they may sell these shares slowly to stay within lower tax brackets.

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## 2. Is 25x Sufficient for a 50+ Year Horizon?

The "25x formula" equates to a **4% Safe Withdrawal Rate (SWR)**. While historical data suggests this works well for 30 years, it faces higher "failure rates" over 50 years due to **Sequence of Returns Risk** (a market crash early in retirement).

Horizon	4% Rule (25x) Success Rate	3.25% - 3.5% Rule (~30x) Success Rate
30 Years	~95%	~100%
50 Years	~80% - 85%	~98%

**The Verdict:** Retiring at 38 with exactly 25x is considered "aggressive." Most FIRE experts recommend a **3.3% to 3.5% SWR** (roughly 28x to 30x expenses) for a retirement lasting half a century. Alternatively, you must be willing to use a **flexible withdrawal strategy**, cutting spending by 10-20% during bear markets to preserve the principal.

### 3. The Social Security "Zero" Impact

Social Security calculates your benefit based on your **highest 35 years of indexed earnings**.

- **The Math:** If you retire at 38 after working for, say, 15 years, the Social Security Administration will put **20 years of "zero" earnings** into your average.
- **The Result:** This significantly drags down your Primary Insurance Amount (PIA). While you will still receive a check (provided you earned the 40 "credits" required, usually 10 years of work), it may only be 30-50% of what a full-career worker receives.
- **The "Bend Points":** Social Security is progressive. The first portion of your earnings is replaced at a 90% rate, meaning even with many "zeros," you still get a baseline benefit. Most 38-year-old retirees treat Social Security as a "bonus" or inflation hedge rather than a core pillar of their plan.

### Summary of the "Retire at 38" Checklist

- **Health Insurance:** This is often the largest "hidden" expense. Most US-based FIRE retirees use the ACA (Obamacare) marketplace, where low "taxable income" (thanks to Roth ladders) can lead to high subsidies.

- **Cash Buffer:** Keep 1–2 years of expenses in cash or high-yield accounts to avoid selling stocks during a market dip.
- **The "Die Broke" vs. "Legacy" Choice:** The 25x rule aims to leave you with at least \$1 at the end. If you want to leave an inheritance, you likely need 33x or more.

M365 Copilot

Here's a comprehensive guide based on real FIRE strategies and case studies—tailored to someone retiring at **38** and aiming for a long retirement (to 90+), using a 25× withdrawal formula, bridging account sequencing, tax considerations, and Social Security implications.

## Can You Retire at 38 with a 25× SWR?

- A **25× portfolio** supports a **4% withdrawal**, aligned with the traditional “4% rule.” However, since retirement at 38 spans over **50 years**, many advisors recommend a more conservative **3–3.5% SWR** to reduce sequence-of-returns risk and ensure longevity. [[wealthvieu.com](https://wealthvieu.com)], [[agnifolio.com](https://agnifolio.com)]
- Case studies show typical FIRE retirees aiming to withdraw between 3.25%–3.85% for 50+ years. [[agnifolio.com](https://agnifolio.com)]

## Tax Handling & Account Withdrawal Sequence

FIRE retirees leverage multiple **tax buckets**:

1. **Taxable accounts** – capital gains taxed, potentially at 0% when in low-income years.
2. **Roth accounts** – tax-free growth and withdrawals.
3. **Traditional tax-deferred** (401(k)/IRA) – taxed as ordinary income with early withdrawal penalties before 59½. [[stockondeals.com](https://stockondeals.com)], [[takehometax.com](https://takehometax.com)], [[saveyourbu...esstax.com](https://saveyourbu...esstax.com)]

**Sequencing strategies:**

- **Bridge years (until 59½):**
  - Use **taxable accounts** (capital gains at 0%).

- Implement a **Roth conversion ladder**: convert traditional to Roth gradually at low AGI; after 5 years, withdrawals become penalty-free. [[takehometax.com](https://www.takehometax.com)], [[saveyourbu...esstax.com](https://www.saveyourbusiness.com)]
  - Consider **Rule 72(t) SEPP** if needed: fixed early withdrawals without penalty. [[takehometax.com](https://www.takehometax.com)], [[saveyourbu...esstax.com](https://www.saveyourbusiness.com)]
  - **Post-bridge**: continue Roth or Roth-converted withdrawals, and at **59½+** gradually tap into traditional accounts.
  - Use **tax-optimized withdrawal sequencing**: pull from taxable capital gains up to the 0% bracket, then traditional, and Roth accounts last. [[fidelity.com](https://www.fidelity.com)], [[reddit.com](https://www.reddit.com)]
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## **Managing Stock Options & Company Equity**

Though sources don't detail 38-year FIRE cases with stock options, general best practices include:

- **Tax treatment:**
    - **NSOs**: taxable as ordinary income on the spread at exercise and later as capital gains.
    - **ISOs**: potential AMT triggers, with capital gain treatment if held long enough.
  - Use **tax-loss harvesting** in taxable accounts to offset long-term capital gains.
  - Sequence exercises to stay within low tax brackets.
  - Use proceeds to fund bridge years, Roth conversions, or taxable account spending.
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## **Withdrawal Strategies & Minimizing Taxes**

From FIRE thought leaders:

- **Tax-and-Penalty Minimization (TPM):**  
Structure withdrawals to minimize penalties and taxes by optimizing annual account sequencing. [[engineerin...yourfi.com](https://www.engineeringyourfire.com)]

- Avoid **proportional withdrawals**, which trigger frequent capital gains realized during rebalancing. [[fireoutpost.com](https://fireoutpost.com)]
  - Implement **tax diversification**:
    - Use **taxable** for 0% capital gains.
    - Use **traditional** for efficient bracket usage.
    - Use **Roth** as long-term tax-free reserves. [[fidelity.com](https://fidelity.com)], [[saveyourbu...esstax.com](https://saveyourbu...esstax.com)]
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### **Stretching FIRE Over 52 Years (38 → 90+)**

- Models suggest reducing initial withdrawal rate to **3–3.5%** for retirements over 50 years to maintain portfolio health. [[agnifolio.com](https://agnifolio.com)], [[choosefi.com](https://choosefi.com)]
  - Consider a **dynamic withdrawal** plan, adjusting spending in response to market performance. [[agnifolio.com](https://agnifolio.com)]
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### **Social Security Impact**

Retiring at 38 dramatically influences future Social Security benefits:

- Benefits are based on your **highest 35 years** of earnings; retiring at 38 leaves many zero-earning years, reducing the average and thus monthly benefit). [[fitaxguy.com](https://fitaxguy.com)], [[letsretireright.com](https://letsretireright.com)]
  - While early retirees aren't relying on SS, understanding the potential trade-off is wise. Some analyses suggest working additional years (or saving more) to offset lost SS income if desired. [[engineerin...yourfi.com](https://engineerin...yourfi.com)]
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### **Realism & Practical Feasibility**

- **Yes, retiring at 38 is feasible:** Many early retirees have done so with intentional sequencing and tax-aware strategies.
- **Key actions:**
  - Accumulate 25×–30× annual expenses; lean toward higher multiples (33×) for greater safety in long retirements. [[wealthvieu.com](https://wealthvieu.com)], [[agnifolio.com](https://agnifolio.com)]

- Set up a **bridge funding strategy**: 5–7 years in taxable or Roth basis to cover early years. [[takehometax.com](https://takehometax.com)], [[stockondeals.com](https://stockondeals.com)]
- Use **Roth ladders, Rule 72(t)**, and 0% LTCG harvesting to sustain income with minimal taxes. [[takehometax.com](https://takehometax.com)], [[reddit.com](https://reddit.com)], [[fidelity.com](https://fidelity.com)]
- Be willing to **flex withdraw rates** for efficiency and portfolio longevity. [[agnifolio.com](https://agnifolio.com)], [[engineerin...yourfi.com](https://engineerin...yourfi.com)]

## Summary Table (Retiring at 38 with 25× SWR)

Strategy Component	Key Details
<b>SWR Used</b>	3–4%, ideally ~3.5% to cover 50+ years [ <a href="https://agnifolio.com">agnifolio.com</a> ], [ <a href="https://wealthvieu.com">wealthvieu.com</a> ]
<b>Account Sequencing</b>	1. Taxable (0% LTCG) → 2. Roth ladder → 3. Rule 72(t) (if needed) → 4. Roth/traditional post-59½
<b>Stock Options</b>	Exercise tax-smart (NSO/ISO treatment), harvest losses, fund bridge years
<b>Tax Efficiency</b>	Use TPM strategy, minimize capital gains, optimize bracket fills [ <a href="https://engineerin...yourfi.com">engineerin...yourfi.com</a> ], [ <a href="https://fireoutpost.com">fireoutpost.com</a> ]
<b>Social Security</b>	Reduced SS benefits due to fewer earnings years; consider offset via savings [ <a href="https://fitaxguy.com">fitaxguy.com</a> ], [ <a href="https://engineerin...yourfi.com">engineerin...yourfi.com</a> ]

Following these principles makes a retirement from age 38 to 90+ **realistic**, if meticulously planned across portfolio size, tax strategy, withdrawal sequencing, and flexibility. Let me know if you'd like help modeling a specific scenario or looking into specialized tools to support this path. Would you like me to model a concrete age-38 FIRE scenario with numbers you choose?

Copilot

A person **can** realistically retire at 38 under FIRE—but only with careful tax planning, smart withdrawal sequencing, and a clear understanding of Social Security impacts. The stories and strategies below come directly from FIRE tax and withdrawal research, including how early retirees handle taxes, stock options, and long-term sustainability. [taxcalculatorusa.com](https://taxcalculatorusa.com) [taxbuoyancyexpert.com](https://taxbuoyancyexpert.com) [wealthvieu.com](https://wealthvieu.com)

## Can someone retire at 38 and make it to age 90+?

**Yes—if their portfolio is large enough, tax-efficiently structured, and withdrawals are optimized.**

The classic **25× rule** (i.e., 4% withdrawal rate) is a starting point, but early retirees often target **30–35× expenses** because their retirement horizon is 50+ years.

### Why?

- Sequence-of-returns risk is higher with a long horizon.
- Healthcare costs (ACA) must be managed for decades.
- Social Security will be lower due to many zero-income years.

[taxcalculatorusa.com](https://www.taxcalculatorusa.com)

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## How real FIRE retirees manage taxes

Early retirees face a unique tax landscape: **low income + high assets = opportunity.**

### Key tax strategies used by FIRE retirees

- **Roth conversion ladder** — Convert traditional IRA/401(k) money to Roth during low-income years, wait 5 years, then withdraw tax/penalty-free. This is considered the *hallmark* FIRE strategy. [taxbuoyancyexpert.com](https://www.taxbuoyancyexpert.com)
- **Capital gains harvesting** — With low taxable income, long-term capital gains can be taxed at **0%**. [taxbuoyancyexpert.com](https://www.taxbuoyancyexpert.com)
- **Tax bracket arbitrage** — Convert or realize income in years when you're in the lowest tax brackets. [taxbuoyancyexpert.com](https://www.taxbuoyancyexpert.com)
- **ACA subsidy optimization** — Keep MAGI low to qualify for Affordable Care Act premium subsidies. [taxbuoyancyexpert.com](https://www.taxbuoyancyexpert.com)
- **72(t) SEPP** — A structured withdrawal method allowing penalty-free IRA withdrawals at any age if rules are followed. [wealthvieu.com](https://www.wealthvieu.com)
- **Rule of 55** — If you leave your employer at 55+, you can withdraw from that employer's 401(k) penalty-free (not applicable at 38, but relevant later). [wealthvieu.com](https://www.wealthvieu.com)

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## What about company stock options?

FIRE retirees often handle stock options by:

- **Exercising ISOs early** to start the AMT clock and reduce future tax impact.
- **Selling RSUs** as they vest to diversify and reduce concentration risk.
- **Using low-income years** to realize gains at favorable capital gains rates.
- **Sequencing sales** to avoid pushing themselves into higher tax brackets.

These strategies align with general FIRE tax planning principles: keep taxable income low and spread gains across many years. [stockondeals.com](https://stockondeals.com)

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## Withdrawal strategies for a 50-year retirement

Early retirees rarely rely on a single method. They combine multiple access strategies:

### Accessing money before 59½

- **Roth IRA contributions** — Withdraw contributions anytime, tax/penalty-free.
- **Roth conversion ladder** — Access converted funds after 5 years.
- **Taxable brokerage** — No penalties; capital gains apply.
- **72(t) SEPP** — Structured withdrawals from IRAs.
- **HSA for medical expenses** — Tax-free for qualified medical expenses.  
[wealthview.com](https://wealthview.com)

### Safe withdrawal rate considerations

Research suggests:

- 4% rule is **not** always safe for 50-year retirements.
  - Many FIRE retirees use **3.25–3.5%** initial withdrawal rates.
  - Dynamic withdrawal rules (e.g., Guyton-Klinger) improve sustainability.
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## Social Security impact when retiring at 38

Social Security benefits are based on your **highest 35 years** of inflation-adjusted earnings.

If you retire at 38:

- You may have **~15 years of earnings** and **~20 years of zeroes**.
- This significantly reduces your Primary Insurance Amount (PIA).
- However, you still earn credits for eligibility if you have **40 quarters** (10 years of work).
- Early retirees often plan for **reduced or minimal Social Security** and treat it as a bonus. [spintwig.com](http://spintwig.com)

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## Example FIRE tax plan (based on real strategies)

[taxbuoyancyexpert.com](http://taxbuoyancyexpert.com)

### Age 38–43 (Bridge Years)

- Live off taxable brokerage + Roth contributions.
- Perform Roth conversions up to the top of the 12% bracket.
- Harvest capital gains at 0% rate.
- Keep MAGI low for ACA subsidies.

### Age 43–59

- Continue Roth conversion ladder.
- Use SEPP if needed.
- Sell company stock gradually.

### Age 59½–72

- Full access to retirement accounts.
- Withdraw from traditional accounts before RMDs begin.

### Age 73+

- RMDs begin; Roth accounts remain tax-free.



## Is FIRE at 38 realistic?

### Yes—if:

- You have **30–35× annual expenses** saved.
- You maintain flexible spending.
- You optimize taxes annually.
- You plan for healthcare and Social Security gaps.
- You diversify income sources (brokerage, Roth, traditional, HSA).

### No—if:

- You rely solely on the 4% rule without adjustments.
- You ignore tax planning.
- You assume high market returns every decade.



## Follow-up: What do you want to explore next?

Choose one:

- Model a FIRE plan with your numbers
- Compare withdrawal strategies
- Estimate your future Social Security benefit
- Plan taxes for early retirement

I can walk you through a personalized FIRE sustainability analysis if you share your expenses, savings, and account types.