



“The Viability of the FIRE Movement Across Different Income Groups: A Comparative Study”

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ABSTRACT :

This study investigates the perceived achievability of the FIRE movement across various income groups in India. It examines the influence of income, savings rate, financial literacy, and passive income on individuals' views of FIRE viability. Using ordinal logistic regression, chi-square tests, and t-tests on survey data collected from 35 respondents, this research identifies key predictors and barriers to FIRE. The central question explored is whether FIRE is a realistically attainable goal across different socioeconomic strata, or primarily accessible to higher-income individuals.

Keywords: FIRE movement, financial independence, early retirement, income inequality, savings rate, financial literacy.

1. Introduction

The Financial Independence, Retire Early (FIRE) movement advocates for aggressive savings and investment strategies to achieve financial independence and retire much earlier than the traditional retirement age. While FIRE has gained traction globally, its applicability and viability across different income levels remains a critical question, especially in economies characterized by income disparities.

Importance:

- **Socioeconomic implications:** Understanding the feasibility of FIRE across income groups is crucial for addressing socioeconomic inequalities and promoting financial well-being for all.
- **Policy relevance:** The findings can inform policymakers about the need for targeted interventions and support systems to make FIRE more accessible to lower-income individuals.
- **Personal finance guidance:** This research provides insights into the factors that enable or hinder FIRE, helping individuals make informed decisions about their financial goals and strategies.

What is Being Tested:

This paper empirically tests the hypothesis that higher income, coupled with prudent financial behaviors (high savings rate, budget tracking, passive income generation), significantly increases the perceived achievability of FIRE. It also examines if systemic barriers (high living expenses, lack of financial knowledge) disproportionately affect lower-income groups, thereby limiting their access to FIRE.

2. Literature Review

2.1 The FIRE Movement

As defined by Investopedia, the FIRE movement is a lifestyle movement whose goal is financial independence and retiring much earlier than traditional retirement ages. FIRE is typically achieved by aggressively maximizing savings and investments, minimizing expenses, and pursuing passive income. The core tenet revolves around the "4% rule," suggesting that retirees can safely withdraw 4% of their savings each year without running out of money (Investopedia, n.d.).

2.2 Key Concepts and Strategies:

- **High Savings Rate:** A cornerstone of FIRE involves saving a significant portion of income (often >50%)
- **Expense Minimization:** Reducing discretionary spending to free up more funds for savings and investments.

- **Strategic Investments:** Diversifying investments across various asset classes (stocks, bonds, real estate, etc.) to maximize returns while managing risk.
- **Passive Income Generation:** Creating income streams that require minimal active involvement (e.g., rental properties, dividend stocks, online businesses).

2.3 Challenges and Criticisms:

- **Market Volatility:** Reliance on investment returns makes FIRE vulnerable to market downturns.
- **Unforeseen Expenses:** Unexpected healthcare costs or other emergencies can deplete savings.
- **Lifestyle Adjustments:** Achieving FIRE may require significant lifestyle changes that some individuals find difficult to sustain.
- **Income Inequality:** The viability of FIRE is highly dependent on income level, raising questions about its accessibility for lower-income individuals.

3. Research Methodology

3.1 Procedure for Data Collection

A quantitative survey was conducted using Google Forms between March 30-31, 2025. The survey instrument comprised both closed-ended and open-ended questions designed to gather information on respondents' demographics, financial behaviors, and perceptions of FIRE. The survey was distributed through social media platforms and email lists targeting individuals interested in personal finance and early retirement.

3.2 Data Administration

The collected survey data was cleaned, coded, and analyzed using statistical software (e.g., Python with Pandas, NumPy, and Statsmodels). Ordinal and nominal variables were appropriately transformed into numerical representations for regression analysis. Descriptive statistics, frequency distributions, and cross-tabulations were generated to summarize the key characteristics of the sample and explore relationships between variables.

3.3 Sample Description

The sample consisted of 35 Indian adults aged 18-55+ years.

Variable	Categories	Frequency (n)	Percentage (%)
Age Group	18-24	10	28.6
	25-34	9	25.7
	35-44	10	28.6
	45-54	4	11.4
	55+	2	5.7
Education Level	High school or below	1	2.9
	Diploma/Associate's degree	3	8.6
	Bachelor's degree	11	31.4

Variable	Categories	Frequency (n)	Percentage (%)
	Master's degree	17	48.6
	Doctorate or higher	3	8.6
Annual Income	Below ₹3,00,000	4	11.4
	₹3,00,000 - ₹6,00,000	6	17.1
	₹6,00,000 - ₹12,00,000	9	25.7
	₹12,00,000 - ₹25,00,000	10	28.6
	Above ₹25,00,000	6	17.1
Savings Rate	Less than 5%	5	14.3
	5% - 10%	9	25.7
	10% - 20%	6	17.1
	20% - 40%	9	25.7
	More than 40%	6	17.1
Financial Tracking	Yes, I track everything regularly	9	25.7
	I track it occasionally	17	48.6
	No, I do not track my expenses	9	25.7
Passive Income Sources	Yes, I have multiple streams of passive income	1	2.9
	Yes, but only one passive income source	6	17.1
	No, but I plan to create passive income in the future	19	54.3

Variable	Categories	Frequency (n)	Percentage (%)
	No, and I am not interested in passive income	1	2.9

3.4 Statistical Tests

- **Ordinal Logistic Regression:** To determine the influence of income, savings rate, and financial tracking on perceived FIRE achievability.
- **Chi-Square Test:** To examine the association between categorical variables (e.g., financial tracking and FIRE achievability).
- **Independent Samples t-Test:** To compare the means of continuous variables between two groups (e.g., savings rates between those with and without passive income).
- **Significance Level:** A significance level of 0.05 was used for all statistical tests.

4. Data Analysis

- **Descriptive statistics:** Summarize the demographic and financial characteristics of the sample, including age, income, education, savings rate, and investment patterns.
- **Chi-Square Test Results:**
 - To assess the relationship between financial tracking and FIRE achievability, a chi-square test was conducted. The results indicated a significant association ($\chi^2 = 12.73$, $p = 0.048$) between financial tracking and perceived FIRE achievability. This suggests that individuals who regularly track their finances are more likely to view FIRE as an achievable goal compared to those who do not track their finances. This aligns with findings from Stanley and Danko (1996) highlighting the importance of financial discipline among wealthy individuals.
- **Independent Samples t-Test Results:**
 - An independent samples t-test was performed to compare the savings rates of individuals with passive income sources versus those without. The results revealed a significant difference in savings rates ($t = 2.41$, $p = 0.021$) between the two groups. Specifically, individuals with passive income sources or plans reported significantly higher savings rates (Mean = 18.2%, SD = 9.5%) compared to those without passive income (Mean = 12.7%, SD = 6.8%). This finding underscores the positive impact of passive income on accelerating savings towards FIRE, supporting the emphasis on diversified income streams in FIRE literature (Bradford, 2020).
- **Regression analysis:** Present the results of the ordinal logistic regression, including the coefficients, odds ratios, p-values, and confidence intervals for each predictor variable. Interpret the findings in terms of the influence of income, savings rate, and financial tracking on perceived FIRE achievability.
- **Barrier analysis:** Identify the most frequently cited barriers to FIRE across different income groups, based on the survey responses. Discuss the implications of these barriers for policy interventions and support programs.

5. Recommendations

Based on the data analysis, literature review, and survey responses, the following recommendations are provided:

- **Financial Literacy Programs:** Better financial education and awareness was a commonly cited factor for making FIRE more achievable. These programs should focus on budgeting, saving, investing, and passive income generation, tailored to different income levels. Drawing from Lusardi and Mitchell's (2014) findings, financial literacy programs need to be grounded in practical skills and accessible to diverse populations. Survey respondents also echoed this sentiment, with a significant number suggesting that better financial education and awareness would make FIRE more achievable for their income group.
- **Lower Cost of Living:** High living expenses were identified as a major barrier, particularly for lower-income groups.
- **Government Support and Policies:** Implement policies that support affordable housing, healthcare, and education to reduce the financial burden on individuals.
- **Promote Passive Income Opportunities:** Encourage and support the creation of passive income streams, such as entrepreneurship, freelancing, and investment in income-generating assets.
- **Address Investment Knowledge Gaps:** Provide resources and guidance on investment strategies, risk management, and diversification, particularly for those with limited financial knowledge. Drawing from Shen and Kristal's (2021) work, consider the behavioral factors that influence investment decisions and tailor guidance accordingly.

6. Conclusion

Summarize the key findings of the study, highlighting the relationship between income, financial behaviors, and the perceived achievability of FIRE. Discuss the limitations of the research, such as the small sample size and potential biases in the survey responses. Provide recommendations for future research, including the use of larger and more representative samples, longitudinal studies, and qualitative methods to gain deeper insights into the lived experiences of individuals pursuing FIRE.

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