Teacher Finance

FINANCIAL PLANNING FOR THE PEOPLE WHO SHAPE OUR FUTURE.

TEACHER FINANCE PLANNING LTD

What is FIRE?

After a few years of teaching and investing I started to consider what my financial future looked like. I knew my state and teacher pension normal age was going to be 68, and although I greatly enjoy my day job, I couldn't imagine still wanting to deal with the daily challenges of teaching at that age. This is when I learnt about the FIRE movement, or 'Financial Independence: Retire Early'.

There are many different sub-genres of FIRE, such as BaristaFIRE, LeanFIRE, FatFIRE, or CoastFIRE, but the main idea is to invest enough while working to have enough passive income from the growth or drawdown to live off, and perhaps retire years or decades earlier. The idea has been around a long time, starting at least in 1992 in the book 'Your Money or Your Life', where the authors encouraged frugal living, saving and investing, but has gained traction recently and has evolved to include several different methods to attain the same goal.

The three cornerstones of the FIRE movement are:

- Having a high savings rate, some people aim for 50% of their income, however this is extreme, but the more aggressive the savings rate, the quicker the path to FIRE
- Reducing expenses, cutting spending and being more frugal
- Increase income, the more you earn, the more you can save. This could be through aiming for pay rises and promotions, or some look to develop other income streams too.

FIRE has sometimes been seen as something that only those on very high incomes can achieve in the past, however it can definitely be possible for everyone, and from this websites perspective, for teachers. It is all about a balance between spending money now, or investing for a future early retirement. It encourages you to be frugal, to be able to save more, but there are different levels of extreme, and aiming for FIRE does not mean you have to live on rice and beans. Some people aim for retirement as soon as possible and save and invest every penny, whereas others just want to have enough money behind them to not need to worry about insecure jobs, or taking some time off at some point, maybe for family reasons.

So how does it work?

For a long time, a 'relatively' safe withdrawal rate from investments has been seen as 4%, there are many theories about how safe this rate is, with some arguing for more or less, but for most it is a good figure to aim for. If you are aiming for particularly early FIRE then 3% could be a safe withdrawal rate. Going for 4% means that somebody needs to have 25 times their yearly expenses invested, this is their FIRE number.

Example:

The first thing to work out when considering FIRE is what your FIRE number is. To do this you take your expected monthly expenses once retired x12 for a year, x25. Most people will have a paid off house by retirement, so say for example you expect to need £2000 a month in retirement. This would mean your FIRE number is £2000x12x25 = £600,000. So a £600,000 investment portfolio would mean you could withdraw enough each year to meet your planned expenses. This sounds like a lot, but with compound growth and strong stock market returns it is certainly very possible for teachers, and everyone, to aspire to. Just see my blog about investing the 2026 and 2027 teacher pay award to see how quickly small amounts can compound.

What about my Teacher Pension?

This is where FIRE can really work well. If you have a Teacher Pension or other defined benefit pension that guarantees a certain income in retirement, then you can take that away from your expected living expenses from the age that it starts being available. For example, if you are already on track for a £24000 per year Teacher Pension from 65, then your expenses will be covered from 65 (state pension will give you even more and should be taken into account too). So in this case, you actually just need a 'bridge', from the age you retire, until the age you start to receive your Teacher Pension.

So say you wanted to retire at 55, 10 years earlier than 65, then you would need 10 years of expenses saved, £240000 in the example above. This would then potentially be depleted by 65 when the Teacher Pension kicks in. This is very simplified, and there are loads of calculators out there that you can use for FIRE, you need to consider things like the accessibility of funds, returns, whether you want to drawdown to 0, or live on dividends to leave an inheritance, whether it is in a Stocks and Shares ISAs or other DC pension (that will have a different pension age, usually 10 years before the Teacher Pension normal pension age), and the tax considerations.

Some good calculators are here:

https://www.ukfirecalculator.com/

https://www.firecalculator.uk/

So can teachers FIRE?

Definitely, if you have some money left over each month to invest, then every little adds up and grows due to the wonder on compound growth. Use a compound interest calculator to see how investments can grow: https://www.thecalculatorsite.com/finance/calculators/compoundinterestcalculator.php

Summary:

So simply, FIRE is a mindset where you invest as much as possible, to be able to replace your salary with passive income or drawdown from the investments once they reach your FIRE number. You could have a range of different income streams, but the easiest way is to simply invest in your Stocks and Shares ISA, up to £20k a year, in a low cost index tracker fund, up to your FIRE number. Then take it easy, be financially independent from relying on a salary, and be able to have the choice to go part-time, reduce stress, or retire altogether.

You can read more about investing, FIRE, and pensions, on the Teacher Finance website.