



WORK, RETIREMENT AND FINANCIAL INDEPENDENCE: FIRE CONCEPT IN INDIA

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ABSTRACT

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Development psychology associates each phase of life with specific tasks, expectations and challenges allied to the particular stage of life. Just as every stage of life needs specific preparations to execute the task associated with that stage, the retirement stage also needs the readiness to enjoy that period free from regular work. The retirement period expects a person not to depend on the regular monthly salary to meet routine needs but to be financially independent to enjoy life in freedom. However, many people in India ignore this phase of life as a period of enjoyment and see it as a stage of burden. Many try to go to work in their old age and earn money for survival, or sometimes depend upon their children for their every need. Some even think that this stage is a period of enjoyment at the cost of their children's money. Lack of financial independence of retired people in old age becomes a hindrance to both the elderly as well as the younger generation. Thus, economic dependence on children is seen today as a hindrance to the self (as parents) as well as the well-being of the younger generation (children). Based on the concept of FIRE (Financial Independence and Retire Early), this qualitative study used interview methods to collect data from employees from different parts of India to narrate their own stories as well as their acquaintances to explore work, financial security and retirement and the concept of FIRE in the Indian scenario.

KEYWORDS: *Concept of Work, Retirement preparation, financial independence, FIRE concept in India, work and FIRE concept*

INTRODUCTION AND THE PROBLEM

The decision to retire from active professional life or a job is one of the major life decisions. The retirement period keeps a person psychologically and physically away from the daily routine that gives respect, status and position in society (Wang & Shi, 2014). Since retirement is often associated with old age, developmental psychologists elaborate that many people are confused when they reach this period. Retiring age is generally 58, 60 or 65 (different in different countries). Assistance from the government and social security helps people to live happily and comfortably for more years in developed countries

during this period of life (James, Matz-Costa, & Smyer, 2016). However, many people in the developing countries do not look at retirement positively. According to Retirement Readiness Survey conducted in India (2020), 89% of the respondents were not prepared for retirement, 51% of Indians are ready financially for retirement. Another survey among salaried people suggests that over 50% of Indians believe that their savings will be exhausted within ten years, and 9 out of 10 surveyed believe that their savings will not suffice to complete their retirement life (Gautam, 2021). The poor social security and lack of financial preparedness for old age contribute more to

the fear-complex people develop thinking about their old age and retirement.

Though retiring at a prescribed age (above 58) is the general norm and practice in many countries around the globe, people have different kinds of understanding regarding retirement. On the one side, several senior workers in the US, Netherlands and OECD countries (Organization for Economic Co-operation and Development) practice a concept called 'Bridge Employment' after regular retirement. Bridge Employment is a paid work undertaken after retirement, not done strenuously or as the primary career or job; this is to remain part of the professional field even after reaching the standard retirement age (Shultz, 2003; Ang & Mehta, 2021). On the other side, the FIRE movement, a recent concept encourages people to save at an early age, become financially independent, and retire early. This attractive new philosophy encourages people to retire in their late thirties or early forties with enough financial security to safeguard themselves until death.

Financial independence and early retirement, though two different things, are interconnected. Financial independence is a state of life in which a person is not dependent on the salary that comes from a job/profession for the daily needs of life (Fisker, 2010). It makes one not depend solely on regular salary to meet daily needs. The FIRE movement originated in the last decade of the 20th century and evolved with the publication of the book *Your Money or Your Life* in 1992 by Vicki Robin and Joe Dominguez (Kerr, 2021). The book talks about earnings, savings and spending; more precisely, about financial independence at an early age. Since the book's publication, many blogs appeared on social media platforms with more and more explanations of this new philosophy of life. Many guidelines for financial independence, to start a relaxed life before the traditional retirement age, are available today. This lifestyle is becoming popular among many youngsters. *Early Retirement Extreme: A Philosophical and Practical Guide to Financial Independence* by Fisker (2010) is another significant publication that contributed to the topic. Fisker narrates his personal financial decisions of simple living that lead him to achieve a Himalayan financial target at the age of 33. From the perspective of working for money, the new philosophy propagates a pragmatic way of utilizing money. The basic philosophy of FIRE is to have better control over finance, time and life and become independent economically.

The FIRE movement has two specific goals. First, it emphasizes financial independence at an early age.

Second, it emphasizes early retirement to enjoy savings in a relaxing way. To become financially independent, save 40 per cent to 70 per cent of one's earnings in 10 - 15 years to accumulate sufficient wealth to generate a passive income. Today many formulas are available, proposed by different pundits to enumerate the wealth needed for a comfortable post-retirement life (Arora, 2016). Retiring at an early age is not stopping working completely or not having a solid income, but rather doing something to generate a passive income from the savings accumulated or, by some leisurely working.

Tang Ping or Lying Flat movement is another Eastern concept that started in April 2021. This movement came as a reaction to the work culture, often stressful, that is prevalent in Chinese society (Chen, 2021). This philosophy started with the original post on Baidu Tieba. Young people in China who are exhausted by a culture of hard work look for a lifestyle change by "lying flat" (BBC News, 2021). Though not as popular as FIRE, Tang Ping appears to be a revolutionary lifestyle and a social protest movement against a tiring and choking work culture (9 am to 9 pm, six days a week). This movement, if taken seriously, propagates a very austere lifestyle, similar to a spiritual or religious movement that does not include marriage, children or even a house (Li, 2021). The followers of this movement choose to live a minimalist life with lighter life goals and targets and work for the minimum necessities in life. The basic ideology is not to overwork, be content with the attainable achievements, and thus allow more time for leisure and relaxation.

People who choose early retirement give different reasons, like a pressure-free life, more freedom, sufficient time with grandchildren and family, having more religious or spiritual affinity etc... as reasons. Deepu (2022) asks employees to embrace retirement life happily as sound people (both mentally and physically) and financially stable individuals to start the new phase. Therefore, a meaningful retirement is a period of happiness, financial security and a free lifestyle with few obligations. In this context, it is appropriate to think about Financial Independence and Retire Early (FIRE) philosophy that is popular in developed countries.

OBJECTIVES

The objectives of the study are threefold. Primarily, it identifies the reasons to work and the understanding of financial independence; second, the concept of retirement and financial security and finally, understanding and acceptance of FIRE in the Indian scenario.

METHODOLOGY

This qualitative, exploratory study selected the subjects purposively. After in-depth interviews with twelve private sector employees (four subjects from three age groups), sufficient information was gathered for the data. The three age groups were: beginners (below the age of 35) with 5 to 8 years of work experience, the mid-career group (age 40 to 60) with 15-25 years of work and finally, the subjects who continue their career after retirement age. This data helped the researchers to explore the specific objectives of the study. The interview focused not only on the subjects but also on their friends, neighbourhood mates, acquaintance and other colleagues. Thus, the research through interviews explored the reasons for work, personal financial security, barriers to savings, the concept of retirement,

and preparation for retirement. Questions on FIRE and their understanding also were the focus of the interview. As per the qualitative data analysis protocol, categorized and further arranged under themes based on the objectives.

RESULTS AND DISCUSSION

As per the demographic details of the subjects, except one, all others are married. In the first category of subjects, the average age is 30, and the work experience is Seven years. In the second category, the average age is 50, and the work experience is 22 years. In the third and final category, the average age is 70, and the work experience is 45.5 years. The total working experience of subjects ranges from 5 to 52 years.

Table: showing demographic details of the subjects

No	Age	Gender	Marital Status	Children/ Dependents	Job Sector	Total Work	Retirement Plan
1.	28	Male	Single	0/2	Education	5	Not Decided
2.	30	Male	Married	1/4	IT	7	Early 50s
3.	30	Female	Married	1/4	IT	7	Till financially stable
4.	32	Female	Married	2/2	Education	9	Not Decided
5.	46	Male	Married	1/1	Textile Mill	18	65
6.	48	Female	Married	3/5	Education	20	62
7.	52	Female	Married	2/1	Education	22	65
8.	55	Female	Married	1/2	Textile Mill	28	Till possible
9.	65	Male	Married	3/1	Company	35	3 more years
10.	68	Male	Married	3/1	Company	45	Till capable
11.	72	Male	Married	3/1	Education	50	Till capable
12.	76	Male	Married	4/1	Education	52	Till capable

WORK, RETIREMENT AND SAVINGS

The concept of work is to earn money for daily living. Of the 12 subjects interviewed, only two have saved for the future and expressed the desire to retire before the prescribed years to enjoy a leisurely-retired life while they are healthy. They also mentioned that some of their friends who are employed in the IT sector have savings. Though they are not able to pinpoint the number of people or give any percentage, they are very few. Of the subjects, only four have Health Insurance (33.3%), and according to their reports, roughly 37% of their friends have such policies. Six people have LIC policies (50%), and 65% of their friends and colleagues have LIC policies. Since all the subjects are from the private sector, only eight subjects have provident fund

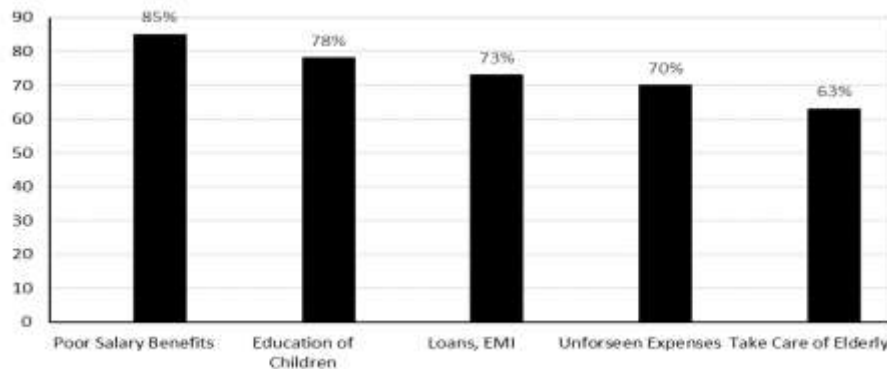
provisions in their organizations.

The study data reveals that work and financial independence concepts are different to many people in India. Though everyone works for money, the concept of financial independence has not deeply rooted in the system. Some even desire to work after retirement, just to kill time or get a salary. Few people work after retirement due to financial burdens in the family. Some work after retiring from government jobs and pensions because there is no sufficient preparation for them about their old age period. Achieving financial independence is not easy for many Indians due to different reasons. The following reasons were pointed out in the interview for not thinking about financial

independence. The top reasons in rank order are i) poor salary in the current employment, ii) children’s needs and education, iii) family loans and economic burden,

iv) unprepared for unexpected expenses, and v) taking care of the elderly members in the family.

Graph 1: showing top 5 hindrances for financial independence



The primary reason mentioned by them are, burdened by low salary and other poor incentive system in the private sector. The study identifies that except in the IT sector, no other organization or company is paying satisfactory salary to the employees. Except the IT sector, the subjects think that receive poor salary than their government counterparts. As per the poor salary drawn by many employees, one employee narrated the tale that the education institution where he is employed offers 800 Rs as housing allowance where as he is paying 6000 Rs. for living in a reasonable rented house. Though housing rent has income tax exemption, only 800x12 Rs. is exempted when the institution provides it. According to him, this is the fate of all the employees in the institution where he works and the employees in the nearby institutions. Another employee narrated that the salary structure has 200 Rs as medical allowance, which is a joke. 90% of the employees do not consider their salary is given proportionate to the work the organisation is expecting and think that their employer is cheating the employee in one or another way.

Few subjects narrated that the organization offer less number of leaves to the employees in order to gain income through Loss of Pay, and according to him, it is a common practice in many institutions. 80% of the subjects who work in the educational sector narrated that no incentives are given and some never get annual increment. Though people work in the companies get festival bonuses, in the education sector, employees

feel cheated as if they are at the mercy of the employer for their monthly salary. It is because there are numerous graduates unemployed and the management utilizes this opportunity for exploitation.

Subjects from educational sector explained that education institutions seldom practice the UGC norms, though there are many rules to safeguard them. The UGC and other concerned bodies seldom interfere in the internal affairs, though there is NAAC and IQAC forums to safeguard the quality, the management can easily manages such visits and quality concerns with financial favours. When Labour laws are broken, there is no Labour originations come forward to help the employees. Some subjects narrated that they fear that if they file a lawsuit against an employer for violation of any rules, that person will be targeted and never get a job from other intuitions as well. This fear squeeze employees to be silent slaves of skimming by the employers.

Another repeated issue raised in the interviews were the concept of income tax ceiling at Rs. 3,00,000 in the salary. The income generated by an employee as salary is taxable and it falls under direct tax. The TDS concept by the government to collect income tax from the very source, that is, an employee is paid salary after deducting the tax. Many subjects feel the income tax limit for 3,00,000 Rs itself is a hindrance to manage family expenses.

Table 2: showing top 5 hindrances and the reason

	Reason	Percentage	Explanation provided
1.	Salary not sufficient to maintain their daily expenses	85	Low salary, TDS, less holidays and loss of pay, cutting salary for occasional late coming
2.	Children education and their needs	78	Admission pay, capitation fee in private schools, though government announce ceiling in the fee that is seldom practiced
3.	Loans and other economic burden in the family	73	Paying house loans and other EMI and the interests attached to it become a burden for individual families; extra expenses of elders at the cost of their children’s money
4.	Unforeseen expenses	70	Since people could not opt for an option to avoid expenses due to cultural and family norms. Some find it suffocating
5.	Meeting the needs of elderly and other members	63	Many elders don’t have medical polices, or LIC policies, some have medical policies to cover medical expenses; luxurious life of elders at the cost of children’s salary income

The reason for ‘no saving’ situation is due to education of children or grant children. People who have children find it very difficult to meet the study expenses of their children. Many employees narrated that fear of their neighbours and due to social status; they are forced to send their children in the top schools and colleges. The concept that sending their children to government schools is a disgrace to the family. Most of the private educational institutions are self-financing and they are forced to raise the fee in comparison to the aided institutions. Moreover, today education is a business to make profit and therefore the fee are very high, salaries are low, and the government norms and guidelines often overlooked.

Another hindrance for families to save is due to economic burdens of loans. 73% of the subjects mentioned ‘loans’ as the main reason for their financial situation today; loans for their house, vehicle instalment payments and other loans from Banks and private parties. 30% of the interviewed subjects take a loan from private parties due to the hardship and norms in the banks. The interviewed employees mentioned this as the fate of many of their friends in many private sector jobs also. Banks are hesitant to give loans to private employees.

Poor pension schemes, mismanagement of the Provident Fund, and non-compliance with gratuity by private organisations make life miserable for many. Taking care of the elderly at home by the children is an unwritten cultural norm in India. The concept of an aged home in India is often associated with orphans and neglected people - is deeply rooted in the psyche of

the Indian people. Taking care of the elderly becomes a burden for many to think about early retirement or savings.

Though many subjects do not have the habit of budgeting and writing accounts, the study infers this is one of the causes of concern among people and a hindrance to their savings. People wrongly associate accounts or write their spending as miserly living. Budgeting monthly expenditure plans and having income from many sources are the basis for financial independence. One need not be super wealthy to live a financially independent lifestyle. Each individual has a different lifestyle and needs that are unique. Without a financial plan, happiness is not possible. Many who desire to work post-retirement age, do so not because of the love for the profession, it is due to poor saving habits and financial insecurity or desire for more money. Very rarely do people dedicate their life to contributing in whatever possible way and such people do not bother about money and salary. Since there is no economic planning, unforeseen expenses become a hindrance to their saving.

FINANCIAL INDEPENDENCE

Financial independence is not easily attainable by many in the current Indian scenario. Therefore, early retirement is not possible. Many do not have a retirement plan and become a burden in the last phase of life. Most employees do not have any financial planning for their daily life. Except for two subjects, no one has the habit of writing everyday accounts, weekly expenses or monthly financial planning. They do not foresee future events and therefore do not set aside money for their future goals. Many subjects believe

that God will provide when they are in need. A few of them have the habit of buying lottery tickets regularly. Fate or Karma concept is strong among many people. This philosophy and thoughts lead to poor saving habits.

The concept of “Save first and spend later” has not entered the Indian psyche. The five main reasons identified by the study reflect this concept. Subjects seldom practise 30% savings from salary, often proposed by economic advisors. All the interviewees mentioned that nobody taught them to write accounts and have financial planning. This life skills training was never provided in their school or taught by parents or other places. Though some subjects are aware of online webinars, they get email alerts and often think that it is for those who earn big salaries, invest in mutual funds, and regularly trade in the stock market.

FIRE CONCEPT

Except for the 30-year-old IT professionals, no one has heard about FIRE concept and has no plans to retire early. This fact brings out many concerns. i) the habit of updating knowledge is very poor among people ii) the critical mind to adopt what is good in another culture is not there, iii) the old age as a period of enjoyment, an age of fulfilment concept is lacking among many, iv) poor economic condition of the majority of Indians today. FIRE concept propagates saving money aggressively at a younger age and building wealth at a higher speed rather than traditional saving plans. It is surprising that the majority of people prefer to live for the day and seldom think about future insecurities. The majority of people are stuck in the present-day situation when it comes to finances. Many people are not ready to get out of short-term thinking because of a lack of life goals, and the cultural concept of taking care of elderly parents becomes a hindrance to financial independence and early retirement. The concept of saving and leaving for the next generation or, not depending economically on the younger generation is not there.

CONCLUSION

The study identifies that it is difficult for many employees to decide and plan their life after retirement. Some do not even think or plan retirement and extend their work until health permits. Achieving financial independence is not easy for many Indians due to various reasons. The main reasons identified are, poor salary in the current employment (private sector), educating the children and taking care of their needs, loans and other economic burdens of the family, being unprepared for sudden expenses, and taking care of the

elderly members in the family. The poor social security system in the country favours only government employees. Many subjects do not have financial planning and do not write the accounts of expenses - daily, weekly or monthly. They do not have savings to safeguard the unforeseen events. The concept of FIRE is not known to many people and, in the present situation, many employees cannot think about that.

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