

A: Retiring in your forties seems like an impossible dream for most of us, yet a new movement is proving that it is achievable through saving and shrewd investment. A group of disaffected middle-class workers has rejected the assumption that we all have to work well into our sixties, or even seventies, and is following a formula for financial independence. The movement known as FIRE — an acronym for financial independence, retire early — took off in North America and has spread to the UK, with hundreds of thousands reading blogs and ebooks by its proponents. To discuss the FIRE phenomenon, I have with me in the studio Paula Adams, one of FIRE's leading exponents, who herself retired at the age of 43.

B: Good morning Henry.

A: Paula, how does one go about retiring at such an early age?

B: The basic idea is to live as frugally and economically as possible, saving half your income or more during your 20s or 30s, the aim being to retire in your 30s, or 40s at the latest.

A: I believe that some millennials, in particular, have embraced the FIRE movement, seeing it as a way out of soul-destroying, time-stealing work and an economy fuelled by consumerism.

B: Yes, although it's important to point out that most millennials aren't saving enough for retirement. One report found that two-thirds of US millennials saved nothing for retirement, while a survey of 1,500 UK millennials last year found they were saving, on average, 4.6% of their income for retirement. This is well short of current thinking which suggests contributions of 12-15% of income are needed.

A: But surely even at 12-15%, building a nest-egg big enough to live off usually takes decades.

B: Yes, for adherents to the FIRE movement, that figure is much too low. In order to retire much more quickly, as I said, you should aim to save half your income – or more – while spending as little as possible.

A: So what sort of economies did you choose to make?

B: Well, apart from saving at least half my salary every month for nearly two decades, I cycled to the office rather than using public transport, and cut back on drinking and eating out. And both my children went to state schools, as opposed to fee-paying private ones.

A: One common refrain among FIRE critics is that it's all short-term pain for uncertain, long-term gain. They say that if you're depriving yourself that much, you're not going to be happy, and you're not going to be able to maintain a lifestyle of deprivation.

B: I agree. My advice would be to cut back unnecessary expenditure to the point that feels uncomfortable, then settle just above that level. You should be able to enjoy life without spending lots of money.

A: Followers of FIRE tend to be male and work in the tech or finance industry. Isn't there a danger that people who have, in many cases, had high-powered jobs with lots of responsibility, will be bored and demotivated if they retire in their forties?

B: In fact, the "retire early" part of this movement can be something of a misnomer. The goal isn't to quit your job at 35 or 43 and do nothing until you die. Instead, the focus is on financial independence: the aim is to save enough of a nest-egg, and live simply enough, so that the ensuing decades can be spent doing something other than chasing pay rises and promotions at a corporate job, or worrying about owing a large mortgage to the bank.

A: So, retirement needn't mean giving up work altogether?

B: Certainly not. Humans have an intrinsic need to work. We need to feel we are valued members of society, and that's not going to stop because you have a certain amount of money in the bank. Rather, it gives you the flexibility to do what you want. Some choose to travel – on a budget, of course – while others simply pick and choose their work, rather than feeling trapped in a job or career they can't wait to escape from.

A: So, how are you keeping busy in your retirement?

B: Well, I started a blog for people interested in FIRE, and now I'm writing a book about my experience.

Outline: FIRE (an acronym for "financial independence, retire early") is a movement that started in the US and has now spread to the UK. By saving a large percentage of their income and living a frugal life, its followers, usually males working in tech or finance, aim to retire in their 30s or 40s. But many millennials are not saving enough for even a standard retirement. The interviewee, who writes a FIRE blog, explains that by saving half his salary and cutting down on luxuries, he was able to retire at 43. However, retirement doesn't mean a life of boredom, rather it is having the financial independence to pursue one's interests rather than being trapped in a stressful job and worrying about paying off the mortgage.

1. Questions: What age do you expect to retire at?

2. Would you like to retire in your forties?

3. What are some of the challenges facing state-funded pension systems?

4. One speaker says "we have an intrinsic need to work". Do you agree?