

Emotional Cheat Code:

How Financial Independence Can Boost Your Donations

Odin Mühlenbein, questions by Alana Horowitz Friedman

[Shortened version](#) available on the Giving What We Can blog

Could you explain FI to anyone who hasn't previously heard of it?

For me, Financial Independence is the degree to which you can live your life without having to worry about money. If you have saved \$5,000, you no longer need to worry about your washing machine falling apart. This is how FI creates peace of mind. A year or two worth of living expenses, and you no longer need to worry about leaving an organization that behaves in ways that you don't support. This is how FI helps you live according to your values. At some point, if your money is invested in things like stocks, bonds, or real estate, it will generate an income that can cover your living expenses indefinitely. Based on a rule of thumb in the FI community, this happens if you have 25-30 times your yearly expenses.¹ For example, if you spend \$30,000 per year, you need \$750,000 - \$900,000 to sustain your lifestyle without ever having to work again. When people mention Financial Independence as a goal, they are typically referring to this milestone.

This interview is about FI and donating, but FI can also be interesting for EAs in other ways. You can volunteer extensively, take on high-impact roles that might pay less, or even transition to a new career focused purely on social impact. FI provides the freedom to prioritize purpose over paycheck.

The FI goal can often be seen as in opposition to giving a lot to charity, since you're working to increase your own wealth a lot faster than those who plan to work long term might find necessary. Can you talk about the ways you think the FI mindset or approach actually complements the goal of donating impactfully?

Financial Independence gives you peace of mind and the freedom to live according to your values. For many people, this means no longer working for money. In that case, there is indeed a tradeoff between Financial Independence and lifetime donations.

For me, early retirement would be insane. I believe that my work is impactful, and I find it deeply satisfying. I see Financial Independence not as a way to quit the rat race. I see it as an *emotional cheat code* that enables me to donate more over the course of my life than I would otherwise be able to.

Let's say I donated 40% of my income today. My lizard brain would constantly invade my thoughts, fueled, among other things, by society's notions of success, some unfounded fears around scarcity, and the ego's tendency to make comparisons: "This is stupid. In a crisis, you cannot even hire a private jet to relocate your family to Australia. People much richer than you don't donate at all." Et cetera, et cetera. Financial Independence provides a powerful response: "Breathe! We have enough to live in comforts and luxury that people in other parts of the world or 100 years ago could only dream of – forever and without ever having to work again. What more could we *possibly* want?!"

¹ For a quick introduction to this rule of thumb, see "[The Shockingly Simple Math Behind Early Retirement](#)". Just ignore the term "Early Retirement".

I know that some people in the EA community are donating 40% or more without being financially independent. If they have a lizard brain nagging them about it, I admire them for their ability to stay the course. If they don't, I admire them for their spiritual maturity.

You have an approach to pursuing both FI and increasing your donations (even beyond the 10% Pledge) at the same time. Can you walk us through it?

I link my donations to milestones toward Financial Independence:

	Milestone	Donations
Initial savings phase		No donations
Later savings phase	13x yearly expenses	Donate 10%
FI with some remaining risks ²	21x yearly expenses	Donate 20%
FI using conservative assumptions	30x yearly expenses	Donate between 30% of income and whatever I have in excess of FI

Donations for the last milestone are still vague. In principle, wealth beyond FI doesn't serve any meaningful purpose and should be donated. That said, I'm not sure if I'll be able to donate 60% of my income, let alone whatever I have in excess of FI. I hope to reach this point in 7 years or so. Happy to give another interview then.

Note that the FI money itself is not lost. In fact, I think of it as an investment on behalf of effective charities. If I don't succumb to serious lifestyle inflation, I will not consume the wealth that my emotional cheat code depends on. So it, too, can be donated (with compound interest) when I die. My will has clear instructions for this.³

Where are you currently at with this approach and is there anything you would change if you were to begin again?

I'm in the "later savings" phase. I'm donating 10% of my income. My lizard brain is at peace.

If I were to start over, I would start donating 10% earlier. It wouldn't have made a big difference in how long it takes to reach FI.

Did you personally find it difficult to reconcile the goal of FI with the goal of impactful donating? Why or why not?

For me, the seeming tradeoff between donations and FI dissolves as I zoom out and think about it from the perspective of my entire life. FI only limits my donations in the short-term under some very generous assumptions about my personality. (You have to believe that

² "Remaining risks" means that I might be running out of money if I stopped working immediately (partner dies in a car crash and I become depressed), with something like the oil crisis or the burst of the dotcom bubble happening soon after. Historically, 30x yearly expenses (FI with conservative assumptions) would have been able to cover even these extreme scenarios. It is a truly ridiculous amount of security.

³ Here are arguments for and against "[waiting^{\[1\]} to^{\[2\]} give^{\[3\]}."](#)

even without FI, I would donate 30%+ of my income.) After the savings phase, FI enables me to donate more, and the accumulated wealth can still be donated when I die.

This reasoning is based on my specific situation. There might be an actual tradeoff if you have family members who will get part of your inheritance, or if you don't think that your level of Financial Independence will change how much you donate.

Many people are hesitant to take the Pledge because they worry it will impede their own financial goals. Your approach may be particularly interesting to them. Any words of advice to people in this camp?

If you have little or no savings and your income can barely support yourself and your dependents, my suggestion would be to put your financial goals first. EA is not a competition in how stressful we can make our lives. Also, if you are in the early stages of your career, it might make sense to invest in yourself to have more options later. In both cases, you could sign a 1% trial pledge (or several in a row) and revisit your donation plan on a yearly basis.

Before you set financial goals in addition to donating, I think it's worth investigating your lizard brain. What does it need to be at peace? Whatever you get as an answer is probably a more suitable target for you than whatever multiples of yearly expenses I've mentioned here, or the houses that society tells you to buy.

Even if your lizard brain is a little scaredy-cat (like mine), or if it craves a lot of freedom (like mine), you can still be ambitious with your donations. It helps me to remember that as I build wealth, additional money becomes less and less valuable. This makes it easier to give more. It's also why FI can be a tool that enables more generous giving in the long run. It's not necessarily an either/or choice.

Anything else you'd like to share?

It's worth noting that achieving Financial Independence (25x yearly expenses) within 20 years while donating 10% requires a savings rate⁴ of over 55% if starting from zero. That's significant. There is, of course, some wiggle room. You can start donating only after you reach certain milestones. You can accept a longer timeline toward FI, or aim for a lower level of financial independence. Still, you need to be in a position of privilege to make this work. My personal savings rate of >65% is only possible because I have no dependents, my family members earn their own money, and my fun and meaningful job also happens to pay well. (If your fun and meaningful job doesn't, keep the job and don't worry about donating. After a short stint at a big consultancy firm, I switched to a job in the social sector that paid close to minimum wage. Best decision ever.)

I don't want to push anybody toward FI, especially if they don't need it to be generous. Let me repeat that I greatly admire EAs who donate large portions of their income without having a lot of savings. Even if your lizard brain is still preventing you from being as generous as you want to be, FI is only a crutch. Instead of giving them what they want, the nobler but

⁴ The savings rate is the percentage of your net income (after taxes) that you don't use to cover living expenses. For example, if you earn \$100,000 after taxes and spend \$45,000, your savings rate is 55%. If you donate \$10,000, \$45,000 can be invested.

more difficult path would be to make friends with your inner voices without giving them power over you.

Finally, I think it's important to maintain perspective about charitable giving. While donating can be deeply meaningful, we shouldn't make it the cornerstone of our identity or self-worth. If our circumstances allow us to donate – by all means, let's do it! But circumstances can change, and when they do, we need to be able to adjust our giving without thinking that we've failed as people. The goal is to find a sustainable way to contribute, and to stay sane along the way.