

Financial freedom in Belgium

A different approach

Approach specific for Belgium:

- Difference in taxes
- Difference in social system

→ the approach will need to be different for each european country

For the dutch people: perhaps move to Belgium as the VRH is a bitch making a 20 to 30% bigger stash necessary!

A few general premises:

- Average netto wage is 2.000 euro
- You can live of 1.500 euro if saving for a stash is no longer necessary
- Average annual market return is 7%
- You start with 10.000 in savings and can add 10.000 euro every year of full time work

Scenario 1: complete financial freedom

Income :0 (no work, no social benefits)

Annual needs:

1500/month = 18 000

Health insurance: 700/3 months = 2 800

+ a few costs we are unaware of at the moment: 700

Yearly budget of 21 500

Adding everything up :**537 500 euro** (21 500x 25)

Then adding **2 year of cash buffer** : 43 000

580 000 euro per person.

Number of years to work? (if we take our premise of 10 000 euro savings and an additional 10.000 euro per year of savings and 7% average market return)

This would give us **23years** (= 581 766 euro)

Scenario 1: complete financial freedom

So complete financial freedom in Belgium would take around **23y** to achieve.

It would also mean 23y of disciplined living, saving those 10.000 euro a year and adding it to the stash.

Personally I do not see this happening. Everything perfect and you are already 45 years old. Ad in buying a house, children and the 50 years start appearing on the horizon.

Can it be quicker?

Scenario 1: complete financial freedom

Can it be quicker?

Traditional approach

-**Try to earn more at your job**(difficult: once your field is chosen often great rises in wages not to expected in Belgium, taxes: you hit 50% taxes on wages pretty quickly, redistribution of wealth via taxes on work is pretty strong in Belgium, took friends 15 years to get to decent wages ...).

-**Try to earn more via side gigs**: complexe administration, often high taxes

-**Try to save more**: in Belgium you also pretty quickly hit a wall there. 1000 euro a month bare bones, 1200 to have a bit of comfort and 1200/month for 23years is not going to be easy

-**try to get higher than average market returns**: no capital gains tax (yet) no tax on option premiums (and i do like those tax free option premiums). It is possible but you have to like doing that sort of stuff. It should be considered a tax advantage side gig.

We need a different approach

Complete financial freedom is too much influenced by the USA. In the USA their tax and social system is damn near perfect for the traditional FIRE approach of working hard, making big bucks, saving a ton of money and then retire at 35.

The reality in Belgium is high taxes on work which make the American approach not possible. We need to be looking at our Belgian Tax and social security system and try to find a new approach.

Scenario 2: unemployed

Pretty unique to the Belgian social system is that there is **no time limit**.

The minimum unemployment benefits are around 500/month

Income: 6 000 euro (12 x 500 eur/maand)

Work: 0

To get to the 1.500 euro/month comfortable living budget

Yearly investment income = 12 000 euro

12 000 X 25 = **300.000**

Add 2 years of cash **324.000 per person**

Number of years to work? (same premises) **17j** (340.000 euro)
(after 18j this is 373 790)

Scenario 2: unemployed

So work for 17j, get a stash of 340.000 euro and then go on unemployment benefits for the remaining 30 years of your career?

A not very realistic scenario.

The Belgian government prefers the money to go from it citizens to itself and not the other way around (except Publifin).

Your 17y work experience is a downside in this scenario.
You will be harassed by the RVA

Back to scenario 1 and working 6 more years then?
Or can we game the system?

Scenario 3: Some work

This some work should be the least possible and most rewarding!

Taxbracket	Income	Tax level
Schijf 1	€ 0 tot €10 860	25%
Schijf 2	€ 10 860,01 t/m € 12 470	30%
Schijf 3	€ 12 470,01 t/m € 20 780	40%
Schijf 4	€ 20 780,01 t/m € 38 080	45%
Schijf 5	above 38 080,01 euro	50%

But **7.420 euro tax free amount!**

Earning those 7.420 untaxed Euros has a few very powerful consequences.

Income

Tax free work: 7 400

To get to the 1.500 euro/month comfortable living budget

Yearly investment income = 10 600 euro

Add 2 years of cash (21 200) = **286 200 per person**

Number of years to work? (same premises) **15 year = 278 880 (16j: 308.000)**

*Faster?: When do you retire will have 100.000 euro when he starts working, 10.000 per year saving at 7% return gives after **8 jaar: 274.000** euro when do you retire is ready for scenario 3 in **9 years***

Scenario 3

Few remarks:

- to err on the safe side:** I would go for the 16 j = 308 000 euro stash so there is additional buffer and the stash even keeps growing all those years you **only work three months**.
- by still working a bit you keep at the very least some employable skills up to date. A lot of people wonder about having enough stash to call it quits. Working three months a year (I'll assume those short term jobs will pay less than my current one) eliminates this worry. If unexpected expenses do happen you can always work a bit longer until the expenses are covered. (no more worry if stash is big enough).
- You essentially exchange work taxed at 50% before financial freedom by work taxed at 0% after financial freedom. Due to the tax free nature of that last work, total time worked will be shorter than the scenario in which you keep working until the stash is big enough to quit completely. And you will have more free time when you are younger. A big plus in my book!

How would life look like when we follow this approach?

Life after financial freedom **for me** would look like:

-6 months of very relaxed living (more time with friends, more ahum 'quality' time with the girlfriend, learn a new skill – might be going back to university for three months and follow a few courses, slow travel)

-3 months for a project, which might involve 'working': profit or pay would not be the main objective here, more for the experience. If the project involves employment, I would of course skip the security gig below.

-3 month 'summer job' at the Belgian music festivals: paid work

I also think that having a more busy 3 months during the year will let me appreciate the 6 to 9 lazy months during the rest of the year.

I could see myself spending 20 years of my life (until reaching the official retirement age) in the above regime.

Scenario 3: The importance of an exit strategy

-employer that is ok with you taking 9 months of unpaid leave

-Half time work + two months of unpaid leave (Even if you find an employer that is ok with it, you would most likely need to work half time during at least 8 months and only have 4 months you do not need to work at all. If I could find something near my house I would be ok with this.)

Employer who only needs people for a short duration:

- event industry (festivals)
- security sector

-side gig that you can transform into a 'job' after FIRE

-location independent work

Scenario 4: part time work with a twist

Embracing work.

Full financial freedom takes to long, full unemployment is not realistic → some work will be necessary in Belgium. Let's embrace it and make the best out of it.

Income:

Unemployment: 0

Work: 12 000 (12x 1000/month part time)

Yearly investment income = 6 000

$6\ 000 \times 12 = 150\ 000$

add 2 year of cash (12 000) = **162 000 per persoon.**

Number of years to work? (same premises) : **10 jaar** (157 835 euro)

11j gives you 178 800 euro and 12j is 201 400

Scenario 4: the twist

Embracing work but not too tightly!

Selection of employer here can make a world of difference!

Let's take the NMBS with his very royal holiday system : around 60 days/year

Can you save enough at the NMBS. Yes: 10.000/year and pay is 26.000 (2.000 per month + holiday money and end year premium) gives 38,5% savings rate.

Holidays are transferable which make it possible to:

Work 4 years and save 30 days/year, which then gives you 2 year of part time working and being paid full time to use up all the accumulated holidays.

So that gives 4 years full time working, 2 year part time (holiday), 4 year full time working, again 2 year part time (holiday). For a grand total of 12 years, which will have your stash grow to **201 400 euro**.

Scenario 4: the twist

Then selecting real part time work at the NMBS, which, thanks to the very generous holidays is actually not 6 months of work but 4 months and 3 weeks of work!

Additional bonus:

No advanced studies required for the job.

ASO or even TSO is sufficient meaning you can start at 18 years old and be finished by the time you are 30!

scenario 4 works at regular jobs as well but part time there will be 5 months and two weeks working. And during the 12 years of working you will not have the 4 years of 'part time via holiday'.

volcontinu weekend work (2 shiften of 12 hours) equals full time work. Advantage: only need to work 2 out of 7 days, but your weekend is shot to pieces, you usually do not get to 2.000/month (petro chemical sector exception) and usually no part time jobs ...

So from **23 years** we go down to **16 years** if you earn the tax free amount of 7 400 euro (scenario 3).

People who do not mind working for the NMBS could start at 18 years, work for **12 years** max and then transit to a part time job (less than 5 months of work!) and have their exit strategy build into their job. They will then only be 30 years old!

Or you could start your work career with allready 100.000 euro investments which would only need you to work full time for **9 years** and be done around 31 years old

(How do can you save 100.000 for your children by the time they are 22 years old?

Start with 1.000 euro, then invest 2.000 euro every year for 22 years at 7% return average and you end up with 102.441 eur!)