



“Financial Goal Setting” – Many of us recoil from the notion. We placate ourselves with the logic that this is a process for the very wealthy, or at least the financially “very comfortable”. We may also tell ourselves that we don’t know how to set financial goals, that doing so is really tough, or that we’re too old to start something new like this.

When we hear these types of responses to the ‘goal-setting’ inquiry from clients, we usually question with: “you have no plans for your paycheck on Wednesday?” The client then usually responds, “I do; I’ve got to get groceries, pay the phone bill, buy some clothes”; or with some other list along the same line.

They generally perk up after they hear our response. “What do you mean you don’t goal set? You just listed a bunch of plans. They all belong to your immediate financial goal list. So, now that you’ve confirmed you do in fact set goals, lets work on expanding your list and start looking at the big picture.”

Financial goal setting is quite simple. It’s also remarkably uncomplicated. It involves a written list of the things you want to do, or achieve, with and through the money you earn.

At the outset, setting goals requires no more from you than an ability to realistically dream, while at the same time taking note of reasonable time frames and understanding the practical benefits of the process you’ve undertaken.

So . . . when you look to your financial future, what do you see? An end to financial worries, lists of things you want to buy, an education or two to pay for, debt to get rid of, a retirement to fund? Your list may be much longer or even shorter; either is perfectly fine. There are no right or wrong things written on your list; after all this is exclusively your life.

If you're having trouble building a list, try asking yourself where you want to be financially in 6 months, twelve months, five years, twenty years and so on. That way, things will magically appear.

It's important to write your goals down. Why? Well, experts say that by writing goal oriented things down, we'll be much more likely to achieve them. If we take them from thoughts inside our own head, to an externalized written list, we've arrived at the first steps to making our goals reality.

Next in the process you'll want to take that long list and break it down. The idea here is to decide what things belong on each of four smaller lists. The four are: Immediate, Short Term, Mid-range and Long Term goals.

Some examples of immediate goals are the priorities to be achieved on your next payday or within the next few. Things on the list might be: upgrade a computer, pay for a child's birthday party or buy paint for the living room. Short-term things would be priorities for the next 6 months to 3 years. Things like: save for a vacation, pay off some "buy now pay later" accounts or the purchase of a big screen television. Mid range financial goals are things you want to achieve in three to five or even six years. This list might be a second car for the family, a major home renovation, or doubling the size of your RSP contribution. Long-range goals would list things like paying off your mortgage, retiring comfortably or deciding where you'll live in retirement.

You need to determine the cost of each priority as well, since this number and a time factor will pinpoint the potential achievement of your goal. For example, if you want to purchase a new ski-doo in the fall of 2009, it will fit onto your mid range list. If you know the cost, after disposing of your current machine, will be \$5000.00, then you need to set aside about \$130.00 every month. As you look particularly at mid and long range goals, don't forget to factor in things like the effect of inflation on costs and the benefit of interest on savings.

And finally, remember that the best-laid financial plans are, for the most part, “tentative”. If something comes along to change your life, chances are your plans and goals will have to change too. If you get laid off when you’re 45 years old, and it takes three years to find another stable job, your goal to retire at 55 is most likely no longer attainable. Likewise, if the roof blows off the back of your house, and replacing it becomes your expense, spring in the Dominican Republic for you may have to be put on hold.

Next time round we’ll be talking about shopping for food for your family.