

## 6 Steps for Setting Financial Goals

Have you ever taken the time to set financial goals? If not, you're in good company. While most people have vague goals in mind of someday owning a home, going on a dream vacation or retiring early, they've never set specific financial goals. Setting goals is one of the best gifts you can give yourself, because it's the all-important first step toward achieving what you really want in life.

If you've never taken the time to set goals, it may be a little daunting at first, but it's not difficult at all when you follow this simple 6-step approach.

### 1. Identify your goals.

For those who are unaccustomed to goal-setting, this can be the most difficult step. Because you may never have stopped to really think about your goals, you don't know what you truly want. No, a goal is not merely the desire to have more money. A goal needs to be two things. First, it needs to be *tangible* – so you have something specific you're working to achieve. Second, it needs to be *exhilarating*, so it will motivate you to keep going when you feel like giving up.

When identifying your goals, keep in mind that goals fall into one of three categories: short-term (under a year), mid-term (1-3 years), and long-term (3+ years). You may want to have goals in all three categories. By fulfilling short-term goals, you will be encouraged to believe you can achieve your mid- and long-term goals as well.

### 2. Assess your current situation.

Take a look at your income and expenses. Then think about how much you can save each month. Even if the picture looks rather gloomy, there are ways to increase your income. Consider overtime hours or a part-time job. Or have a garage sale and get rid of some of the things you no longer need. You can also eliminate or reduce unnecessary expenses. You'd be surprised how much you could save, for instance, by switching from bottled water to filtered tap water ... or by stopping smoking. Anything that can save you even a little money each month can save you a lot of money in the long term.

### 3. Define deadlines for your goals.

Though deadlines may be a little daunting, they are very important to keeping yourself motivated and attaining your goals. Start by marking your calendar with a realistic date you expect to attain your goal. If the goal is mid- or long-term, consider converting your goal into multiple short-term goals. For instance, if your goal is to have \$25,000 in savings five years from now to use as a down-payment for a home, set your goal to achieve \$5,000 in savings by year's end.

#### **4. Develop a strategy to reach your goals.**

Staying with the previous example, if your goal is to have \$5,000 in savings by the end of the year, arrange to have money automatically taken out of your paycheck and deposited into your savings account. Once you set this up, you'll never forget to make the required deposits and you'll stay on track to achieving your savings goal.

#### **5. Be flexible whatever comes your way.**

Let's say one of your goals is to put \$200 away each month for a cruise next June. If unexpected car repairs this month prevents you from adding that money to your vacation fund, don't panic. Think of it as a temporary delay. You may be able to save a little extra money in the next 3-4 months to make up the difference. Or you can change the deadline date and take your cruise in August.

However, if you find yourself unable to meet your savings goal month after month, you may have set a goal that is too lofty or unattainable for someone in your current situation. Even if your goal was reasonable when you set it, perhaps your place of employment changed its overtime policy, making it impossible for you to earn overtime pay. Whatever the cause, be willing to change your goal, your deadline or your strategy. And most important – don't get discouraged! Everyone experiences temporary setbacks from time to time.