

Reaching Your Financial Goals

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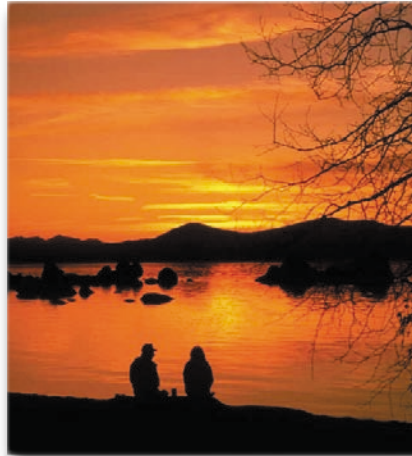
By Edward Tonini, Director of Education.

"An unwritten goal is only a wish."
-common proverb

With national consumer debt at a staggering 2.2 trillion dollars and the national personal savings rate in the red, financial goals may sound like a lofty dream. In this publication, you will find hope to keep the dream alive and clear steps for turning at least some of your dreams into reality.

What Are Financial Goals?

Financial goals are things that you want to attain which require money you don't currently possess. These goals can be short-term (you expect it will take less than a year to attain) or long-term (you expect it will take more than a year to attain). Examples of typical long-term financial goals are: to buy a house; to send my kids to college; to own my own business; or to retire comfortably.



The start of a new year is a popular time for making resolutions or setting goals. Here are the **Top 7 Financial Goals** of Bankrate.com readers from 2006:

1. I will invest more money.
2. I will pay down my credit card debt.
3. I will rein in unnecessary spending.
4. I will become debt free.
5. I will save more for retirement.
6. I will create an emergency fund.
7. I will save money to buy a house.

Steps To Reach Financial Goals

Achieving your financial goals requires financial planning and management. The following steps give clear directions for turning your financial goals into concrete plans.

1. Prioritize Your Goals

The proverb quoted at the top of this publication underscores the importance of not just having

financial goals, but for writing them down. After you have written them down, the first step in reaching them will be to choose the one you want to accomplish first. How will you decide where to start? Prioritize.

Needs vs Wants. The first step in prioritizing your goals is to objectively decide if something is a need or a want.

A *need* is a necessity. Basic needs sustain life, such as food, water, shelter, heat, and clothing. Other needs may also be considered essential such as electricity or transportation (if required to maintain employment).

A *want* is something you desire but is not necessary for sustaining life. Some wants may be practical in supporting your lifestyle, such as a telephone or a computer. Others may be a luxury, such as a giant screen High Definition television or a vacation home. How much is enough? Is more always better? These are questions you will have to answer for yourself based on your values.

2. Make Your Goals SMART

A target that is blurry is hard to hit, therefore, the first step in achieving a financial goal is to define it clearly. Here are five qualities you can use to help you clarify your goals.

Specific. State each detail of your goal. For example, "I want to buy a 3 bedroom ranch house, in a safe neighborhood, within three years."

Measurable. How will you know if you're making progress? State the criteria or amount needed to reach your goal. For example, "The price of the house I want is \$100,000."

Contents On Back

- Create An Action Plan
- Get Organized
- Communicate Your Goals
- Be Money Smart
- Keep It Real
- To Find Out More



Attainable. How will you know what to do first? Break the goal down into smaller steps that need to be completed. For example, “I will need \$10,000 for a down payment.” “I will attain this by having \$250 automatically deducted from my paycheck and deposited into an interest-bearing savings account for 36 months.”

Relevant. Does your goal fit your values? State why the goal is a good one for you. For example, “I want to own a house because I will enjoy making it my own and I want something that will build equity over time.”

Timed. How will you decide when to act? Set a deadline for each step towards your goal. For example, “Today, at my lunch break, I will go to my credit union to fill out the forms to have money deducted from my paycheck and deposited into a savings account each month.”

3. Create an Action Plan

After you have made your goal SMART, make an ordered list out of the smaller steps that need to be completed. Assign deadlines for each step and put them onto a calendar that you normally look at each day. An essential tool to help you track your progress and make adjustments as time goes on, is a spending plan or budget. For assistance with this, please read our publication, *The Spending Plan*. For help finding ways to fund your goals, please read *More With Less*.

4. Get Organized

In order to reach your goal, you will need to track your financial matters. There are many systems you could use, but here are two you may find helpful.

Paper Records. There is much wisdom in the old saying “a place for everything and everything in its place.” A common way of storing and organizing your financial documents is to keep them in a filing drawer or box with several labeled hanging files or folders. Many people will label the folders according to their budget categories. Typical **budget categories**

(and sub-categories, for further separation) are: Income (wages, investments), Charitable donations, Savings (emergency, investments, retirement), Housing (mortgage payments, taxes, insurance, repairs), Transportation (car payments, taxes, insurance, repairs), Utilities (water, electric, gas/oil, trash, phone), Medical (insurance premiums, medical bills, medicine receipts), Loans (personal, student), Credit Lines (individual credit card accounts), Estate (life insurance, trusts, wills, etc), and Obligations (child support, alimony).

Some people attach stick-on flags to the documents they will need to find at **tax time**. Some people store these documents in a separate folder.

A non-financial file to keep is: **Personal documents** (social security cards, passports, birth certificates, marriage certificates, citizenship papers, etc). Naturally, these papers should be kept in a fireproof location or electronic copies should be made and kept in a secure place.

To keep on top of the paper trail, use a **system for handling mail** as soon as it comes into your house. Consider getting a mail sorting rack with shelves or pockets for different types of mail. One could be labeled “bills to be paid.” Place it where it is most convenient for you to use or on top of the file cabinet containing your financial folders. Another helpful tool to keep beside the mail sorter is a cross-cut shredder. Use it to dispose of paper that you don’t need to keep and that contains sensitive information.

Electronic Records. One way to lighten the paper load and streamline some record keeping is to use a personal computer. Ask your credit union or bank about managing your accounts using the internet. Computer programs such as Quicken or Money are also available.

5. Communicate Your Goals

Communicating regularly about your goals, helps you maintain your focus. Schedule a regular weekly time to discuss financial updates with your

spouse and children. Involve the whole family (each according to ability) in creating and maintaining a household budget. If your family or close friends aren’t aware of your financial goals, they can’t offer support.

6. Be Money Smart

The fact that you’re reading this publication shows that you are taking responsibility for attaining the knowledge and skills required to manage your financial matters. There are many good financial education resources available for free. Visit our website at: www.knowdebt.org/education. Improving your financial literacy will always pay great rewards.

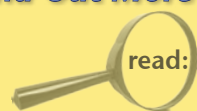
Credit Check.

January is a good time to check your credit reports. To order a free annual credit report from one or all three national credit bureaus, go to the only authorized source: www.annualcreditreport.com or call toll-free 877-322-8228.

Keep It Real

Financial goals are only one aspect of what most people want out of life. Almost always, financial goals are a means to a greater end, such as the happiness that comes from sharing experiences with family and friends. You may also have causes, beliefs, or values that are extremely important to you. They may be so important that you choose to dedicate a significant amount of time and energy to them. Eric Tyson says “balancing your financial goals with other important life goals is key to your happiness” (*Personal Finance For Dummies*, p.35). Only you can define what brings you happiness. The ancient proverb “money doesn’t buy happiness” reminds us to keep financial goals in perspective. Occasionally, you will encounter some obstacles in reaching your financial goals. Therefore, anticipate having to make adjustments to find a way around them, and don’t lose sight of the things you value most in life.

To Find Out More



- *The Spending Plan* (Alliance): www.knowdebt.org/education.php.
- *More With Less* (Alliance): www.knowdebt.org/education.php.
- *Personal Finance For Dummies* (E. Tyson, Wiley Publishing Inc.).
- *Personal Finance* (Garman & Forgue, Houghton Mifflin Company)
- *Your Money Or Your Life* (Dominguez & Robin, Penguin Books)