

# Setting Personal Financial Goals



**If you do not know where you are going, how will you know when you get there? This is very true about financial goals. You need to set financial goals to help you make wise financial decisions, as well as a reward for your efforts. Goals should be clear, concise, detailed and written down. Unwritten goals are just wishes.**

Those who set goals and fail will find that they didn't set realistic goals to begin with. So, the first step in setting any goal is to determine what is realistic and what is not. In this article, you will learn how to set realistic and achievable financial goals.

You achieve your financial goals when you have the cash or assets available to satisfy some immediate financial need, want or desire. The key is to be prepared to have the required cash or assets when the time comes to achieve the goal. For example, suppose that in five years, you want to buy a brand new car costing \$30,000 using cash. In five years, you will know whether you achieved that goal; if you have the \$30,000 five years from today, you might achieve your goal. That is all definite, but is it realistic?

You will have more than one financial goal to achieve. Besides the new car, you might be considering buying a home, funding higher education, paying for a wedding, taking a vacation or accumulating retirement nest savings. Each financial goal has its own price and time horizon — when you need the money.

To achieve all your goals, you will need a plan. Starting from assets you already have available, you will need to determine how much more you need to accumulate and when you will need it. Don't neglect to consider that the price of your goal items might increase as well. Depending upon how you invest your savings over time, you might receive interest, dividends or capital gains to help you along — you should consider this as well. Do you have the means to make additional investments necessary to accumulate the required assets? Don't neglect to consider the effects of taxes on your savings. After considering the foregoing, you might determine that you can achieve some goals in less time. Or you might find that it could take longer. The time horizon is important to setting realistic goals.

Goals should be grouped as short-term (three years or fewer), intermediate-term (three to seven years), and long-term (more than seven years). Generally, the longer the time horizon to achieving a goal, the more aggressive you can be in your approach. However, you should never exceed your risk comfort level — the amount of risk you can take without abandoning your goal. This is your risk tolerance. If you approach setting financial goals in this way, you will make better financial decisions about setting goals and ways to invest to achieve them.

You should always monitor your goals to be sure they are on track. Set up a way to measure your progress. If you see that you are lagging behind, you may need to make an adjustment in the amount or way you are investing. If you are way ahead, you may want to be more conservative, shorten your time horizon, or add a new goal.

