

# Setting Financial Goals

## Advanced Level

Has something beneficial ever happened to you with no effort on your part? Maybe you won a prize in a drawing or received extra birthday money from a relative. There is a possibility that good things have come your way by coincidence. But, how likely is it to receive an “A” on a test without studying? Or, how likely is it to beat your opponent in sports without working hard in practice? Most good things are the result of effort and discipline on your part.

### GOAL SETTING AND FINANCIAL PLANNING

Throughout life we find ourselves constantly setting personal goals. A **goal** is something a person intends to acquire, achieve, or accomplish in the future. Setting goals helps you plan how to make the life you want to live a reality. Reaching goals helps us to determine the degree of success we’ve achieved in life. Setting goals is particularly important for future outcomes that will take a lot of thought, planning, time and effort to achieve.

Setting financial goals is an integral part of financial planning, the process of managing money continuously throughout your life. Financial goals will help to guide your short and long-term spending decisions because they force you to identify priorities. **Financial goals** give your financial plan a specific direction.

What is one financial goal you would like to achieve?

You are more likely to achieve your desired outcome if your goal-setting is built around SMART goals. SMART goals may be written for just about any objective including your education, career or health (such as fitness or weight loss). A SMART financial goal includes these elements:

**S** Specific

State exactly what is to be done with the money involved

**M** Measurable

Write the exact dollar amount

**A** Attainable

Create a step-by-step plan outlining exactly how the goal can be reached

**R** Realistic

Think through the trade-offs and opportunity costs to analyze the consequences of your goal to make sure it isn’t unattainable

**T** Time Bound

Specifically state when the goal will be reached

Did you know that goals that are written down are much more likely to be achieved than mental goals?

## WRITING SMART FINANCIAL GOALS

### Specific

A **specific** goal has a clearly defined end result. When writing a SMART financial goal state exactly what plan you have for the money involved.



Lacey wrote the

following goal. "I will reduce my debt." This goal lacks **specificity**.

A specific statement of this goal would be "I will reduce the amount I owe on my car loan."

### Measurable

A **measurable** goal is one for which you can easily determine when the goal has been met and whether you are making progress toward its completion. When writing a SMART financial goal, state the exact dollar amount involved.

Lacey's goal of, "I will reduce the amount I owe on my car loan" **is not a measurable** goal because the verb "reduce" is vague.

"I will reduce the amount I owe on my car loan **by \$1,000**" **is a measurable** SMART goal because Lacey has stated a specific dollar amount.

### Attainable

An **attainable** goal is one that you know is possible to achieve. When writing a SMART financial goal create a step-by-step plan that outlines exactly how the goal can be reached.

Lacey's goal statement, "I will reduce the amount I owe on my car loan by \$1,000," **is not attainable** if Lacey cannot determine exactly how she will reduce her loan amount by \$1000.

Lacey wrote a SMART goal when she stated, "I will reduce the amount I owe on my car loan by \$1,000 by **paying an extra \$100/month**" This SMART goal **is attainable** because Lacey identified her willingness to apply an extra \$100 each month toward the balance of her car loan instead of other expenses.

### Realistic

Being aware of your resources and what you will have to give up in order to achieve your goal will help you determine if that goal is **realistic**. When writing a SMART financial goal, examine the consequences of your goal in terms of its opportunity costs, that is, the value of the next best alternative that you will give up as a result of your plan. Are you willing to give up what is necessary to achieve your goal?

Lacey's goal of paying an extra \$100 a month toward her car loan is realistic only if she is willing to give up the other things she could have or do with that \$100 each month. These trade-offs are specific to Lacey and will depend on her values. Ultimately, a specific, measurable and attainable goal will fail if a person is not willing to stick with the financial plan to achieve it. Setting a SMART goal involves identifying and evaluating the trade-offs and opportunity costs and committing to the plan.



Lacey's SMART goal becomes, "I will reduce the amount I owe on my car loan by \$1,000 in 10 months by paying an extra \$100 per month."

### Time Bound

A **time bound** goal simply means you'll achieve your goal within a certain timeframe.

Lacey wrote a SMART goal when she stated, "I will reduce the amount I owe on my car loan by \$1,000 in **10 months** by paying an extra \$100 per month." She has bound her goal within a timeframe of 10 months.

Refer to the financial goal you indicated on page one. Re-write this goal to include all elements of a successful SMART goal:

## ACHIEVING YOUR GOALS

To achieve your financial SMART goal you must manage and monitor your progress to ensure its success. This is one of the most important parts of goal setting. Below are some tips that will help you manage and attain your goals.

### ***Frequently Evaluate Your Goals***

Events might happen that get in the way of reaching your goal. If this happens, consider all of your options. Should you change your goal? Can you reduce or manage the obstacles that are interfering with you achieving your goal? If you're considering giving up on your goal, try rewriting it first to deal with the factors that are getting in your way. Successful goal achievement relies on your ability to refocus, rewrite your goal if necessary and eliminate barriers to success.

### ***Set a Realistic Goal***

If you find that you are having a difficult time reaching your goal, check to see if your goal is realistic. Often, optimistic goal setting creates an unrealistic goal. Your goal may require more time or money than you have available. Or, your goal may require you to give up too much of something else (the opportunity cost of your trade-off is too high). The best goal requires effort and discipline on your part but will nevertheless offer a high chance of success. After all, success is what you are after not failure.

### ***Reward Yourself for Reaching Your Goal***

Reaching your goal should be a reward in itself. However, sometimes we like to celebrate our achievements with additional rewards. Knowing you're going to give yourself an additional reward upon achieving your goal can be an additional motivator. If others have helped you reach your goal invite them to join you in the celebration as well.

### ***Make Your Goal Public***

To help you manage and achieve your goal, consider making your goal public. Here are some ways to do that:

- Share your goal with your family and friends and ask them to hold you accountable. Your family and friends can then support your decisions that lead to the achievement of your goal.
- Use a support group. For example, people who are trying to lose weight often find it helpful to belong to a support group of people who are trying to accomplish the same goal.
- Use a goal-setting website or app to track your goal and hold you accountable. These sites often allow you to compare your progress with people who have similar goals. Some goal-setting websites offer the option to make your goal public.



Visit the Consumer Jungle website  
[www.consumerjungle.org](http://www.consumerjungle.org) to access goal  
setting websites.

What are two methods that would be helpful to you in managing and monitoring your goal?