

## SETTING YOUR FINANCIAL GOALS

As with everything in life, if you do not rationalise your aims and objectives you will not have a clue what you are trying to achieve. If you do not know where you are going, it is hardly surprising you do not get anywhere.

We probably spend more time establishing goals than any other part of the fact-finding process. At its simplest, we need to know if clients have any short term need for capital, however to undertake comprehensive advice we need to understand what your life goals are.

These notes are to help you assess what your goals are, and what priority you might apply to each objective. There is no right or wrong answer! What you might see as a key target, another person might have as a low priority.

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## 1. TYPE OF GOALS

Most “life planners” and other goal setters have three categories of personal goals, namely:

### 1.1 Personal Objectives

These are personal development goals. At first sight one could question what they have to do with financial affairs (and many do not) but a couple of relevant examples might be:

#### 1.1.1 I Want To Spend More Time With My Family/More Leisure Time

To do this you will have to work out how to “work smarter”. In other words, perhaps you are now working 6 days a week to generate £250,000 annual income. You, therefore, need to work out how to earn the same amount in 5 days or you need to accept £210,000 pa in income and have a lower standard of living.

This objective is very common to clients who are beginning to contemplate retirement. In these circumstances we need to work out how to fund for the reduction in income and supplement the earnings as appropriate.

#### 1.1.2 I Want To Get Fitter

Again, like many personal goals this is linked to time management. To get fitter requires perhaps an hour a day in the gym and, further, may require funding for gym membership, or a personal trainer etc.

Most of the personal objectives are geared to leisure activities. For instance, you may wish to learn how to ride horses, ski, snowboard, fly, etc. The point is that to achieve personal goals invariably requires some financial considerations.

## 1.2 Material Objectives

Here we are talking about (usually) capital items of expenditure such as:

- A bigger home, a holiday home, etc.
- A new car.
- A helicopter / plane / boat, etc.

But these objectives often go much wider, for instance:

- To help your children to buy their first home.
- To afford a gardener / cleaner / nanny.

Obviously, the financial involvement within this element of your goals is a lot easier to grasp.

## 1.3 Economic / Financial Objectives

This one is quite close to both the above two channels (and can cross over), however, it is different.

Usually economic objectives would fall into the category of:

- I want / need to earn £300,000 pa.
- I want to retire on £100,000 pa.
- I want to earn enough to go on holiday 3 times a year.
- I want to have my own share portfolio.

and so on.

These 3 channels of objectives could be narrowed down into:

- What do I want to be?
- What do I want to have?
- What do I need to do (to achieve the first two)?

In many cases a client's objectives will fall into more than 1 category, but this is a good starting point for beginning the goal planning objective.

## 2. A GOAL MASTER LIST

Recent research (2019) from Morningstar have unearthed a series of "Master Goals" which may help you crystallise your objectives:

- To be better off than my peers
- To pay for personal self-improvement (e.g., go back to school, learn a skill)
- To experience the excitement of investing
- To start a new business
- To buy a house
- To help pay for my childrens' college education
- To stop working and do something I love
- To go on a dream vacation
- To relocate in retirement
- To care for my aging parents
- To give to charity or other causes I care about
- To feel secure about my finances in retirement
- To feel secure about my finances now
- To leave an inheritance to my loved ones
- To retire early
- To pay for future medical expenses
- To pay for Long Term Care
- To not be a financial burden to my family as I grow older
- To pay off my debt

### 3. HOW TO APPROACH GOAL SETTING

We have questionnaires designed to help where you are having difficulty in both setting and prioritising your goals. However, as a general guideline remember the old adage, it is better to aim for the sky and hit the tree tops than remain in the mud...

### 4. TIMESCALE FOR GOALS

When I summarise a client's goals be they personal or business I try and put them in a timed perspective.

"I would like to have £500,000 tomorrow" is a clear goal and timescale. However, except for winning the lottery it is a tad difficult to see how we could do it. On the other hand, "I would like to earn £300,000 pa within the next 3 years" does sound possible as one can look at what resources there are to achieve the goal and move towards same.

Typically goals have 3 time frames, short (i.e. the next 12 months) medium (say 1 to 5 years) and long (5 years +).

### 5. PRIORITY FOR GOALS

I have seen many different ways of extracting some sort of priority from clients. For the analytical we can use the 1 – 5 scoring system whilst the more people orientated individuals can understand better the 3 question approach we use on our questionnaires.

### 6. REASONS FOR GOALS

Some pundits (Tony Robins for instance) suggest it is essential to have a reason for any goal.

So, for instance:

- I want a new Audi Quattro car.

becomes

- I want a new Audi Quattro car because I have always loved these cars and it will tell everyone I am successful.

or

- I want to start a family.

becomes

- I want to start a family because this is a major reason for being with my partner and I believe it will fulfil my life.

Whilst I accept this is a bit “American” for the UK tastes it does help solidify objectives which means there is a much higher chance they will be achieved.

## 7. QUANTIFYING GOALS

This means different things according to the goal in question.

I want a new Audi Quattro is quantifying your needs as one can check with a dealer that the cost will be perhaps £50,000. Having arrived at this assessment it might be that the cost is unachievable, but the objective can always be achieved in different ways. So, for instance, if we cannot achieve the target of a new Audi Quattro, we might achieve a 3 year old one.

I want to be financially secure begs the question *what do you call financially secure?* For some clients this could be £15,000 pa spendable income whilst for others the figure might be £250,000 pa.

Again, we can work with you to clarify these aspects. The important thing is to start the goal setting process.

## 8. “MUST HAVE” GOALS

Whilst I have extensive training in the world of “life planning and coaching” I cannot forget the essentials. Hence for us, we will always comment on your need for protection insurance. It is the duty of anyone who has dependants to protect them whilst they are vulnerable and we consider it our job to raise these requirements as part of our advice process.

## 9. OTHER GOAL CONSIDERATIONS

The following are some pointers I have picked up to assist clients in achieving their goals:

### 9.1 In Writing

Goals should be set down on paper, handwritten is fine as we will normally type them up so that we can all agree the direction you are heading.

### 9.2 Present Tense

Whilst I have not covered reaffirmation of goals within this piece, if you want to aggressively pursue your goals then daily reviewing / repeating of same helps to focus the mind wonderfully.

Many believe that the subconscious mind cannot distinguish between what is real and what is imagined. Hence “I am earning £250,000 per year” works much better than “I want to earn £250,000 per year”.

### 9.3 Visualisation

There is a good argument to recommend visualising your goal. In my example above you would visualise your pay cheque for £250,000. If you want a larger property you can visualise that. Again, this follows on from the theory that what you believe to be true often is.

### 9.4 Reviewing Your Goals

You must review goals regularly. Certainly financial goals need to be reviewed at least once a month, many people review their aims and goals daily, perhaps as part of their daily “to do” list routine.

An annual meeting with your financial planner is also a must. Some clients like to meet much more frequently and many clients contact us several times a week concerning different aspects of their financial affairs.

## 9.5 Bite Sized Pieces

Our job is to take your goals and explain to you how they can become a reality. All major projects are achieved by small steps. Depending upon your specific goals it is essential to build in achievement rewards to encourage you along the way.

## 9.6 Do Not Be Negative

“I do not want to stay in this small house” is not nearly as much fun as “I want a bigger house”. Be positive! Always go for positive rather than negative ideas.

## 10. CAN YOU COPE WITH THE RISK?

We must consider if a goal is realistic in light of the client’s capacity for risk.

We have handled risk in much more detail elsewhere in our notes. However, at its simplest if you want a 100% secure investment buy National Savings cash accounts otherwise you will have to take risk with your capital if you want to achieve your goals. The aspect of risk and reward is best explained by example:

Here we have a net income objective of £2,500 a month rising every year by inflation of 2%. The funds will be exhausted after 25 years.

net of tax income objective	£30,000	
equivalent gross income	£34,500	
cash growing at	0.80%	Net Of Tax And Charges
assets growing at	3.20%	Net Of Tax And Charges
inflation at	2.00%	pa
funds run out after	25	Years
fund needed if invested in cash	£998,000	
fund needed if invested in assets	£709,000	
extra fund needed for cash	£288,735	40.72%
or change your goal to a net income of:	£17,783	

So the cautious investor who is not prepared to risk their capital needs to fund an extra 40% of capital or accept a much lower target.

The same process needs to be considered when you are accruing assets for a goal. We recommend you review our notes on “how much risk you need to achieve your objectives”.



## 11. OUR QUESTIONNAIRE

If required we can provide a detailed questionnaire to help you plan your goals. We can then discuss with you how practical your goals are when compared with the assets and income you can save and the risk you are prepared to take.

Please note that whilst every effort is made to ensure that the information contained within this explanation is correct, these notes are by necessity brief and of a generalised nature. Clients should seek specific personalised advice prior to undertaking any arrangement. These notes are named [06.2019 Setting Your Financial Goals](#) and was last updated in June 2019. Whilst we have done our best to ensure facts are current to this date laws and options are changing constantly so always check before action.

Investments are subject to market risk, including the possible loss of the money you invest. Bond funds are subject to the risk that an issuer will fail to make payments on time, and that bond prices will decline because of rising interest rates or negative perceptions of an issuer's ability to make payments. Diversification does not ensure a profit or protect against a loss in a declining market. Performance data shown represent past performance, which is not a guarantee of future results. Note that hypothetical illustrations are not exact representations of any particular investment, as you cannot invest directly in an index or fund-group average.

**E.&O.E.**