

Twelve Steps to a Life of Financial Peace

Step 7: Set Specific Goals

“The reason most people never reach their goals is that they don't define them, or ever seriously consider them as believable or achievable. Winners can tell you where they are going, what they plan to do along the way, and who will be sharing the adventure with them.” **Denis Watley**

There is no way I can overemphasize this step. Virtually every highly successful individual has specific written goals. If you want to succeed financially, you must take time to write your goals down. In order to be effective, your goals must pass the “SMAC Test”. That is, they must be Specific, Measurable, Achievable, and Compatible.

Specific The more specific your goals are, the better. A goal that states: “We want a vacation home in a cool place in five years” is not nearly as good as one that states: “We will purchase a vacation home in San Diego County for \$500,000 on June 30, 2018 and when we do we will feel thrilled and a sense of real accomplishment!”

Of course, we often do not know enough details right now to be this specific. Make the goals as possible given what you know today. Then, make part of the goal to nail down more specifics as soon as possible. You can update the goals as things become more clear.

Measurable There has to be a way to quantify your financial goals. This measurement can be dollar amounts in today's dollars or inflated dollars. It can also be a stream of income net of tax or before taxes. It does not matter how you quantify it, as long as it can be measured.

This measurement is very important, because it is the basis for all of the calculations you will need to do later when you figure out what steps it will take for you to accomplish your goals.

Achievable I always encourage clients to stretch themselves some when setting goals. Your goals should not be so easy that you will not have to work to accomplish them. However, this is not the same as setting some goal that cannot possibly be achieved. There must be a realistic possibility that your goal can be reached. Otherwise, it becomes hopeless and you will probably give up.

One way I have found to address the competing desires to have goals that are a slight stretch, yet are still realistic is to rank them in priority order. That way when I calculate that I cannot possibly achieve all of my goals, I can focus on the ones with the highest priority. It also helps me decide if I want to compromise one goal slightly (i.e. Retire at 63 instead of 60) in order to fulfill another goal (i.e. pay for my kids college education).

Compatible Each one of your goals should be compared to the list of values you created in Step # 1. (Remember the “what's important about money to you” discussion?) So, if you create a goal to buy a Time Share in Hawaii (probably more of a spur of the moment desire than a well thought out goal) you would look at it and decide if that is

compatible with your values. If you valued security and independence and really wanted to have the freedom to make a significant difference in the world, your newfound goal probably would not fly.

Make sure you have a few uninterrupted hours, grab a pen and a note pad, and a cup of coffee (and your spouse, of course) and have fun creating goals. We will discuss what to do with them once you have them over the next couple of steps.

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