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Financial Fitness: Setting SMART Goals

WEALTH MANAGEMENT
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Happy New Year! As the calendar flips and a New Year begins, many individuals begin thinking of their resolutions for the upcoming year such as taking better care of themselves, spending more time with loved ones, or learning a new hobby. Studies have shown that when individuals take the time to write out their goals they are 50% more likely to achieve them. However, only 3% of adults actually put pen to paper and write down their goals. Another sobering statistic is that 92% of New Year's goals fail by January 15th of that year.

The first step in any goal setting process is to establish a **S**pecific **M**easurable **A**chievable **R**elevant **T**ime-Bound (**SMART**) goal. As American poet, Bill Copeland said, "The trouble with not having a goal is that you can spend your life running up and down the field and never score."

Let's apply this to your personal finances. Some common financial goals for individuals include planning for retirement, planning for a young family, or overall estate planning. For example, the retirement goal might be to retire in the next 10 years while maintaining your current lifestyle. By applying the SMART parameters, we define the specific goal. The next step would be to measure your current financial position, including assets and liabilities, current income, expenses, and savings. Next, make some reasonable forward-looking assumptions to project how achievable it is to reach your goal during your time frame.

A goal for younger families could be to ensure the family is able to pay off the mortgage and fund your children's education should something unfortunate happen. For successful individuals that have accumulated wealth, a goal could be to ensure that their heirs, and the institutions they chose, receive future assets in a tax-efficient manner.

The process of setting and accomplishing your financial goals is the same whether it be around retirement planning, planning for a young family, or overall estate planning. While this sounds straight forward enough, successful individuals recognize that there are only so many hours in the day and individually they can only achieve so much. This is where an advisor can play a critical part by providing clarity and accountability to the goal, establishing a pathway, and monitoring financial progress.

The 92% of people who do not achieve their New Year's goal do not set out to fail. But in failing to plan, they are more likely to fail. As it relates to financial affairs, if you want to be amongst the 8% of people whom accomplish their goal you need to get specific and write out your plan to financial success.

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