

# setting financial goals



**GETTING  
STARTED**



# If ever there were a million dollar question, it would be: what is the key to financial success?

Though there are probably several ways to answer this question, the most responsible answer is learning how to set and accomplish financial goals. Sound too simplistic? It's not! In fact, people tend to ignore this easy advice and make life harder for themselves. Humans are never more overconfident than when they set goals. Save 30 percent of my income this year? Of course I can! Get debt free this year? Definitely! Yet, a year later, they haven't moved much toward that goal. Why is that? There is probably a psychological answer, but there is also a flaw in the way goals are set up from the beginning that prevents accomplishment. This guide is an in-depth look into how to set financial goals that are reasonable and attainable.

Financial progress in just five bullet points? You got it!



# 1. Be specific

“Dining out less this year” is an idea, not a goal. A goal is something that is specific and includes a time frame. “I will spend \$100 less on dining out for the next 30 days” is an excellent goal. But here is the catch: you need to know your financial life in order to be specific. If you haven’t evaluated your spending habits or maintained a budget, then there is no way you can make a specific goal that fits within your budget. Financial goals need to have dollar amount attached to them so you can track and evaluate your progress, and the only way to get a specific dollar amount is to jump into your budget. Setting a specific goal takes more work up front, but the pay off is that you will be able to quantify your progress.



## 2. Set a limited time frame

Why are New Year's resolutions notorious for failing? One simple reason: a year is too long to accomplish a goal. You risk getting to the last day of the year without having moved an inch toward the goal, or worse yet, not even remembering the goal you made a year prior. Thirty days is generally the perfect amount of time to accomplish a financial goal. Thirty days gives you time to make real progress without getting burned out. There is no way you could entirely cut out entertainment expenses from your budget for the whole year. But cutting your entertainment budget by \$300 for one month would only take a little bit of discipline. The added bonus being that the next month your entertainment budget can jump back up to its full amount and you can move on to another goal.



### 3. Be realistic

If you have truly evaluated your financial situation, then you should know exactly where all of your money goes each month. That information will help you to make realistic goals. Paying off a \$2,000 medical bill in 30 days may not be realistic if you only have \$550 of wiggle room in your budget. Don't set yourself up for failure by setting unrealistic goals. Can you realistically cut down your food spending by \$200 this month? Being aware of your spending trends will help as you look for areas to cut back. Challenge and push yourself, but in a realistic way.



## 4. Get emotional

Financial goals can seem remote compared to other types of personal goals. Their long-term effects feel distant and unsatisfying, so you're going to have to get emotional. Throwing the weight of an emotion behind a goal can help it to feel more immediate and help raise the stakes. Retirement is the perfect example. In your twenties and thirties, it is hard to buckle down and save for something that feels so far away. Even into your forties and fifties it can be hard to save as much as necessary because of the distant feeling and remoteness of the goal. But what happens when you sit down and seriously consider what an unplanned retirement looks like?

What will happen to you and your spouse? What about your adult children? Your home? Who will be burdened with your care? When the reality of not accomplishing the goal sets in, the goal achieves a priority status. Retirement is still a huge long-term goal, but it can be broken down into smaller goals to help make it seem more attainable. Emotions can range from guilt to love, but don't get too caught up in it. You want to give your goal weight, not give yourself undue burden.



# 5. Be accountable

Few goals are achieved without a little help from your friends. Maybe you aren't comfortable sharing intimate financial details with a friend, but few people are successful without a little push and encouragement from a partner. Whether it is a significant other, relative or financial advisor, choose someone to share your goal with, and ask them to check in on you in 30 days. The added benefit of having a financial accountability partner is that when you do accomplish the goal there is someone who will celebrate with you. Celebrating an accomplished goal is one of life's greatest pleasures.

Setting financial goals is only one piece of achieving financial wellness. Accomplishing those goals is the vital part. No one is suggesting that setting and accomplish financial goals is easy. In fact, financial goals can be the hardest to achieve because they deal with an intimate and hidden part of our lives. They are also directly affected by learned behavior, which is difficult to change. But there is hope. Follow these tips, and you are sure to set financial goals that move you closer to financial wellness.



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