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Goals and Financial Planning – Financial Planning Series
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Goals and Financial Planning

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- Do you plan to attend school or seek professional training?
- What kind of car will you buy?
- Do you plan to furnish your home or apartment?
- Do you plan to have a family?
- Do you plan to have your children attend college?
- Do you plan to purchase a house or condominium?

These are some questions you and your partner may be asking yourselves. Have you noticed the common links in these questions? They all require money and planning. In order to reach your goals you must plan ahead.

\$ *What Are Goals?*

A goal is an end towards which effort is directed—to graduate from school, purchase new furniture or take a vacation. At any one time, you may have many goals that you want to accomplish. Goals that are important to you today may not be as important to you a month or a year from now. Goals change as you change, so reevaluate your goals periodically to be sure they still meet your needs.

Goals provide a purpose in life. To get where you are today, you must have set some goals for yourself. Are you career-oriented? Reaching for the top? Or will any job do? Have you completed a college degree or specific job training? How do you want to live? Setting goals will help you get what you want out of life.

\$ *Personal and Financial Goals*

Classify your goals as personal or financial. Personal goals are changes you want to make in yourself or your lifestyle. Financial goals require the use of money or substitute resources. Usually, you don't have enough money to reach financial goals right away so you have to plan ahead. Sometimes these goals are very expensive.

The personal goals you set need not be all put off for the future. Write out personal goals for today. Use positive sentences instead of negative. Write a goal such as "I will stick to my shopping list and avoid impulse purchases" instead of "I will no longer purchase items impulsively." Picture yourself shopping with a list and saving money because you didn't buy items that weren't planned. Try to work on one or two of your important goals now. When you feel satisfied with your progress, start working toward another personal goal.

\$ *Mutual Goals*

In many two-paycheck families both partners may be working towards their own goals. That is okay, but you should also have goals as partners.

In a single wage earner family, the earner must be careful not to set all the goals. Just because there is a single income doesn't mean that the income earner should have the only input. You are working as a partnership and the key to success is communication and working together.

\$ *Setting Goals*

Look at where you are today and the things you have. Then, ask yourself what you want. Are you attaining your goals in life? This is the first step in setting a goal—identifying it. Then you need to define it and be very specific. For example, you may have had a goal to finish school and have a career. You may have reached this, yet you may not feel satisfied. Your career goals

may need to be better defined. You might clarify your goal by saying, "I will have a career in the _____ field," or "I will have a career in the field of _____ where I can expect _____ income." Filling in the blanks with details gives a specific direction.

Goals have three components:

1. Direction—where do we want to go?
2. Resources—How can we get there?
3. Time orientation—When do we expect to get there?

Use these as a guideline for setting goals. They will help you identify your goals and define them with details.

For instance, you may want to purchase a microwave oven. You are always on the go and require fast meals. If you had a microwave, you could speed up meal preparation. You could make meals ahead, freeze them, and eat them at any time. There would be fewer dishes, which would reduce clean-up time.

Picture yourself using the microwave oven and spending less time in the kitchen. The more realistic you can make this experience, the more you will want to make it happen. Write down your goals in specific terms. How much will it cost? When do you want to make the purchase? Then ask yourself what you are willing to give up to reach this goal—maybe a refrigerator with all the extras in exchange for a microwave.

\$ *Are Your Goals Realistic?*

In our society we want everything now. We look at what our parents have and want the same things it took them 25 or 30 years to obtain. Most new partners will find their longest list of goals to be short term. It helps to evaluate what it would cost to accomplish your goals in a set period of time. More often than not, goals cost more than many people can afford.

\$ *Prioritizing Goals*

Organize your goals into short, intermediate or long term. Short term goals are those you want to accomplish within one year. Intermediate goals will take one to five years to attain; and long term goals will take five years or more to reach. Setting goals in a time frame will help you determine how to allocate your resources.

Remember that even though a goal is long term doesn't mean you don't look at it for the next five years. Long term goals need a great deal of planning—more than short term goals—with many steps along the way. For example, if you want to buy a house in five years, what would you need to do now? Start saving for a down payment? Build an adequate credit rating to secure a mortgage? What other steps would you need to take? You can set short term goals that move you closer to your long term ones.

Look at your goals and place them in priority order. The items you can't afford now either need to be

eliminated or placed in your intermediate or long term goal sections. Goals that require a sum of money larger than what you have on hand require more planning. If you want to purchase a new \$640 refrigerator in 10 to 12 months, you need to start planning now. How much money will you need to set aside each pay period toward the purchase of the refrigerator? If it went on sale for \$500, how would your plan be affected? By saving money for a goal you have several advantages.

First, the money you save can earn interest in an interest earning account. If the item goes on sale before you plan to purchase it you may be able to arrange an installment or lay-away plan.

Don't feel you have to stick to your time schedule, if you have a good opportunity to reach your goals earlier than planned. But be careful that you do not get yourself in financial trouble. Be sure you can afford it now. If you are already paying on several installment contracts, one more might put you over the edge. The purchase could have a negative effect. Look again at all your goals and resources before plunging into a big purchase.

\$ *Reaching Goals*

There are two major reasons why many financial goals are hard to reach. The first is that people do not clarify their goals completely. While walking through your favorite department store you may see many items that you could use; sheets for your bed, a lamp or a couch. If you made a note of these items you could list them in priority order and start saving money towards purchase. Instead, the money that could be saved is often spent, usually in small, unaccounted amounts.

The second reason is that the goals are often too general. "I will finish school" states a goal that could take a lifetime to accomplish. Make your goals more precise, such as, "I will finish school in three years." Or you may mention to your partner that you need a vacation together. You both agree. Two years later you are still saying you need a vacation. The money that you have been trying to set aside keeps disappearing for other things you "need." Set up a goals worksheet and write down the steps you will take to get to that larger goal.

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