Mastering Your Finances: Setting Financial Goals

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When setting Financial Goals, it is important to set goals that you are going to be able to keep.

Some people think worrying about tomorrow will spoil the goodness of today. But the reality is, financial planning is as important as eating. If you want to enjoy a stable and healthy financial life, then you need to plan for your financial future.

The problem is, when it comes to planning for their financial future, many people just don't know where to start. Many people set up Financial Goals at the beginning of the year, but only a small percentage of them can achieve their goals successfully. What is the reason behind this poor result? One reason is that many people don't know how to set goals, which goals to prioritize and how to achieve them.

8 Simple Steps to setting Financial Goals

To accomplish a goal, you must first create a plan and then just follow the plan. When creating a plan, it is important to include a target completion date. It is said that "A Goal without a Date is a Wish", so set a date for your goal. Following these 8 simple steps will improve your financial situation.

1. Create a budget and stick to it

Most experts agree that budgeting is useful and a great first step when it comes to setting and reaching your Financial Goals. It helps to track your expenses and to get a clear understanding where your money is going. By creating a budget, you can meet your necessary expenses while regularly saving a certain portion of your income.

You must create a realistic budget, stick to it, and revise it at the beginning of EVERY month. The EveryDollar Complete Guide to Budgeting provides a step-by-step approach to creating a budget.

2. Pay off financial obligations

This is one of if not the TOP Financial Goal. Interest charges on credit cards or other debt accounts can eat up much of your money that could be put toward savings or other Financial Goals. Paying off debt should be your first priority.

Your first step is to stop paying on credit. Cut up your cards and start paying them off. There are many techniques and strategies for paying off your debt, and the best way I have found to reduce debt is to use the Debt Snowball.

Once you stop using credit cards, make sure you pay the minimum on every debt on time every month. Using your budget, consider spending changes to save more money and use it for paying off your debts. Once you pay off all of your debt, you can more easily manage your financial situation. If you feel your debt burden is unmanageable, then it is advisable to seek professional help from a Financial Coach.

3. Put money into a savings account

Saving money should be a given as part of planning for your financial future. When you are planning, make sure you start contributing a specific amount each month into the savings account. Use your monthly budget to identify how much you can put into savings each month.

Experts recommend that you save at least 10% of your monthly take-home income to build a savings fund. Regardless of the amount you make each month, you should save at least this amount to secure your financial future. Having money in a savings account will provide you with a sense of confidence to achieve bigger Financial Goals.

4. Spend less than what you earn

Your monthly budget will list all of your monthly take-home income from your day job and any other sources of income you have as well as a list of what you spend in a particular month on all your needs and wants.

Check whether or not your expenses are more than your income. If they are, you need to take steps to reduce your expenses and always keep them less than what you take home each month. Failure to do so will only get you deeper into debt.

To do this successfully, you need to fill your wallet with cash instead of credit cards. Cut up or lock away your credit cards. This way you can avoid digging yourself further into the credit card debt hole. If you can't afford to buy something with cash, you should postpone purchasing it.

5. Build an emergency fund

When you have an emergency fund, you can avoid using a credit card or taking out a loan during a financial crisis. You can use your emergency fund to pay off any unexpected expenses without having to go into debt. In a fragile job market or during an economic crisis, an emergency fund is a life saver.

Saving a considerable amount in an emergency fund should be one of your primary Financial Goals. It is recommended that you save at least 3 – 6 months' worth of expenses in an emergency fund. The more you have in an emergency fund, the more Financial Peace of Mind you will have.

6. Prepare for retirement

You should also prepare for your retirement. There will come a time when you are either no longer willing or able to earn a living for yourself. Therefore, you need to have a proper investment plan so that you have a secure financial life after retirement.

Is your workplace providing you with a retirement account? If so you should contribute the maximum amount possible. You should be contributing at least up to your employer's match, if they offer one, otherwise you are literally missing out on free money! While a matched contribution from your employer is a bonus, the lack of a matching contribution shouldn't delay or prevent you from making contributions. Also take advantage of any other investment bonuses that your employer offers. This may be a stock purchase plan or even a pension plan.

Your retirement account must be an untouchable fund and you shouldn't withdraw money before your retirement age so as to avoid any kind of unnecessary taxes, penalties, or fees.

7. Review your insurance policies

You should regularly review your insurance policies to ensure that you don't pay more on insurance coverage by unknowingly paying for coverage that you don't need. You should review your auto insurance policy and your health insurance policy periodically and check whether or not you need all the coverage that you've taken on.

For example, you may have chosen a full coverage auto policy when you first bought your car, but now that it's several years old, you may not need the coverage to be as comprehensive. It's also a good idea in general to shop around for different insurance policies because you could save by switching to a new company or plan.

8. Prioritize your Financial Goals

You need to **categorize and prioritize.** Not every goal is the same. Some are more far reaching while others are easier to achieve. It's important to categorize and prioritize your Financial Goals.

Renovating the home, replacing the thermostat, or planning a vacation are all examples of short-term Financial Goals, whereas, buying your dream home, building a retirement fund, investing money, or saving money for your child's education fall under the category of long-term Financial Goals. These Financial Goals usually take much longer to achieve.

Things like purchasing a car or paying off debts (credit card debts, student loan debts, payday loans) might be called mid-term Financial Goals, depending on the amounts owed.

How to be more focused on your Financial Goals

Similar to a New Year's Resolution, many people set Financial Goals, but few remain focused on achieving them. Most people fail to achieve their Financial Goals because they lose interest.

You can:

1. Write down one goal at a time in detail. The goal should be realistic and achievable.
2. Set a completion date for each goal and decide if it is a short term, a long term, or a mid-term goal. If it's a long-term goal, you may want to set interim milestones towards that goal.
3. Review your budget and make changes to your spending in order to achieve each goal.
4. Consider some room for fun. Self-rewarding is very important in order to remain inspired.
5. Set easy and short-term goals first. Accomplishing goals can create a sense of confidence and give you the motivation you need to keep working toward the bigger goals.

Achieving your Financial Goals may require some lifestyle changes. Take note and plan accordingly. You may need to cut unnecessary expenses, save aggressively, or earn some extra money. Think positively so that you can stick to your plan. These goals may be difficult, but they are not impossible.

Keeping track of your goals is very important. If you set a number of goals and don't keep track, you will be stuck in the middle. Plus, you can celebrate when you meet each of your goals! Post a note of your goal to a door or wall for a visual reminder. Mark a calendar with goal milestones as you achieve them. Take advantage of apps that make tracking goals easier.

Conclusion

If you want to have a peaceful and successful financial life, there is no other option but to set Financial Goals. By planning for your financial future, you'll set yourself up for success. Walking randomly will not help you to reach your destination.

If you don't know the right path you may want to consider a Financial Coach to help you find and then travel that path.

Be Debt Free - Financial Coaching

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