

# How to Create Financial Goals that Work for You

Do you ever wonder why so many people in North America are in debt?

In 2020 the average credit card debt per household in the U.S. was \$6,124 and the average mortgage debt was \$121,084.56 and American consumer debt totaled \$14.27 trillion in Q2 of 2020.<sup>1</sup> In Canada, credit card debt per household was \$23,000, mortgage debt was \$73,500 and consumer debt was \$2.33 trillion

In 2022, Canadian household debt increased to 180.2% of the gross income. To put that into perspective, in 1980, the average Canadian household debt to income ratio was **66%**.

Or have you wondered why so many are behind or off track in their retirement savings, or just have an overall lack of direction when it comes to money?

According to a U.S. Federal Reserve survey, 37% reported they were “living comfortably,” 40% said they were “doing okay,” 17% said they were “just getting by,” and 6% said they were “finding it difficult to get by.”

On a more positive note, a recent Financial Well Being Survey reported that 74% of Canadians had a score of over 50, which means that they are “financially secure”. The average score was 66. In the study, financial well-being was broken into three components; meeting current commitments (Canadians had an average score of 81), feeling financially comfortable (their score was 61 for this subjective category) and resilience for the future (where they scored 61).

There are plenty of ways to measure people's success in navigating life's financial challenges and predicting whether people have what it takes to handle what life throws at you. But how do you go about pointing your ship in the right direction to begin with?

## **It could be that the reason that so many people don't reach their financial goals is that they haven't actually created any.**

How can that be? Everyone knows that they "have to" and "should" save up more money for retirement and college and other far off goals.

Oftentimes, people talk about saving money as if the act of putting money aside is the goal. But it is not. Putting money aside, investing, creating a financial plan and starting a business are all tools to reach your goals.

According to the dictionary, a goal is "the object of a person's ambition or effort; an aim or desired result."

The financial goal is the thing that you want in your life that you will get with your money.

- A successful financial plan is not a goal... it is a roadmap that leads to your desired destination.
- A personal budget is not a goal... it is a way of keeping score so you stay on track.

So how do you decide what the "destination" is?

## **Ask yourself what you want out of life**

Take a moment right now to brainstorm. Jot down...

- **Material things that you want to have in your life.** Do you want to own your own home? Have other properties? What kind of cars do you want to drive? Clothes that you want to

wear. Don't judge yourself, because people want what they want. Make a vision board so that you can start to see it.

- **Experiences.** Experiences can include bucket list items like travel. Do you want to go to college? Learn a specific skill like a new language or a musical instrument? Do you have hobbies like dancing, painting, hunting or skiing? List those experiences.
- **Lifestyle choices.** It's really up to you how you live your life, and the way you go about it is completely up to you. So start to write down some of your own personal preferences and tastes that you would like to make a part of your life. For example, do you want to live in the city or in a secluded cabin in the woods away from people? Do you want to be married and raise a family? Do you want to live a nomadic lifestyle abroad or build a local business and stay in your hometown? Only you can decide.
- **What do you want your work life to look like?** You likely have your own unique work style, with talents and skills that are your own. Do you prefer to climb the corporate ladder, create something all your own or find a way to generate passive income? They are all legitimate ways of making money and you need a strategy in place to keep as much of what you earn and make the most of your wealth.
- **Personal stressors that you want to eliminate.** Stress can be motivating for people who want to improve their financial situation. For example, if you're unhappy with your current job, saving more money may be the push you need to find something better.
- **Upcoming life events.** Some of the most common life events that people save up for are college, retirement, getting married, having children, and going on vacation. How are you going to come up with the money for those things?
- **People who you want to and need to care for.** You may have children, a spouse, parents, grandchildren or other people in your life who depend on you. Or you may just want to use your financial legacy to help them have a better life.

Go over your list and highlight items that are the most important to you.

## **Your priorities impact and guide your financial life**

You need to have an idea of how much money it will take to achieve your life goals.

You might be wondering what is the annual budget for each priority, and how will you save toward these goals?

Creating a personal budget requires careful thought and planning for what you want in life, as well as how much money is needed to achieve your dream lifestyle.

**Keep in mind, some of the priorities in your life will cost money and others will be *the source of income*.**

Not everything on your list of desires will be something that must be saved up for.

Some of the things will be hobbies that can ultimately lead to you creating an income that will allow you to gain financial freedom. Take a look at your list and see which areas have potential for generating income.

## **Why is it important to have financial goals?**

It's important to have financial goals so that you can plan for your future.

A glaring example of people not planning for their future is that too many people don't save for retirement, and this is causing problems for the seniors of today. In order to be able to retire comfortably, you need to start saving and investing as early as possible so you can achieve a comfortable retirement.

It can be hard to stay motivated when you can't imagine what that retirement will look like. That's why it is beneficial to imagine what your retirement will look like and how you will spend your time so that you can look forward to it.

Both long and short term goals can be more achievable if you spend time vividly imagining the outcome. Without taking the time to think about what you are doing with your money, you'll end up spending it on whatever and you won't do the things you wanted to do.

## **When it comes to our finances, having a plan is always better than flying by the seat of our pants.**

By setting financial goals, we can create a roadmap for our money that will help us achieve our desired outcome.

But financial goals are not just for those who are struggling--they can work for CEOs and Olympians alike! The key is to have something tangible to aim for.

Once we've created our financial goals, then you can devise a plan for how to get there: are you going to pinch pennies, radically increase your income, consistently save using an automatic withdrawal or do something else? The plan makes the charted course far more predictable and clear

## **It's important to review your goals regularly, and go over your plan of action so that you can make any necessary adjustments along the way.**

For example, one of my clients asked me for advice on her investments because she wasn't getting the results that she wanted. She was more organized than most people, and had her statements all printed out and saved in three ring binders. After going through her statements, it was clear that she was losing money. The bank was taking the lion's share of her profits, and over the years she had paid over \$34,000 in fees.

She had a "set it and forget it" approach to her investments, but the banks were making it impossible to reach her goals.

We created a new strategy that allowed her to get better returns by avoiding all those fees and taking control of her investments.

## **Having financial goals gives you a sense of control over your money, and your life**

Money is the most commonly mentioned personal stressor, so it's no wonder why creating and following through with financial goals can be so beneficial!

When you have financial goals, it gives you a sense of control over your money and destiny. You know what you want in life, which makes it possible to map out what you need to do in order to achieve the life that you want. Financial goals help us stay focused on our priorities and help us make better decisions with our money. It's important to keep your financial goals updated as they change throughout life. For example, when you get married, have kids, or retire, your financial goals will change. Financial goals can be re-evaluated at any point in time and changed accordingly.

Having financial goals is one of the most important steps for creating a successful life. When we know where we're going, it's easier to get there!

## **How can you make sure your financial goals are achievable?**

Some financial goals are easier to achieve than others. That said, you can achieve your most audacious goals if you go about it intentionally.

- Create one-year, five-year, ten-year and 50-year visions for your future.
- Break your goals up into steps with benchmarks. This will help you set smaller goals that will help you achieve your larger goal.
- Create SMART goals.
  - **S**pecific
  - **M**easurable
  - **A**chievable
  - **R**elevant
  - **T**ime bound

**Once you have your goal, create a system for achieving it**

Remember, “saving money,” and “investing” are not the goals. Those are the ways that you achieve your goals.

## **Keep your goals on track by protecting yourself from the unexpected: Why You Need Emergency Savings**

Americans have an Average credit card debit of \$6,569. Canadians aren't in quite as deep. Studies show that 47%-58% of Canadians pay off their credit card debt every month, and have an average credit card debt of \$2,627. \*Source:

<https://www.finder.com/ca/credit-card-statistics>

No matter what your credit card status is, imagine being in a place where you never have to put anything on a card.

A financial emergency fund is a stash of just-in-case money. The rule of thumb for setting up an emergency fund is to save three to six months' worth of living expenses.

An emergency savings account is an amount of money that you have saved up specifically for those “emergencies” that can throw your life off balance and put you into debt. Instead of putting those expenses on a credit card, you can use your emergency savings.

One of the best ways to protect yourself from an unexpected financial emergency is to have a savings cushion and contribute to it regularly. Don't beat yourself up if something unexpected comes up and you have to take money out of the emergency fund instead of contributing. The emergency fund is there for just that reason--unexpected expenses!

**You don't need to be overly restrictive to reach your financial goals.**

Most people think that they need to deprive themselves of things they enjoy in order to reach their financial goals. But that is simply not true.

Building goals around your interests, passions and loved ones is one way to focus on the things that you want in life, and eliminating things that are unenjoyable.

It's not all about scrimping and saving. With the right strategy in place you can make tremendous strides while still enjoying your life in the present.

By turning your interests or hobbies into a business, you can reclaim thousands of dollars a year by writing off your expenses.

## **Work smarter and not harder**

When it comes to creating financial goals, there are a few key points to remember. First, writing down your specific goals can help you achieve them. This might seem like common sense, but many people don't take the time to do this. Second, reviewing your goals on a regular basis and weighing your decisions against budget and priorities will decrease stress and anxiety about money. And third----many people are in debt! So creating financial goals can be one step towards achieving freedom in our lives.

The next step could be your most important yet. If you would like to discuss your own plan for planning and building generational wealth, schedule a complimentary virtual wealth-building consultation [here](#).