

Establish and Monitor Financial Goals

It's not how much money you make...It's what you do with the money you make!

It's a fallacy to equate income with wealth. Someone can literally make millions of dollars in a lifetime, but consume it all through spending, putting nothing aside for wealth accumulation, and end up impoverished.

Financial goals are your short, intermediate and long-term destinations in life:

- **Short-term goals** are those things you want to accomplish over the next year or so. Examples include paying off credit card debt, building an emergency fund, saving for a special vacation or new furniture. Because of the short-term nature of these goals, fixed interest savings vehicles are generally your best bet for money set aside to meet short-term goals.
- **Intermediate-term goals** generally encompass financial needs that you want to meet over the next three to 10 years. Examples can include buying a home, starting your own business and, depending on the age of your children, providing for a college education. Since more time is available to meet intermediate-term goals, a combination of saving and investment vehicles may be appropriate.
- **Long-term goals** include retirement planning and, again depending on the age of your children, paying for a college education...events that are 10 years or more in the future. With more time to recoup losses from market downturns, money for long-term goals can be invested more aggressively, such as in stocks and equity mutual funds.

Once you decide on your financial goals, a financial plan then becomes your roadmap for reaching those destinations. A financial plan provides the specifics of when and how much you will set aside, as well as how those funds will be invested.

Finally, monitor your financial plan over time. Be prepared to make adjustments as your needs and circumstances change in the future.