

How to Set Financial Goals

So you want to save money, but what are you saving for? If you have a financial goal in mind, it will be easier to stay on track with your savings and save the cash you need.

For example, let's look at Alex, who recently bought a new car. Alex used to have to share a car with his sister, Yolanda, but they always wanted to use the car at the same time. Alex complained that he would either get stuck having to be dropped off, or he would wind up being his sister's chauffeur.

The first thing Alex did was get a picture of the car he wanted and tape it to the mirror in his bathroom. The picture was the first thing he saw in the morning and the last thing he saw at night. Right next to the photo were six paper dollar signs - one dollar sign for every thousand dollars he needed to save to buy his new car.

Then, he tacked up a flyer for a concert by his favorite band. The concert, eight months away, would be the perfect chance to take out his new car and show it off. Every day, the picture of the car, the dollar signs and the approaching concert reminded Alex of his \$6,000 goal.

While Alex's goal was something he needed to plan for, it was also realistic. He needed a little less than \$1,000 a month, or \$200 a week. Every time he made a purchase, he evaluated whether or not he needed that item. If he could sacrifice that purchase, the extra cash went into an envelope for the week.

Every week, Alex would bring the envelopes to the bank and put the accrued cash in his savings account. He didn't have a lot of time to earn interest on his savings, but keeping the cash locked inside his savings account kept him from being tempted to spend it. If he was a little short of his savings goal one week, he would think about the car and the concert and make up the shortfall the next week.

As his nest egg grew and he reached his mini goals, he took the dollar signs off the mirror, knowing he was that much closer to his overall goal of a new car.

By the end of the eight months Alex had saved the \$6,000 necessary to buy the car. Driving the car to the concert was the immediate reward, but with the experience of saving for both short-term and long-term goals, Alex realized he has the ability to budget his money, make smart choices and achieve his financial goals.

Alex is already planning for his next goal: moving out of his parent's house and into his own apartment.

The goals may change, but the steps to setting and achieving financial goals are usually the same:

- Set a goal.

- Plan for how to achieve your goal.
- Visualize your goal.
- Evaluate your financial choices to make sure you reach your goal.
- Adjust your spending habits.
- Enjoy the benefits of reaching your goal.

Setting and achieving your financial goals doesn't have to be any more complicated than this.