



# FACT SHEET

## Achieving Financial Goals

Fact Sheet 709

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Do you have a goal, or is it a dream? A dream is vague. "In a few years we hope to buy a house." "I want to send my child to college." "I want to be comfortable in retirement." These are dreams, not goals. A goal is achievable when it is specific. It must be written with beginning and ending dates. "By the year 2000, we will have the \$15,000 we need for the down payment on a townhouse." "By the time my child is 18, I will have \$20,000 in savings, stocks, and bonds to pay part of her college tuition." "By the time we are 62, our combined income from pension, Social Security, savings, and investments will amount to about 80 percent of our preretirement income."

How do you set financial goals? Financial goal statements should answer the questions who, what, when, where, and why. Practice writing a goal statement using one of your financial goals. Since this is your (who) goal, begin your goal statement with "I" or "We." State exactly what you will do. Include specific dates (when) in your goal statement. The where of your goal statement will indicate where the money will come from to finance your goal: e.g., income, savings, or an investment. Identify why this goal is important to you. This will help you to stay focused on your goal.



**Example of Goal Statement: We will replace our car in 5 years (September 19xx) by saving \$151.06 per month (a total of \$10,000) to make the purchase.**

My Goal Statement \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

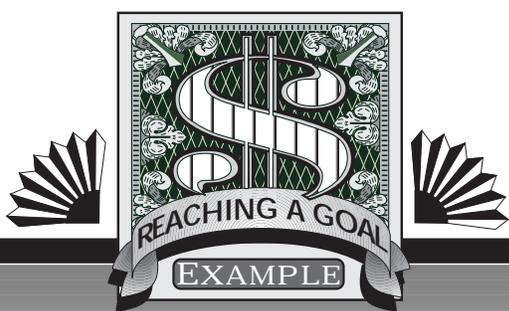
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\_\_\_\_\_

\_\_\_\_\_

Practice writing one of your financial goal statements until it is specific and achievable. An achievable goal statement is positive and realistic. It should state what will happen—not what will not happen. The goal must be within your ability to achieve—within your income and your resources. Calculate the amount to be saved monthly by using the “Saving to Reach Your Goal” chart on page 3.

List all your financial goals on a separate sheet of paper. Next, write at least three ways you can reach each of your goals. Your choice may be to cut or drop expenses; earn more money by working overtime, a second job, or a home-based business; or you may choose to invest your money more aggressively. Be ambitious, yet realistic.



1. We will cut expenses by \$151.06 each month.
2. We will invest monthly savings more aggressively to earn 6 percent after taxes. (At 6 percent, monthly savings of \$143.27 would be required.)
3. One of us will work a second job at the local fast food store.

Review each of your choices. Think of their advantages and disadvantages. Then choose among them for each goal. It may be necessary to use more than one method to reach your financial goals. For example, you may cut expenses to save for a new refrigerator. You may decide to invest more aggressively to meet your retirement goal. You may choose to sell an asset to pay a bill and get out of debt.



We do not want to give up family time by working a second job. We will cut expenses by \$143.27 each month and invest our monthly savings more aggressively in a mutual fund to earn 6 percent after taxes.

Break your choices into action steps. For instance, common action steps for investing in mutual funds would be to read financial publications, and order and analyze prospectuses.



We will cut expenses by tracking daily, weekly, or monthly expenditures. We will order and read the prospectuses from five mutual fund companies. Then we will invest in two of them as soon as we have saved enough for the initial investment.

List action steps for each of your financial goals. Now determine if your action steps are manageable and realistic. Are they too big or too small? Can you achieve each of these steps? Do you need to adjust your financial goals?

Next, determine how much money you need to save to reach all your financial goals. List your goals on page 4. Determine whether they are short, intermediate, or long term. Then, total the monthly savings column at the bottom of page 4.

Now put your plan into operation and track your progress. Remember that goals and action steps are written on paper, not carved in stone. If you find your goals are not as realistic as you thought, change them, but do not drop them completely.



1. Financial goal \_\_\_\_\_
2. How much will your goal cost in today's dollars? \_\_\_\_\_
3. How many years until you need to reach your goal? \_\_\_\_\_
4. What is the after-tax return you can expect? (2 percent, 4 percent, etc.) \_\_\_\_\_
5. Use the table below. Look for the rate of return and the number of years to reach your goal. Take the lump sum amount needed and divide by the number in the column. The answer is the amount you need to set aside each month to achieve your goal. \_\_\_\_\_

**Example:** You want to replace your car in 5 years. You need to save \$10,000 and expect an after-tax return of 4 percent ( $\$10,000/66.2=\$151.06$ ). You need to set aside \$151.06 per month to reach your goal.

#### MULTIPLIERS BY RATE OF RETURN

| Years to Goal | 2%    | 4%    | 6%    | 8%    |
|---------------|-------|-------|-------|-------|
| 1             | 12.1  | 12.2  | 12.3  | 12.4  |
| 2             | 24.5  | 24.9  | 25.4  | 25.9  |
| 3             | 37.1  | 38.2  | 39.3  | 40.6  |
| 4             | 49.9  | 51.9  | 54.1  | 56.4  |
| 5             | 63.1  | 66.2  | 69.8  | 73.6  |
| 6             | 76.5  | 81.1  | 86.4  | 92.1  |
| 7             | 90.2  | 96.6  | 104.1 | 112.3 |
| 8             | 104.2 | 112.7 | 122.8 | 134.1 |
| 9             | 118.4 | 129.5 | 142.7 | 157.7 |
| 10            | 133.0 | 146.9 | 163.9 | 183.4 |
| 11            | 147.8 | 165.1 | 186.3 | 211.1 |
| 12            | 163.0 | 184.0 | 210.1 | 241.2 |
| 13            | 178.5 | 203.6 | 235.4 | 273.7 |
| 14            | 194.2 | 224.0 | 262.3 | 309.0 |
| 15            | 210.4 | 245.3 | 290.8 | 347.3 |
| 16            | 226.8 | 267.4 | 321.1 | 388.7 |
| 17            | 243.6 | 290.4 | 353.2 | 433.6 |
| 18            | 260.7 | 314.3 | 387.3 | 482.2 |
| 19            | 278.2 | 339.2 | 423.6 | 534.9 |
| 20            | 296.1 | 365.1 | 462.0 | 592.0 |
| 21            | 314.2 | 392.1 | 502.9 | 653.8 |
| 22            | 332.8 | 420.1 | 546.2 | 720.8 |
| 23            | 351.8 | 449.3 | 592.2 | 793.4 |
| 24            | 371.2 | 479.6 | 641.1 | 872.0 |
| 25            | 390.9 | 511.2 | 693.0 | 957.2 |



| GOAL  | DATE NEEDED     | TOTAL COST      | REQUIRED MONTHLY SAVINGS |
|---|-----------------|-----------------|--------------------------|
| Short-term (within the year)                |                 |                 |                          |
| <i>Example: New patio</i>                   | <i>1 year</i>   | <i>\$800</i>    | <i>\$65.57</i>           |
|   |                 |                 |                          |
|   |                 |                 |                          |
|   |                 |                 |                          |
|   |                 |                 |                          |
| Intermediate (1-5 years)                    |                 |                 |                          |
| <i>Example: Replace car</i>                 | <i>5 years</i>  | <i>\$10,000</i> | <i>\$143.27</i>          |
|   |                 |                 |                          |
|   |                 |                 |                          |
|   |                 |                 |                          |
|   |                 |                 |                          |
| Long-term (over 5 years)                    |                 |                 |                          |
| <i>Example: College education for Hanna</i> | <i>15 years</i> | <i>\$40,000</i> | <i>\$137.55</i>          |
|   |                 |                 |                          |
|   |                 |                 |                          |
|   |                 |                 |                          |
|   |                 |                 |                          |
| TOTAL MONTHLY SAVINGS                       |                 |                 |                          |

  
***The key to goal achievement is goal setting. Remember people don't plan to fail; they fail to plan - or set goals.***  
