



THE FINANCIAL PLANNING ASSOCIATION

of San Diego

HOME

PLANNER RESOURCES

WHAT ARE YOUR 'REAL' FINANCIAL GOALS?

When it comes to financial planning and money management, people often get it backwards.

They start with trying to make as much money as possible and trying to follow the financial planning strategies they've heard about: investing for retirement and college, building an emergency fund, drafting an estate plan, looking for ways to reduce taxes, buying insurance. There's usually nothing wrong with these strategies, but too often something's missing—clear reasons for doing them in the first place.

The best financial planning starts with carefully thought-out goals and deeply felt personal values. The use of various planning strategies and any necessary purchase of financial products should always be designed to carry out those goals and reflect your values, not drive them. Otherwise, you will be wasting precious energy and valuable financial resources for purposes you may ultimately feel uncomfortable about.

A CERTIFIED FINANCIAL PLANNER™ professional gives the example he observed when a client couple of his went to their personal attorney to draw up some basic estate planning documents. But the attorney began steering them to documents and provisions he “assumed” they should have, such as a qualified terminable interest property trust (QTIP), a third-party corporate trustee and a more complicated durable power of attorney.

The couple nodded in agreement and signed the documents. Several days later, the planner and the couple were discussing the estate plan and it became apparent that some of the documents did not fit the couple's true desires. They admitted not objecting because they assumed that the attorney knew best. The estate plan was subsequently revised to meet their true wishes.

The challenge for many individuals and families is discovering their real goals and deepest-felt personal values. This isn't as easy as it may sound. Another planner tells the story of a client who wanted to earn a higher return on his portfolio so that he could retire sooner. Running investment projections and reallocating the client's portfolio would have been easy, but the planner probed a little deeper.

It turned out that the client wanted to quit as soon as possible because the job stress was killing him—literally, according to his cardiologist. The client's plan was to work even longer hours, contribute more to his retirement plan, beef up returns and retire as quickly as possible. But the client's real goal, it became apparent to the planner, was to reduce his stress, not beef up his returns or retire early. The planner devised a strategy that allowed the client to cut back his working hours immediately and reduce his stress, yet still build effectively toward retirement.

Any planning and specific strategies should also reflect your deepest values as well as goals. A classic example is the decision whether to pay off a mortgage early by increasing your mortgage payments. A strong financial argument might be made to not pay off a mortgage early, but instead continue taking the mortgage interest tax deduction while investing the money that would otherwise have gone to pay off the mortgage early.

Yet you may strongly dislike debt and would be much happier to have an early mortgage-burning ceremony. In your case, then, your personal value of minimizing personal debt should probably take precedent, versus letting the financial strategy of tax-savings or investments drive your planning.

Finding your real goals means digging deep into yourself. “Making as much money as possible” is a nebulous goal. Making more money for what purpose? What do you want your money to do for you? What’s important to you? Perhaps increasing your free time is more valuable to you than making more money in order to buy things. If that’s the case, that’s what should shape your financial plan, not simply making more money.

Here are a few tips for discovering your “real” goals:

? Write them down.

? Discuss them with your spouse, loved ones or friends.

? Be specific. “Retirement” isn’t a goal, it’s a wish. Exactly what kind of retirement? Early, late, what? Do you want to work part time in retirement?

? Keep asking yourself, what do I really want my money to do for me? What’s important in my life?

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