The nitty-gritty of financial goal setting

There is plenty of advice out there about why you should save for your future, but little that explains exactly how.

One of the problems when discussing wealth creation and retirement planning is that it usually involves words rather than numbers. People say they want to 'build a retirement nest egg' or 'make sure I have enough to live comfortably' or 'pay for my kids to go through private school', but rarely are accurate numbers attached to those wishes.

"Until you come up with real numbers it's impossible to come up with goals or a solid financial plan," says Deborah Wixted, Head of Advice at CBA Investment and Advisory Services.

"In order to measure how you are tracking against your goals, what you can afford and what you need to do to make your objectives a reality, you must be able to say, 'In exactly five years from now I want to have enough money to pay $20,000 annually for my child's private school education,' or, 'From age 65 to 85 I will require today's equivalent of $55,000 annually.'"

The starting point, experts say, is the development of a thorough understanding of your own cash flow and its likely future movements. This is even more important for women, whose careers and income earning capabilities traditionally experience more interruptions.

In order to figure this out, check how much your savings account is growing by each month – if it's not growing then that's the first serious problem identified. Or for a deeper understanding, record all of your spending per month over several months to find out exactly how much is going where.

Use this information to figure out what spending is essential and what is non-essential, and where you can cut back in order to give yourself a greater chance of achieving goals.

Next, write down short-term, medium-term and long-term goals, each with financial figures against them. Then prioritise each of your objectives. Using your knowledge of your current financial position, your current available cash flow and your goals, the picture of how you make those goals reality becomes a lot clearer.

The second part of the equation is developing an understanding of the financial and investment markets. Speak with a financial adviser, read financial sections of media and do whatever else you can to improve your financial literacy. A goal that seems unattainable can suddenly become far more realistic if you're aware of various tools that are in place to help you get there.

"If you know a little about the investment environment, which is constantly changing, and you have a finger on the pulse of your own profit and loss, developing a plan and realistic goals becomes a lot easier," Wixted says.

A good financial strategy will also include ways to protect the plan against unforeseen interruptions. This is what personal insurance is all about.

Finally, Wixted recommends the plan is re-visited at least once a year and also every time there is a major change in circumstance, whether it's a wedding, having a baby, a pay rise etc.

"A good plan is never set and forget," Wixted says. "You should always know whether you're on track or not and always keep an eye on what the investment markets are doing. Do this, and monitor your own behaviours such as paying off mortgages, credit card debts and putting money into savings etc, and the result should be peace of mind and financial comfort."

Speak to us for more information

If you would like to know more, talk to your Count financial adviser. They can give you more detailed information on the best approach for your situation.

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