Seven steps to achieving your financial goals

BY MICHELLE GRIFFITHS

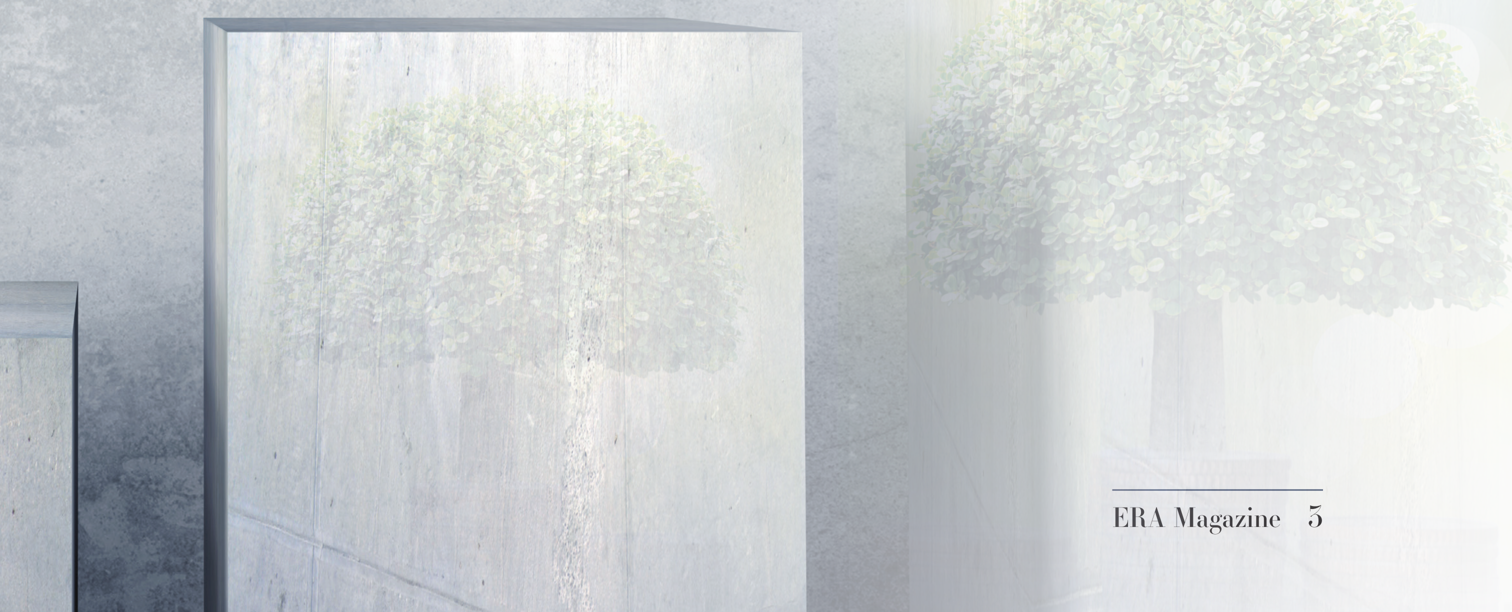
I am going to be a bit controversial with what I am going to share with you today, but it's because I want to keep things real. So many financial planners and accountants will espouse the benefits of good budgeting – and I don't disagree per se, but I find that for most people it does not really work. It's like dieting, you might be able to stick to it for a few weeks or months, but what is far better and likely to give you longer lasting resultsis small changes that you make, because it makes you feel healthy. As someone who loves food, going without is something that I resist every step of the way.

How does this analogy match up with my thoughts on budgeting? Well, I have found that most people see the process of budgeting is about what they are not allowed to spend. Each assessment of why they are spending more than their budget (even when they set up the budget personally) is an attack on their sense of self, independence, and freedom. They resist and resent the feeling of failure that comes from not sticking to their budgeted plans. Some people even develop an anxiety response when they even hear the word budget. This is not a recipe for a good relationship with your money.

So, what do we do then? We need to come at this from a different angle and acknowledge that good money management is just as much about the thoughts that you have about money, as it is about what you do with it.

1. Get clear on your WHY and your financial goal (using SMART goal setting)

Having a goal or a particular target is always a really great place to start. You might even start small and work your way up to larger goals, so that you can experience some wins along the way. Or, if you have a large goal, make sure you break it down into smaller checkpoints so you can celebrate your journey towards achieving your goal. Starting with saving for your next holiday, or a deposit for your first home and then building up to the likes of paying off your mortgage. Naturally, it is likely that the last two will take you more than 12 months to do and so you want to make sure you have some milestone goals you can tick off along the way.



- Take a moment and make a note of what you want to save for, the what is your WHY from a financial perspective. You can be focused on your personal finances or your business, or both. Make sure it is important to YOU as this will empower you more than a weak goal. Infuse the goal with emotion and the desire that you really want to achieve it.
- Be SMART with your goals – Specific, Measurable, Achievable, Relevant, Time-Bound.

Jane wants to buy her first home and wants to save up a deposit in the next 18 months. She currently has $20,000 saved but she needs to build this up to $60,000 by November 2022.

2. Expand on why your goal is important to you – make it personal

To maintain the commitment to your WHY, it needs to be important enough to youthat you stick to the processes that we will build next over a long period of time. Having a strong WHY will make it easier when things get difficult to stick to your plan. You will keep reflecting on how you are getting closer to your goal rather than focusing on what you are 'missing out' on.

To expand on your why I want you to give it some more context and purpose. Add to your notes on your various why statements with the following:

- What would it mean to you to achieve your goal? How will it make you feel? How will it change your life?
- What sort of person will you be or need to be to achieve this goal? Is this the type of person that you will feel proud to be?

3. Share your goal with someone

Is there someone who will share this goal or journey with you? Get them on board with answering these questions as well – it is always easier if you have someone that you can share this journey with. If not, then is there a friend who might have their own separate goals that you can share with each other and spur each other on? Sharing your goals with someone else once again helps provide you with an accountability point and helps you stay on track.

Jane reflects that it has been her dream to own her own place, that this will make her feel in control of her life and her future. She loves the idea of having her own place that she can decorate with her special touches putting her personality into the place. She starts a Pinterest page to start saving pictures of how she wants certain rooms in her home to look and colour themes.

Jane is going to share her journey and savings plans with a friend Ann who is looking to save for her first home as well. They will be able to share their tips and ideas and keep each other accountable and celebrate milestones together.

4. Set up a separate savings account

A great place to start is to set up a separate bank account to put these savings. One that is separate from your everyday account. Some banks offer interest bearing accounts that reward you with higher interest rates when you deposit into them regularly and make no withdrawals, so these are ideal for our purpose. If you have a mortgage already, see if your bank can set up an 'offset account' that you can use for these savings. Then make a commitment to making regular deposits into this account.

5. Make your savings commitment happen automatically each pay cycle

Make sure that you match your regular savings with your regular income. If you get paid monthly, then your savings go in monthly (the day after your pay is deposited). If you are paid weekly, then pay into your savings weekly, and so on. Have the savings deducted from your account so that this happens automatically, or better still if your employer will pay into multiple accounts then set it up so that you never see the savings money at all – it just goes straight into the savings account. This is known as 'paying yourself first'. It is your top priority, and the other bills and commitments will be met somehow but you will always start with paying yourself first (you will work out how to pay the telephone bill!!).

Do not wait until the end of the month and then whatever is left over you will put into your savings; this will not work (or is certainly not as effective). Having your money readily available to you in this way is too much of a temptation. You will find it difficult to stick to your long-term plans, when short term options that will provide you with some pleasure are within easy reach. When you are dieting, you would not have a block of chocolate on your kitchen bench to taunt you as you go through your day.

6. Set up tools so that you can track how much you spend and where

Another key to this process is to understand where you spend your money, and to make more conscious decisions about this. There are several apps that you can use for free, or your bank may have an expense tracking tool that you can use. The idea here is to start using these tools to identify where you may have 'financial leakage' that you can attend to. Let's face it, we all have financial leakage in our lives –it is about trying to re-direct these into your savings plans instead. 'Financial leakage' is a very personal thing and encompasses anything that you spend money on that does not provide you with value or add to your standard of living. For example, for some people buying a coffee everyday may be something that they get a lot of enjoyment from, whereas someone else may do it just out of convenience. The latter would fall into the category of financial leakage. Try to find one or two things to focus on each month in your spending patterns that will help improve your savings capacity, without reducing your quality of life. That way you won't feel like it's taking away from you, but rather just changing habits that will help you reach your goals.

Jane sets up her different savings account and starts tracking her expenditure on her bank provided expense tracking tool. She gets paid fortnightly and arranges for her employer to direct debit her wage into two accounts – one being her everyday bills account and then to also put $800 into her savings account.

She then starts working through her patterns of expenditure knowing that she needs to find where her 'financial leakage' is that she can start to target to help her live within the new financial framework. She starts with seeing how much she spends on eating out and decides that whilst she does enjoy eating out with friends, buying lunches every day at work is adding up to around $60 per week – so she is going to start making her lunch 4 days per week and have 1 lunch per week that she buys as a treat. She is also going to try to limit her dining out with friends and cook for herself when she is at home. She is going to start practising these new habits and then look for something else to improve in the following month. Dealing with 2 items at a time is all she needs to do, and then continue to build on these.

7. Set up your milestones, keep yourself accountable along the way, and celebrate your success

Keeping your enthusiasm and commitment along the way is not always easy, so it is important to acknowledge your successes along the way and reward yourself. Now, that doesn't mean that all your good habits get cast aside. You can still make your rewards financially prudent, but make sure that you get some joy from them. Maybe when you get to a certain milestone you take a day trip to a place where you can go for a special walk or hike that you have always wanted to do. Maybe it's to have a celebratory meal with your goal partner – you might even choose to eat in. After all, it is being together that is the most valuable part. Maybe you buy yourself that item that will help towards you longer term goal.

Jane had set up some quarterly milestones, which she measures herself against each month. She also sets up what her rewards are going to be in advance, so she has something to look forward to. She hits her first target, and her reward is to buy some furniture that she knows she will need for the new home. She sets a spending limit and goes out shopping for the coffee table that she needs with Anne. Anne understands what this reward means to her and the importance of the milestone, as she is going through this journey as well.

Jane reflects on how important it has been to have Anne as an

accountability partner. She has helped her to celebrate her progress, encouraged her along the way, but also she'll ask questions, knowing Jane's bigger objectives – is that how much you want to spend on that? You said your budget was only $xxx. No judgement but just being there to help keep her on track. It is so much easier than trying to do this alone.

The journey that you are on with this process is something that can be useful for any financial goal, but also for any stage of life. Understanding how much you spend and making more conscious decisions on that, as well as reducing your financial leakage is a mindset that will serve you well for a lifetime.

With your goals, it is important also to celebrate your progress. If you don't reach your goal quite as quickly as you wanted to, this is not failure. You are still working towards the goal, and you will get there much faster than if you didn't have a goal in the first place. Make sure you keep a record of your starting base and then your various milestones so that you can reflect on your progress.

Resources that might be helpful

https://moneysmart.gov.au – for some great articles and tool to assist with financial literacy.

https://tag.comparensave.com.au - for a quick comparison on home loan interest rates that could save you thousands.

https://www.tagfinancial.com.au/blog and https://www.tagfinancial.com.au/videos – for more articles and videos about financial affairs for business owners, superannuation and investing.

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