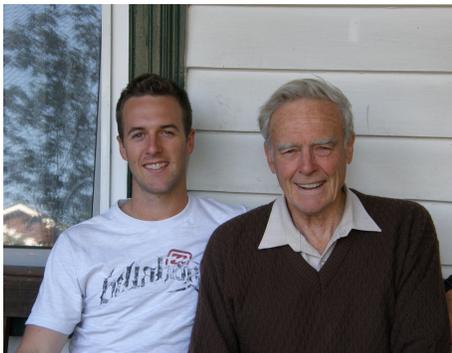


1<sup>st</sup> Feb 2006

## Financial Security - Budgets and Goal Setting

Life is full of hopes, dreams and possibilities. What is it that turns dreams into reality for the 5% of the population that they are able to retire financially independent? Often the secret comes simply down to planning – deciding where you want to be at each stage in the life-cycle and then setting realistic goals to take you there. Goal setting consists of simple steps that will help put you on the right track. The old adage – people don't plan to fail, they just fail to plan. Why is it that we usually spend more time planning a holiday than we do for our financial future that will last the rest of our days, not just a week or two?



Goal setting applies equally to our business as well as our personal lives. Highly qualified and professional people often do not apply the same basic business principles to their own lives, where are you at now, where do you want to get to and how can you get there and when? Strategic planning 101!

Goals need to be achievable; otherwise you're setting yourself up for failure.

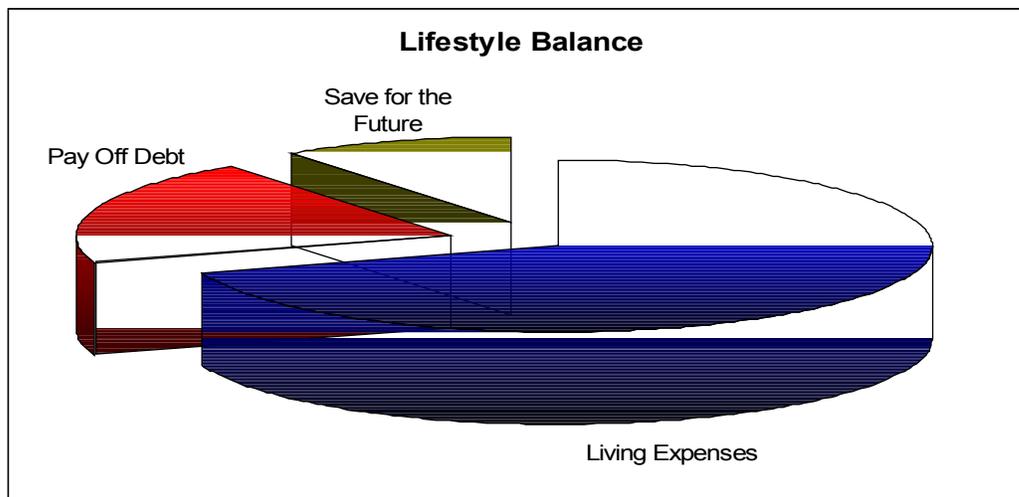


So where do you start? First, write down everything you'd like to achieve in life and business. Include even the exotic dreams, the flash car, the early retirement, the beach house, the perfect family. Start to dream of what is possible. Set up three columns, the first is what you consider to be achievable and realistic now or in the near future, the second column is for those goals that are achievable with some work and in a timeframe of a year to five and the third column is for those ideas that are only a dream at this stage of your life (unless you win Tattsлото tomorrow). Documenting will help make you feel more committed to your plan, and when the going gets tough, you'll have something to steer you through. It's also a big motivator. Put it on the wall or the fridge, the fact that it is in your face and you have a clear path to your life goals, this will help inspire you to go that extra yard, to make the extra phone call, to put in the time needed to achieve what you want.



A budget is the second stage, document what income you earn and what you are spending this on. This is the hard part for many people, they know what they earn but what do they spend it on? There are numerous on-line budget calculators (see the Choice on-line calculator at [www.choice.com.au](http://www.choice.com.au), go to Money and Rights and see the Budget Planner). You need to know where you are now and in most cases you will find you are spending all, if not more, than you earn. Once we have the general idea of what we categories we spend, then we can make some decisions.

Paul Clithero has a 70/20/10 rule, 70% of your income is spent on day to day living, 20% is for debt reduction and the remaining 10% on savings for the future. You need to understand what you are spending on, too often as our income increases we just live more comfortably and increase our spending on lifestyle choices without making the decisions for our long term benefit and goals.



Review what you have written, sort the goals into timeframes, this week, this month, this year etc. Highlight the critical goals, those that need to be done, the critical ones or the big ones and separate those from the smaller urgent type goals. They both need to be done but too often people get caught up in being busy on non-critical urgent stuff and miss the critical tasks needed. Once you've highlighted the goals you want to achieve, its time to critically review them. Ask yourself, are they SMART?:

**Specific** - be precise about what you set out to achieve

**Measurable** - how can you quantify your objectives to know you have achieved them?

**Achievable** - is the goal within your reach?

**Realistic** - do you have the resources to make it happen?

**Timed** - set a time frame for when the goal should be achieved, (immediate, intermediate, future)

Above all, your goals must be achievable and measurable. You need to clearly identify what you are setting out to achieve and have a clear path as to how you will achieve it. Once this has been established you'll find it easier to set an appropriate timeframe for reaching your objectives. This is where we assist you in analyzing your budget and spending/savings patterns and look at what you are going to achieve. Understanding what leeway you have, what can we change to free up more cash or reduce debt, clarify

what money is yours – being your disposable income that you agree to have to spend and look at how you fund your commitments.

A good tip is to break your long term goals down into a series of smaller goals. For example, if you are in business and want to increase your volume by 20% this year, what dollar figure does that translate into each month? How many more client contacts and meetings will this require? Or is it time you found some new referral partners? If the goal is to reduce debt, what steps need to be taken with paying off the highest interest rate debt first, reducing the ‘bad’ or non-tax deductible debt while maintaining the ‘good’ or tax deductible debt.

We help you look carefully at your current situation to see where you can improve. Could you spend an extra half an hour on the phone prospecting each day for instance? Look at reducing the number of credit cards you hold to one with a small credit balance, use the banking facilities to your advantage, set up an EFTPOS account where your ‘lifestyle’ expenses goes each month and that is all you use for that type of expenditure. Consider fixing your interest rate on a portion of your mortgage, convert your Line of Credit (LOC) facility if it is 100% of your loan to a large portion Principle and Interest loan with a small LOC facility. The more detailed your plan, the more effective you’ll find your strategy.

A review your progress is critical, on a weekly or even on a monthly basis as a minimum and a full annual review sitting down with us. The more frequently you assess your situation, the easier it will be to adjust your strategy and to keep the desire to achieve burning. Remember, even the best laid plans are not infallible. There are forces that are beyond your control - good and bad. So tweak your plan when needed but don’t give up. We are here to **Help People through Finance**.

