



Presents

A Financial Goals Worksheet

Time management expert, Stephen Covey, said, “Begin with the end in mind.” This applies to money management as well, but done through financial goal-setting lenses. As a college student, you may find it difficult to think beyond the semester or graduation but it is important.

Start with the really big picture. Take a few minutes to brainstorm about everything you think you want. Do not think about when or how or how much yet.

- 1) Make a list. For example,
 - Buy a big screen TV
 - Take a 7-day cruise
 - Buy a car
 - Take a spring break vacation in Florida
 - Buy a house
 - Retire wealthy
 - Save for an emergency fund

- 2) Think about each one on the list carefully. Decide if each one is a need or a want. (A need is essential to your well-being or livelihood. Anything else is a want.)

- 3) Make a chart like the one below; list your items; determine want or need in column 2. Likely, you will want it all and more! But start with the “needs”. In the example below, “buy a car” and the “save for an emergency fund” are listed as needs.

(1) List WANTS/NEEDS	(2) Do I really want or need this?	(3) What will it cost?	(4) Do in 12 months or less	Take more than 12 months	(5) Savings per month
<i>(Examples)</i> <i>Buy a 57" screen, plasma TV</i>	<i>YES/want</i>				
<i>Take a 7-day cruise</i>	<i>YES/want</i>				
<i>Buy a car</i>	<i>YES/need</i>	\$15,000			
<i>Spring break trip to Florida</i>	<i>YES/want</i>				
<i>Buy a house</i>	<i>YES/want</i>				
<i>Retire wealthy</i>	<i>YES/want</i>				
<i>Save for an emergency fund</i>	<i>YES/need</i>	\$6,000			

It's time to narrow the focus.

4) All needs should take priority over wants. Estimate what you think the item will cost. For emergency funds, the rule of thumb is 3 times your monthly salary/earnings. As you can see above, the two needs are fairly sizable in costs.

5) Rewrite each of these needs as **financial goals**. This takes some thought about **SMART** goals - **s**pecific, **m**easurable, **a**ttainable, **r**ealistic, and **t**imely. Thus, you have to do some research first.

For example, a SMART goal for "Buy a car" would read like this: "By 2013 I will save \$200 per month for 36 months to pay 50% down on the cost of a \$15,000 fuel efficient car by [state brand and model here]."

6) Your Wants/Needs chart now becomes a Financial Goals chart. Notice the differences between the two charts.

(1) List FINANCIAL GOALS <i>(Examples)</i>	(2) What will it cost?	(3) Will it take 12 months or less	Or more than 12 months	(4) How much to save per month	(5) I will reach the goal in
By 2013 I will save \$200 per month for 37 months to pay 50% down on the cost of a \$15,000 fuel efficient car by [state brand and model here].	\$7,500 for down pmt		37	\$200	Oct 2014
In two years I will have saved \$250 per month for an emergency fund of 3x my monthly earnings to total \$6,000.	\$6,000		24	\$250	Oct 2013

As you can see from above, you would have to save \$450 each month to reach both of these goals at the designated times. That's a hefty amount of money to save and may not be possible. This is when you would go back to your monthly budget and see what is realistic to do.

If you can only squeeze out \$300 a month, you can adjust both goals downward. You should have at least one month's earnings in an emergency fund and no less. You can always look for a less expensive car or a used car.

A note about cars: the minute you drive the new car off the car lot it becomes a used car and loses almost 50% of its value. Perhaps you can do without a car a while longer or you will consider a lesser-value car instead.



Time for a reality check! Think about how much you can really afford to save each month, right now. If you can save more, then you will accomplish the goal in a quicker timeframe. If something happens and you must save less, you will extend the timeline.

Apply this kind of “exercise” to all your needs and/or wants. You may find over time that your financial situation will change and you will have to re-evaluate your goals.

What about really long-term goals like buying a house or retiring wealthy?



Thinking about the future

Keep in mind that long-term goals are just that, long term! For your retirement the horizon could be 45 years! It can work to your advantage if you understand the power of compounding interest. At age 20, if you can put aside \$2000 per year into an IRA (Individual Retirement Account) and average 10% interest over the course of 45 years, you could have over 1 million dollars by the time you retire at 65. See this scenario on Rowdy Cents, Opportunities to Save – [An Opportunity Less Taken](#).



It’s all a matter of time, money, and priorities. The earlier you get started setting financial goals and saving money, the better you will be financially.