



# Wealth goal-setting

Why it's important to know your start and end points

Reaching wealth goals and achieving personal ambitions are major objectives of the financial planning process. In order to make plans for the future, you need to know where you are today and where you want to be in the future.

Wealth goal-setting is very much like creating a business plan. You need to know a starting point and ending point, the time frame for 'exiting' (or reaching your goals), and the estimated cost involved.

## TYPES OF WEALTH GOALS

The three most common types are:

- Retirement planning or property purchase over the very long term (15 years or more)
- Life events, such as school fees over the medium term (10–15 years)
- Rainy day or lifestyle funds to finance goals such as a dream sports car over the medium to shorter term (5–10 years)

## WEALTH GOALS THAT REALLY MATTER MOST

It's important to consider and plan for which wealth goals really matter most. Instead, many people muddle through their financial lives, spending to meet the day-to-day expenses that dominate their attention. That's why to get what you want most, you must decide which wealth goals will take priority and work toward the

lesser goals only after the really important ones are well provided for.

## APPROACH TO ACHIEVING YOUR GOALS

The minimum time horizon for all types of investing should be at least five years. Whatever your personal wealth goals may be, it is important to consider the time horizon at the outset, as this will impact on your approach to achieving your goals. It also makes sense to revisit your goals at regular intervals to account for any changes to your personal circumstances, for example, the arrival of a new member to the family, or as you enter retirement.

## CLEARLY DEFINE YOUR SPECIFIC GOALS

As a starting point, consider the goals you set previously, and reflect on what worked and what didn't and why. Once you've done this, it's time to clearly define your specific goals. Most people tend to set wealth goals that are more about money than about things that motivate them emotionally.

## SMART GOALS YOU TRULY VALUE

Goals that are tied to what you truly value are often easier to achieve than goals that are simply tied to money. Part of what gives this goal its power is that it's SMART – it is Specific, Measurable, Attainable, Relevant and has a Timeline.

## DEFINE YOUR GOAL CLEARLY

**A wealth goal is the first step that sets you on a path and should also be:**

- **Specific** – 'To get wealthier' is not a specific or clear goal, but 'to achieve two thirds of your previous working lifetime income at 55 when you retire' is
- **Measurable** – Set deadlines for your wealth goals, such as the age at which you want to retire, or the timeline for buying a holiday home
- **Achievable** – Use your own income (and expected income) to set your wealth goals for the future. Don't count on inheriting money





# ROBERTS MACKIE WINSTANLEY

## INDEPENDENT FINANCIAL ADVISERS

- Relevant – Create a personal financial bucket list of wealth goals but always view it as a flexible document that will change with time as your interests and life situation changes
- Timeline – Identify your time frame by categorising your objectives by short-term, medium-term and long-term wealth goals to provide focus and to help match your goals with appropriate savings and investments
- Try to time the market. No one knows for certain which way the market will head next. Instead, be strategic and thoughtful about your investment decisions
- Make investing decisions in isolation. Rather, consider how each may impact your overall wealth goals
- Delay saving for retirement. The sooner you get started, the greater the impact time and compounding may have on your ability to build financial security for the future
- Gain access to your retirement savings unless in an emergency. Taking money from your pension pot is like borrowing from your future to pay for your present needs
- Ignore the important role risk plays in your portfolio's ability to grow over time
- Minimise the impact of inflation on your money's future buying power
- Review your investments periodically to make sure they're performing as expected. If they're not, be ready to make changes as needed

**A financial to-do list provides important action steps that can help you keep your financial plans on track. Some of these include:**

- Giving your portfolio a regular check-up to make sure your mix of investments accurately reflects your current goals, time frame and risk tolerance
- Taking full advantage of your employer's pension plan (if you're not doing this already)
- Tracking your spending to see where your money is going
- Calculating your net worth so that you understand where you stand financially
- Creating a legacy for future generations and/or charitable organisations that reflect your values

As crucial as a financial to-do list is to your long-term financial security, creating a not-to-do list is equally important. That's because a not-to-do list can help you avoid some of the mistakes that may be keeping you from making the most of your money. For example, do not:

### CHANGING PERSONAL AND FINANCIAL SITUATION

Over time, your personal and financial situation is likely to change. Consider how this may impact your wealth goals, risk tolerance and time frame, as well as your investment and protection planning requirements.

Make sure you have a properly drafted and signed Will. Check to see that your Will (and any trust) accurately reflects your wishes and that the beneficiaries on your pension plans and life insurance policies are up to date. ■

### IS IT TIME YOU REVIEWED YOUR WEALTH GOALS?

We all have dreams for the future, and many of those dreams require wealth to make them come true. Reaching those milestones starts with setting clear wealth goals. Saving and investing with a goal delivers its own reward: the purchase or life change that you've dreamt of and worked to achieve. We're committed to our clients' financial success and would like to have an opportunity to review your wealth goals. To find out more, please contact us – we look forward to hearing from you.

*Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change. Tax treatment is based on individual circumstances and may be subject to change in the future. Although endeavours have been made to provide accurate and timely information, we cannot guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough review of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions.*

#### Roberts Mackie Winstanley

Jonathan Scott Hall, Thorpe Road, Norwich NR1 1UH

T: 01603 628403 F: 01603 661223 E: enquiries@robertsmackie.co.uk W: www.rmw-ifa.co.uk

Partners: Andrew Mackie • Iain Mackie

Authorised and regulated by the Financial Conduct Authority

