

Achieving financial success requires long-term goals

May 2015

... Long-term success

The trick to getting ahead is not hoping to win Lotto, it's about setting sensible long-term goals and learning to be successful along the way, by achieving a series of short-term goals. Long-term success:

... requires balance between today and tomorrow

You can't take it with you; money is no good to you when you are dead. Likewise being alive and penniless is no fun either. So while you need to set goals for what you want to achieve financially over the long-term, and how you want to live your life in retirement, you shouldn't forget about today.

Saving is about balancing today's income between today's and tomorrow's expenses

Saving is the ultimate financial trade-off. Today's income for today's expenditure or, today's income for today's and tomorrow's expenses. If you overspend today, your future may be bleak. If you underspend today and live like a hermit, you may well achieve your long-term financial goals, but won't have any fun along the way.

Somewhere between these two extremes lies the right balance for an individual. Each person has to work out the balance that is right for them as no one can do it for them, though advisers can sometimes help. Until you are willing to put in the effort to work out your true goals and not accepting what an advisor tells you, achieving success comes down to luck. When you put in the effort into planning, getting to the goals becomes possible.

Remember goals are different to wishes. Wishes fall into the category of "it will be nice to do" - and not in the category of "I will do".

... requires short-term goals

To successfully save \$1m you must first save \$1 and then \$2 etc. People who are successful with money, get used to success and, expect to succeed. Accordingly you should learn to be successful and you do this by realistic short-term goals. Plan to save \$20 or \$50 this week and celebrate the success when you achieve it. Then plan to save \$100 to \$200 this month, then \$1,000 to \$2,000 this year. By focussing on the short-term, within the framework of your long-term goals, puts you on the path to success.

Long-term goals are a series of successful short-term goals

... and planning ahead

You also need to set medium-term goals. For example, you might say, now I have learned to save regularly, I'm going to get rid of my credit card debt within 6 months, or pay off my mortgage 5 years' sooner. At each stage reward yourself. Include in your plan a celebration: "If I achieve this goal, I will continue to save, and this winter I will take that tropical holiday I have always wanted".

Success breeds success