

Episode #232: Why Goals-Based Financial Planning Could Offset Turbulent Times

Video Transcription

Hi, my name is Tim Devlin, and I want to welcome you to this week's episode of "Money Script Monday."

Today we're going to be talking about goals-based financial planning. More specifically, why a goals-based financial plan can help you offset some more of those turbulent times where maybe markets are volatile. Having a goals-based financial plan is going to help set your mind at ease.

Now, when creating a goals-based financial plan, there are really three key questions you want to ask. They come down to what, when, and how.

First, what are your goals? You don't have to limit this just to retirement, say 10, 20, 30 years in the future, for those that are just getting ready for retirement. This can expand to college planning for those that are younger, maybe purchasing a house, it can be anything.

The first thing that we want to figure out is what are you trying to achieve? Now, the second thing is when and that's a key component to why a goals-based financial plan has such a powerful impact on your overall life.

Now, when it comes to the when there are a couple of things we want to consider. First, what are those things that are happening now? What do we want to plan for that will happen in the next call it six to 12 months?

Second, what are those goals that you have that are said to occur soon? So, for example, let's say you're saving up to purchase a home, maybe

you're planning to purchase a home in the next two years, this would classify as a goal that you're having soon.

Next, what are those goals that you have in the future? So, this is where retirement may fall under, if it's five, 10, 20 years down the road, where we're really planning for longer-term.

Lastly, we'd like to throw this in here, some aspirational goals. These are goals that if everything went perfectly, would be nice to have. I think it's good to set your goals high so that you can try to achieve them at the end of the day.

Now, that's the second thing, when. Right? That's a key component. And the reason why it's so key is because it determines how much fuel we need to achieve that goal and specifically, how much risk we should be taking with the financial resources that we have.

The reality is goals that are set to occur soon, we should be taking less risk. There's a chance that over the next six to 12 months, the stock market could be down. We want to avoid to the best of our ability, you having to lock in those losses to no fault of your own.

You just need to spend the money, whether that's for a goal, or just to fund your current lifestyle. We want to try to avoid that to the best of our ability.

When it comes to the how question, how much risk will you be taking, it really falls into three things. For your shorter-term goals, we have some easy-to-reach goals. Maybe we just need to save money from week to week, and that's going to be enough to achieve your goals. In this scenario, we're not taking a lot of risks, if any at all.

Second, for those goals that are said to occur soon, we do want to take some risks, we're going to try to grow your money. But we don't want to put you in a position where a few years from now there's a chance that you're having large losses within your portfolio, we don't want that either.

We want to take a middle ground approach to that for the goals that are set to occur soon. They're going to take a little more work, we want to try to target some growth, but not put you at major risk.

Then lastly, with your more future and aspirational goals. This is really where we want to swing the bat a little bit harder. We want to, you know, in this case, take the car or take the plane.

We're going to try to grow your wealth over time. We're going to be using the stock market as an asset over the long term and try to grow the value of your estate.

Getting this all put together, putting a plan in place is never easy. That's why I recommend that you reach out to your financial advisor and see how they can help you determine what are those goals that you have.

When are they set to occur? And finally, how much risk should we be taking.

Now, I encourage you to reach out to your advisor, they'll be able to help you along with this process. Then in the future, as your goals change as your life changes, they'll be able to help you reassess year to year, quarter to quarter and help you along that dream.

My name is Tim Devlin. I want to thank you for joining me with this week's episode of "Money Script Monday."