

Quick Tips for Setting SMART Financial Goals

Learning how to set realistic financial goals is an important part of taking charge of your money. Whether you're trying to pay down debt or save for your first home, you need clear financial goals as well as a road map for reaching them. Here you'll find tips that can help.

First, figure out where you're starting from by looking at your monthly income and expenditures. You may need to track your spending for a few weeks or even months to come up with reliable numbers -- and remember to track *everything*, including groceries, car maintenance, rent, utilities, insurance, prescriptions, subscriptions, entertainment, gifts, and vacations. Second, determine your time frame. How much money do you need to come up with and by when? Third, map out a plan with specific steps you can take to reach your financial objective.

The SMART goal model may help as you develop your plan. SMART stands for:

- 1. Specific.** Identify specific ways you can cut spending or make more money. For example, don't just say, "I'll try to save \$200 more a month." Get specific:
 - "I'm going to save \$60 a month by making my lunch instead of buying it at work."
 - "Instead of going out every Friday night, I'm going to save at least \$40 by staying in one Friday night each month."
 - "I'm going to put in one extra hour of overtime each week to earn an additional \$100 per month."
- 2. Measurable.** Make sure there's a way to measure your progress. For example, if you're trying to save \$60 a month to pay down a debt more quickly, track your spending to make sure that's happening, and then check to make sure that you're actually increasing your monthly payments to creditors by \$60 a month.
- 3. Action-oriented.** A goal such as, "I'm not going to use my credit card as often" isn't measurable and will be hard to stick to. Instead, commit to a definite action like, "I will take all the credit cards out of my wallet so I can't make unplanned purchases."
- 4. Result-focused.** Make sure that you're achieving the intended results. For example, if you're trying to save \$60 a month by not buying lunch at work, make careful choices at the grocery store so you're not spending an extra \$60 there instead.
- 5. Time-limited.** Make sure your goals are time-limited. Setting a time frame for each goal is helpful, both to keep you focused and to help you measure your progress.