



**CASTLE WEALTH**  
Independent Financial Advice

GUIDE TO  
**SETTING  
FINANCIAL AND  
LIFESTYLE GOALS**

*Plan for tomorrow, live for today*



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GUIDE TO

# SETTING FINANCIAL AND LIFESTYLE GOALS

Plan for tomorrow, live for today

Financial success doesn't happen by accident. It's a process starting with having a goal, planning carefully and being confident of making the right decisions at the right time. It is easy to stray from basic, solid principles of finance.

These remain true no matter what your age or circumstances. It's those same principles that need to be applied to your financial affairs.

The start of the new year is the perfect time to obtain professional financial advice and in doing so help secure your future – and that of your family – for years to come. Whether it's advice on significant lifestyle changes, such as preparing for your retirement, helping your children buy their first home or investing to beat inflation, we can help.

## Life goals

Part of the process should also include articulating and writing down your financial and life goals. Doing this can actually have an impact on achieving them, by helping you to maintain focus in the face of distractions, setbacks or challenges.

You might write down, 'I want to be mortgage-free by the age of 50' or 'I want to retire by the age of 55.' Think of each goal as a financial milestone. This will enable you to check that you're on course, without worrying too much about how much longer you've got to reach your destination.

## Reach milestones

Developing effective money habits, having a lifestyle you can afford and thinking carefully about your family priorities will help you identify and reach these goals or milestones – the key to having money serve you well over your whole lifetime.

Whatever stage you are at, a new year offers the chance to rethink your earning, spending, saving, investing and giving behaviours and habits to ensure they are aligned with what really matters. It's also a good time to make sure that your financial life is well organised so you feel in control.

## Clear objectives

Any goal (let alone financial) without a clear objective is nothing more than a pipe dream, and this couldn't be more true when setting financial goals.

It is often said that saving and investing is nothing more than deferred consumption. Therefore, you need to be crystal clear about why you are doing





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what you're doing. This could be planning for your children's education, your retirement, that dream holiday or a property purchase.

Once the objective is clear, it's important to put a monetary value to that goal and the time frame within which you want to achieve it by. The important point is to list all of your goal objectives, however small they may be, that you foresee in the future and put a value to them.

### **Realistic**

Just setting goals doesn't guarantee success—setting goals is only one part of a process that can lead you to success. Setting goals is key to planning, executing a plan, staying motivated and ultimately evaluating your success.

Set realistic goals. It's important to set goals that you can achieve. It's good to be an optimistic person, but being a Pollyanna is not desirable. Similarly, while it might be a good thing to keep your financial goals a bit aggressive, being overly unrealistic can definitely impact on your chances of achieving them.

A realistic goal is one that you can reach given your current mindset, motivation level, time frame, skills and abilities. Realistic goals help you identify not only what you want but also what you can achieve, and help you stay the course by keeping you motivated throughout your journey until you get to your destination.

### **Divide goals**

Now you need to plan for where you want to get to, which will likely involve looking at how much you need to save and invest to achieve your goals. The approach towards achieving every financial goal will not be the same, which is why you need to divide your goals into short, medium and long-term time horizons.



As a rule of thumb, any financial goal that is due within a five-year period should be considered short-term. Medium-term goals are typically based on a five-year to ten-year time horizon, and over ten years, these goals are classed as long-term.

This division of goals into short, medium and long-term will help in choosing the right savings and investments approach to help you achieve them, and it will also make them crystal clear. This will involve looking at what large purchases you expect to make, such as purchasing property or renovating your home, as well as considering the later stages of your life and when you'll eventually retire.

### **Inflation matters**

It's often said that inflation is taxation without legislation. Therefore, you need to account for inflation whenever you are putting a monetary

value to a financial goal that is far away in the future. It's important to know the inflation rate when you're thinking about saving and investing, since it will make a big difference to whether or not you make a profit in real terms (after inflation).

You could use the 'Rule of 72' to determine, at a given inflation rate, how long it will take for your money to buy half of what it can by today. The Rule of 72 is a method used in finance to quickly estimate the doubling or halving time through compound interest or inflation respectively. Simply divide 72 by the number of years to get the approximate interest rate you'd need to earn for your money to double during that time.

### **Risk protection**

There's much to be said for 'protecting before investing'. If loved ones are relying on you financially, your priority should be ensuring their security rather than taking on investment

uncertainty. Discuss your goals with those you're closest to and make plans together so that you are well aligned. An evaluation of your assets, liabilities, incomings and outgoings will provide you with a starting point. You'll be able to see clearly how you're doing and may find areas you can improve on.

Risk protection plays a vital role in any financial plan as it helps protect you and your family from unexpected events. Make sure you have put in place a Will to protect your family, and think about how your family would manage without your income should you fall ill or die prematurely.

### **Tax liability**

With tax rules subject to constant change, it's essential that you regularly review your own and your family's tax affairs and plan



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accordingly. Tax planning affects all facets of your financial affairs. You may be worried about the impact that rises in property values are having on gifts or Inheritance Tax, how best to dispose of shares in a business, or the most efficient way to pass on your estate. Utilising your tax allowances and reliefs is an effective way of reducing your tax liability and making considerable savings over a lifetime.

When it comes to taxes, there's one certainty – you'll pay more tax than you need to unless you plan. The UK tax system is complex, and its legislation often changes. So it's more important than ever to be tax-efficient – particularly if you are in the top tax bracket – making sure you don't pay any more tax than necessary.

### **Take control**

Developing a comprehensive financial plan allows us to take control of our money, assess our current financial situation, set goals and prepare a strategy to achieve those goals. By better understanding your finances, setting goals and creating a strategy, you will live more comfortably and with greater confidence.

This will help you develop a clear picture of your current financial situation to see the big picture and set long and short-term life goals, which is a crucial step in mapping out your financial future. When you have a comprehensive financial plan, it's easier to make financial decisions and stay on track to meet your goals.

### **Retirement decisions**

Retirement planning goal setting is important because it can help you avoid running out of money in retirement. It enables you to calculate the rate of return you need on your investments, how much risk you should take, and how much income you can safely withdraw from your portfolio. The number of options available at retirement have increased with changes to legislation, which have brought about pension freedoms over the years.

The decisions you make regarding how you take your benefits may include tax-free cash, buying an annuity, drawing an income from your savings rather than pension fund, or a combination of these. Beginning your retirement planning goal setting early gives you the best chance of making sure you have adequate funds to support your lifestyle.

### **Life changes**

There is little point in setting goals and never returning to them. You should expect to make iterations as life changes. Set a formal yearly review at the very least to check you are on track to meeting your goals. Monitoring your financial performance in this way creates more certainty and confidence in making both short and long-term decisions.

We will help you to monitor your plan, making adjustments as your goals, time frames

or circumstances change. Discussing your financial and lifestyle goals with us is highly beneficial as we can provide an objective third-party view, as well as the expertise to help advise you with financial planning issues.

### **Finally, get SMART**

To make sure your financial and lifestyle goals are clear and reachable, each one should be: Specific (simple, sensible, significant); Measurable (meaningful, motivating); Achievable (agreed, attainable); Relevant (reasonable, realistic and resourced, results-based); Time bound (time based, time limited, time/cost limited, timely, time sensitive). ■

### **CONFIDENT ABOUT YOUR FUTURE PLANS?**

Once we understand your needs, we help you build a financial and lifestyle plan to serve you and your wealth throughout the various stages of your life. Only by recognising and meeting your distinct requirements can we have a positive impact on your life. This is why we provide an extensive range of services, plus the ability to tailor solutions based on your specific needs. To arrange a meeting, or for further information, please contact us.

# READY TO EXPLORE EVERY ASPECT OF YOUR FINANCIAL WORLD TO CREATE A PLAN?

Wealth is about more than just money. Our aim to help you to secure your financial future. In this way we are able to provide individual solutions for you and your family, so you can be confident your financial affairs are well managed for now and the future.

**To discuss your plans for the future and how we can help,  
please contact to us.**

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