

Best Practices:

Determining Goals – Client's AND Yours

Step 1: Determining the goals

With a goal-based budget, the conversation begins with, "Where do you see yourself in xx years?" Depending on the age of the client, there can be short-term (1-5 year), mid-term (5-10 year), and long-term (lifetime) goals. Nothing should be off the table in initial discussions about goals, and family members should be encouraged to participate in this part of the process. Goals can be pared down or ramped up depending results of family conversations.

Some tips for engaging client in this conversation:

- As goals are verbalized, encourage clients to describe where they are today in initial steps to meeting those goals and what actually needs to be accomplished (time frame, additional skills needed, family member participation, cost, and so on) in order to achieve each goal.
- Don't plan on rushing through this conversation – this is the heart of getting to know your client and being able to provide the best service.
- Clients are encouraged to start with lofty goals and then, through this discussion, the goals can become more clearly defined and mapped out.
- Ask clients if family members share the same goals as you try to determine and potentially resolve family conflicts in this area.
- Discuss obstacles the clients see that would impede meeting those goals.
- Encourage clients to write down goals in a permanent place (goal journal) so they can return to their thoughts about these goals and revise them over time.

Once goals are established and aligned with particular time frames, prioritization can occur, and some goals might be reassigned to a different time frame or even removed in favor of others.

Step 2: Assigning value

The advisor can assist in assigning monetary values to goals, while it is in the client's wheelhouse to determine how actually these goals will be achieved. (e.g. The planner can suggest the cost of a vacation home might be \$40,000, but that doesn't mean the planner will help with finding the home and purchasing it.)

The planner can also help with determining a time frame over which the goal will be paid for – either paid in advance with money saved over a certain amount of time, or paid for in the future by paying off a mortgage or loan or credit card debt.

Step 3: Incorporating the goals into a workable budget

Part of the successful budgeting process is to not focus on the past but to prepare for the future. The past plays a part in getting the clients to where they are today, but the future part of the budget is open for manipulation and change.

If the client is currently spending as much as or more than the income that is coming into the household, then some adjustments will need to be made, either to reduce future spending or to increase future income or both. The planner plays an important role here by helping the client see options for making either or both of these changes.

In addition to helping the client determine the financial impact of goals, the planner can help the client break down the goals into actionable steps that can be assessed and reviewed each year.

Step 4: Planner's goals

The planner has a rigorous set of goals based on upholding a fiduciary responsibility to the client and ensuring that plans are achievable and in the best interest of the client. Included in these goals are:

- Regular meetings with the client to understand financial objectives
- Creating a workable plan that will help the client achieve those objectives
- Monitor and, if necessary, adjust the plan so that it continues to be viable
- Identify various financial solutions that will meet the needs of the client, including possibly working with an outside team of experts with the combined goal of meeting client objectives
- Maintain awareness of legislative and rules changes that impact the client plan and adjust the plan where necessary to incorporate those changes

Resources:

Savings Goal Calculator: <https://www.360financialliteracy.org/Calculators/Savings-Goals>