

# Budgeting with a Goals-Based Strategy

## FuturePath Financial Literacy Series

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During Financial Literacy Month we will be discussing a series of topics to help equip you with the tools needed to develop healthy financial habits, understand your financial position, and identify goals to work toward. In this first piece, you will learn how to develop a budget with a goals-based strategy.

### Goals-Based Strategy

A Goals-Based Strategy is a plan that starts with identifying future wants and needs (goals) and outlines the steps you should take to achieve them. The best goals are SMART: specific, measurable, attainable, relevant, and time-based. Building a budget is crucial to identifying realistic goals because of the light it sheds on your current financial habits. For example, you might discover you are already on pace to reach your goal without any changes or you might find out that there are too many non-negotiable expenses you would have to sacrifice to reach it. As you go through the process of refining your budget, you may discover some goals are of higher importance to you than others.

### Examples of Short-Term Financial Goals

- Building up an emergency fund equal to 3-6 months of your spending.
- Paying off high-interest debt.

### Examples of Long-Term Financial Goals

- Retiring at age 50 with enough money to stay in your current home and travel frequently.
- Purchasing your first, second, or vacation home.
- Paying for your children's education, first car, or wedding.
- Continue drawing on our portfolio for living expenses without dipping into principal.

### Review Your Current Spending and Saving Habits

Once you have defined your goals, the next step is to review your current spending habits and identify where you may be falling short or where you can make changes. Start this process by summarizing your historical spending to help you make projections on your future financial position. Your bank or credit card may have a tool that you can use to export your spending into different categories. There are also a variety of apps that can help you monitor and understand your spending. Once you organize the expenses by type, you will want to determine which are fixed (non-negotiable such as mortgage/rent, phone, insurance, child-care) and variable (mostly discretionary such as dining out, shopping, entertainment).

### Revisit Your Goals

Even after you have created your budget; you should revisit it to make any necessary adjustments to reach your goals. If you do, identify areas you can afford to trim and spend time thinking about how those changes will affect your current lifestyle. If you feel unhappy or as though your quality of life has diminished after making necessary changes, then it is important to revisit your goals. On the flip side, maybe you are right where you need to be and determine you have the flexibility to spend more on what you want now.

### How to Implement Changes

Remember that small changes tend to stick more than abrupt lifestyle shifts and that even small steps can take you to great heights. Try setting up automatic transfers from your checking to your savings account, this is a small, easy task can that has great long-term results. Creating a timeline, specific targets, and consistently monitoring your progress will help you achieve your goals.

**We encourage you to define your goals, spend time learning your financial habits, and develop a detailed plan that aligns your actions with your financial goals.** Whether you are just getting started with budgeting or would like a second set of eyes on your plans, remember that we are here to be a resource for you. For a personalized discussion about your goals or budget, please [contact us](#) or reach out to your advisor. Want more? You can [use this guide to take your financial planning to the next level with the ten financial planning fundamentals](#).

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