http://www.adelaidepropertyfinders.com.au/cgi-bin/page.cgi?id=121

Ready, aim... fire up your wealth

Setting attainable goals – and making sure you achieve them – is the key to financial success, writes Anthony Keane

MAKING your first million is always the hardest and, without clear financial goals, the dream will stay elusive for most people.

The old saying "it takes money to make money" rings true with wealth creation, but that does not mean those with little money cannot achieve financial freedom.

Setting financial goals is a key to getting ahead – from everyday savings and debt-reduction targets to longer-term investment goals.

Whether it's a new car or holiday, paying off the mortgage, building a share or property portfolio or becoming a millionaire, it won't happen by accident. Planning is critical, but remember there is more to life than money.

AMP financial planner Mark Borg says finances "are to create and support a lifestyle, not the other way around".

"The big thing is to review your goals, because you change – and your wants, needs and dreams change," he says.

A starting snapshot

A free brochure, titled Your Money, found on the Australian Securities and Investments Commission's fido.gov.au website says that taking stock of your financial situation is the first step.

It says people should ask themselves if they are better off today than they were a year ago, examine what they own and what they owe, then look at their income and expenses to work out if they are saving any money.

"It's fairly easy to make a few estimates, and then use your mortgage, credit cards, bank accounts and super statements to fill in the blanks," the ASIC brochure says.

Write it down

Investors' advocate and neuro-linguistic programming practitioner Angelo Mena says people should always write down their financial goals so they are accountable to them.

"What tends to happen is, if people don't write it down, they have nothing to hold them to the goal," says Mena, who runs a property investment business.

He follows a SMART – Specific, Measurable, Achievable, Realistic and Timed – goals system.

"You can't just say: 'I want to be rich'. It doesn't mean anything. You could have $1000 in Ethiopia and be rich," he says.

"Be specific. For example: 'In 10 years from now I will have $10 million worth of equity – and not just $10 million of property floating around'.

"Achievable means you have to be able to do it. If you use your present earnings – $50,000 for example – you won't say you want to earn $5 million in a year.

"With such a big leap you can't form a bridge to it.

"Go from $50,000 to $100,000 and you can form a bridge."

Timed goals are critical, Mena says: "If you don't say by when, you might not get it until you are 90. Give a specific timeframe."

But don't get caught out by expecting to get rich quickly.

"I see a lot of people who approach real estate investing like hitting a home run. They belt the ball so hard and think, with one deal, they will be rich for life," he says. "It's a lotto mentality."

TARGET YOUR FINANCIAL GOALS

The Australian Securities and Investment Commission says people who set goals, make a plan and stick to it can make progress even with all the ups and downs along the way.

"The sooner you start working towards your goals, the sooner you can achieve them, even if you can only spare a small amount of money," the commission says on its fido.gov.au website.

GOALS INCLUDE:

1. Paying off your credit cards.
2. Buying a new car and paying it off quickly.
3. Buying a home and paying it off quickly.
4. Saving for your children's education.
5. Stockpiling some money for a holiday.
6. Putting some money aside for retirement.

ASIC says writing down the goals is the first step. Next, estimate how long they might take to achieve, and note the things that need to be done to get started.

How long does it take?

Experts say this is just like asking how long is a piece of string, but warn that people, generally, should not expect to become millionaires within a decade.

Mena says an average investor who owns a couple of properties and passively sits on them might have to wait 10-15 years to make a million dollars. Those who act aggressively can do it sooner, but there are traps for the unwary.

"Hoping for the best has hurt many property investors," he says. "It's not just a case of how hard you want to push it – it's how smart you want to push it."

Barker Wealth Management senior wealth adviser David Kayser also suggests a 10-15 year time-frame is needed for the average person to make a million but, he says, it depends on a wide range of factors including income, children and mortgage repayments.

AMP's Borg says 10 years is "not unrealistic in today's world, especially when you put together your property, superannuation and two people working".

Bite-sized chunks

"You start with a 10-year goal and dream big," Borg says.

Five-year goals should also be set, with one and two-year goals written down too. "Short-term goals are crucial, but people shouldn't forget medium to long-term plans. By understanding where they want to head, people can start to work on their plan and achieve short-term aims."

Reward yourself

Borg says it is important to celebrate the goals you achieve: "I like travel, some people enjoy fashion. What's most important is that it's important to you."

Mena says financial goals are just one piece of the puzzle.

"Balancing lifestyle is knowing there are certain aspects of life that have to be covered off – emotional, spiritual, friendships and relationships," he says.

Kayser says lifestyle desires are important: "While trying to take care of the long-term, ensure that you still have fun shorter-term goals such as holidays."

Pitfalls

People should not get hung up on preconceived ideas, Kayser says.

"These include 'house prices always go up' and 'superannuation is bad'. Superannuation is simply an investment structure with a really low tax rate," he says.

Other pitfalls include not protecting assets and income with insurance, trying to reach targets too quickly by taking too much risk, and not correctly analysing the level of debt you can service.

"Just because a bank will lend you X amount, it doesn't mean you should borrow that much, because you may not have much spare cashflow to reduce this debt over time," Kayser says.

He says it is important to diversify your investments, and have the correct tax and investment structures established for the longer term.