



PETER LAZAROFF

Goal Planning Worksheet

The Most Important Step in Your Planning

All too often, people make money decisions without considering the impact on their future. In fact, research shows that our brains think of saving as a choice between spending money on ourselves today versus giving it to a complete stranger.

Several studies have shown imagining the future leads to increased patience when choosing between your current and future selves. So prior to filling out this worksheet, it's important to take time to really dream about your future. (If you need some inspiration, [I share two examples in this article about my own experience.](#))

By really thinking hard about the big life moments in the decades that lay ahead, you can start to define the end destination. Once you know where you're trying to go, you can create a plan to get you there. This isn't a one-time exercise, though; you will need to revisit your plan at least annually because life will bring changes along the way that require adjustments.

The Importance of Writing Out Your Goals

Now that you've had an opportunity to envision your future, it's time to put the pen to paper. Writing down a goal with an estimated date and expected cost dramatically increases your likelihood for success. It also allows you to clarify the things that are most important to you.



STEP 1: Writing down short-term goals (five years or fewer).

1

- For each goal you'd like to obtain, list the date of desired completion and the expected cost.
- Rank each goal in order of priority. The very top short-term goal should be your annual retirement savings target. The second should be contributions towards an [emergency fund](#).
- Add up the expected cost of all your goals to determine how much you need to save on a monthly basis to make this happen over the next five years.
- Rank each goal in order of priority

To give you an idea of how this works, below is an example I used in [Making Money Simple](#) of Andrew and Casey.

Priority	Short-Term Goals (5 Years Or Fewer)	Completion Date	Expected Cost
1	Max out IRAs and Andrew's 401(k) every year	\$29,500/year	\$147,500
2	Build emergency fund	July 2022	\$30,000
3	Pay off student loans	December 2019	\$15,500
4	Save for "big" 5-year anniversary vacation	July 2015	\$12,000
5	Buy Casey a new car	October 2020	\$35,000
			\$
			\$
			\$
			\$
			\$
Total Expected Cost of Short-Term Goals			\$240,000
Required Monthly Savings to Reach All Goals in 5 Years			\$4,000



There is no such thing as a final draft of your financial plan. Short-term goals often change from year to year, whereas intermediate- and long-term goals tend to be more static. In the above example of Andrew and Casey, their retirement goal changed the year Casey got access to a 403(b) through her new employer. Once they begin having children, I suspect they will add new goals such as saving for college or finishing their basement. They are also likely to increase the size of their emergency fund goal to accommodate the higher living expenses that successful professionals inevitably take on.

STEP 2: Complete the same exercise for intermediate-term goals that will take five to 15 years to accomplish.

2

- For each goal you'd like to obtain, list the date of desired completion and the expected cost.
- If your monthly savings exceed your short-term goals, then direct additional cash flow to these intermediate-term goals.
- If you are saving towards intermediate term goals, then you should consider investing in a custom portfolio that reflects your risk profile and time horizon for that specific goal.
- Unlike the short-term goals, the importance of this exercise is to understand the things that are important to you in life and, from a financial perspective, how much you need to save in the future. Common examples of intermediate goals include buying a car, having children, buying a rental property or vacation home, saving for college, taking a once-in-a-lifetime vacation, saving more for retirement, paying down a specific debt, and so on.

It's common for intermediate-term goals to have higher expected costs, which means your monthly savings will need to be greater than the level needed to meet your short-term goals. Even if you don't have enough income to save for your intermediate-term goals today, you might invest in a mix of stocks and bonds so that your money can compound at a higher rate of return to close the savings gap. You may also close any savings gap through a rising income or gradual increases to your savings rate.



STEP 3: Write down long-term goals that are at least 15 years away.

3

It may be difficult to assign an expected cost to your long-term goals, but that's okay. Your long-term goals speak volumes about your financial values, so just thinking about it is more important than perfectly estimating costs.

Typical long-term goals are headlined by retirement or financial independence, but also tend to include items like paying for a child's education, enjoying extensive travel, buying a dream home, owning a vacation property, giving to charity, and leaving a legacy.

Put a Plan in Action

Grab your [Cash Flow Worksheet](#) and see how much is available to save towards your short-term goals. With this information in hand, you are ready to set up automatic savings through a process of reverse budgeting.

Use the short-term goals on this worksheet to determine how much you need to save on a monthly basis. To calculate their required monthly savings to reverse budget, simply total their expected costs and divide by 60. This gives you the monthly savings requirement to meet all your short-term goals in the next five years.

Next, rank the goals according to your priorities. This lets you know where to begin directing your monthly savings through automatic savings. Automating these savings is crucial, so [here is a step-by-step guide to automating your finances](#) if you need it.

If you can meet the required monthly savings of your short-term goals and still have money available, then begin directing some cash toward your intermediate-term goals. If you can't meet the monthly savings required for your short-term goals, then try to escalate your savings over time. You may also need to adjust your goals or consider the strategies discussed in the previous chapter for freeing up extra cash.



GOAL: SHORT-TERM (5 years or fewer)

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

TOTAL SHORT-TERM GOALS:

\$

REQUIRED MONTHLY SAVINGS TO HIT GOALS:

\$



PETER LAZAROFF

GOAL: INTERMEDIATE-TERM (5-15 years)

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

TOTAL SHORT-TERM GOALS:

\$



PETER LAZAROFF

GOAL: LONG-TERM (15 years or more)

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

PRIORITY:

Goal:

Completion Date:

Expected Cost:

\$

TOTAL SHORT-TERM GOALS:

\$



PETER LAZAROFF