
Financial Goal Setting – The first step towards financial freedom!

Thanks for downloading this guide to setting your own financial goals.

It's the first step to really understanding what financial freedom looks like, and by completing this you'll have a much better perception of just how much work you need to do (or perhaps how close you already are) to living the life you want without the burden of going to work every day!

What are your life goals?

Let's start by thinking about what you want from life - money should just be one part of it. If you're only chasing money as your single measure of success, you'll never be happy as long as there is someone that is more successful than you.

Freedom of time and choice, healthy love and relationships, material possessions and experiences, and altruism/charity are all important elements to form the balance of a truly successful life.

Money clearly makes a lot of these a lot easier to achieve, but money should be the means to a specific end, rather than the end itself.

How much will it cost?

If you were put on the spot right now and asked how much money you need to be free, what would you say? **Grab a pen and right it down before you do anything else!**

Most people tend to hugely overestimate how much they need to be financially free, so let's break it down and see if the number you've just come up with is really accurate.

It's important to realise that there are different levels of freedom and rather than focussing on the biggest goal from the start, by breaking it down into a progression towards complete freedom with a plan in place to help you achieve each level, it will become much more attainable.

If your mind doesn't think something is achievable, it's unlikely you'll ever achieve it. So breaking it down into smaller chunks and putting realistic plans in place to achieve each chunk are so important to helping your mind believe in the goal, making it significantly more likely that you'll actually get there.

So let's begin to break it down. I'll bet most of you reading this fall into two camps: those of you who already have a massive number in your head that you think represents financial freedom; and those who are almost too scared to think about it or have just never taken the time to put a number on what you think freedom looks like.

Well hopefully, after going through this exercise, you'll have a very clear idea of what you need to be free, and you'll be a lot closer to achieving it than you thought. (If you fall into the minority, the third camp of people who already have completed a similar exercise, it's worth going through it again as we need to keep our goals up to date as our lifestyles and dreams change.)

Keep in mind as we go through this that money is not the end. It is simply a tool to allow us to measure what we need to be free. The beauty of this exercise is that part of the process involves

thinking about what that freedom actually looks like, so that we can get beyond thinking about money as the ultimate goal, but it takes time and imagination to get it right, so make sure you set aside some time to commit to doing this properly, or run through it now quickly and come back to fill in the details once you've considered it all.

As I mentioned before, there are different levels of freedom that I think we should focus on, giving us a short, medium and long term focus - Financial Security, Financial Independence, and Absolute Financial Freedom!

The spreadsheet that comes along with this PDF is a template to help you complete each section, but let me explain how each level is different before you get started looking at your own individual circumstances.

Financial Security

This is the shortest term goal and the most immediately achievable (perhaps some of you are lucky enough to already be here and can jump straight ahead to Independence or even Freedom!).

If you remember Maslow's Hierarchy of Needs from school, then financial security is ensuring the most basic physiological needs can be met without needing to work in a job to pay for them ever again.

Ensuring you'll have enough to pay for shelter (your mortgage payments, or rent if you don't own; heat, power, water etc.), food and transport may feel like a relatively low level requirement, but these are the things that tend to get paid first when we get paid every month. Having a passive income that takes care of these basic but most important needs would be a huge relief and would immediately free our minds to focus on growth rather than survival.

The attached spreadsheet that goes along with this guide lists a small number of items here under the Financial Security Sheet, with space to add your own additional costs as well. But keep in mind financial security should only include those things you need to survive every month. Lifestyle choices and luxuries come into the next levels of Independence and Freedom.

Fill in your monthly costs for housing, utility bills, transport and anything else you need to survive on a monthly basis, and we'll calculate your monthly and annual income that you need to cover these Security costs.

Financial Independence

Once your basic needs are taken care of, it's time to focus on the medium-term goal of achieving Financial Independence.

Note that when I say medium-term I do not necessarily mean it needs to take you 5-10 years to achieve, but more than you should focus first on getting to Security before worrying about achieving Independence. Remember that breaking down your goals in this way makes them infinitely more achievable than striving for a massive goal with no plan in place.

Financial Independence is going to involve different things for different people but simply speaking, it's about having enough passive income that you can sustain your current lifestyle without needing to 'work' again. A lot of us enjoy what we do and would choose to continue working even if we won the lottery tomorrow, but wouldn't it be great if we could get up and go to work on something because we were passionate about it rather than because we had bills to pay?

Start by taking the monthly figure from your Financial Security and put it into the first row on the Financial Independence sheet. Next, we need to add in all of the other costs you have with your current lifestyle - shopping, entertainment, restaurants, holidays, health & fitness, education etc. These costs will differ hugely from person to person, so we've put in some of the most common ones (leave them blank if they don't apply) and left plenty of space for you to add your own.

Again, once you put in the monthly costs for each item, we'll calculate the total monthly and annual income needed for your current lifestyle. It might require you digging out some bank statements or having a chat with your significant other, but the more accurate you can get this figure, the more helpful it will be to aim for as a goal.

Don't be too disheartened when it's a LOT bigger than your Security figure though. Keep in mind that when you can achieve this number from investments, you can maintain your current lifestyle doing what you love (and if you have the right team around you and systems in place, never needing to 'work' again).

Absolute Financial Freedom

Now this is the really exciting goal. What would it take to live the life of your dreams?

If you're anything like me, it'll be a pretty big number by the time you get it all down on paper, but thinking through your wildest dreams and figuring out just how much (or surprisingly little!) you actually need to achieve it has to be one of the most enlightening activities I've done this year.

How much would your dream home cost, and what would the mortgage payments be? What about the fancy sports car, or even that private jet you charter for your holidays? Have you got desires to be charitable and donate chunks of money to your most important causes, or perhaps you'll keep it closer to home by funding your parents' retirement villa in Spain or helping your family through education?

Where do you see yourself going on holiday, and how often would you like to escape it all? Have you got a habit for designer handbags and shoes, or a passion for following your sports team around the world?

For a lot of people, Financial Independence will be more than enough to live a very enjoyable, comfortable life. This notion of Financial Freedom is an exercise in creativity more than anything, and will likely only be achieved by a small percentage of the population. But in my mind, if we can't dream, what can we do?

Perhaps we'll only get part of the way, but as I've said before, understanding what we're working towards makes it so much more attainable, and helps us get out of bed every morning and work that little bit harder.

By combining your imagination with an internet connection and a bit of research, you can relatively quickly get down the big ticket items that would give you complete freedom to do what you want, when you want, as often as you want. It doesn't need to be a comprehensive list (a couple of meals out a month will pale into insignificance when on the same list as a Ski Lodge in the Alps or 60ft yacht (are you starting to get a feel for my dreams?).

As with the Independence goal, this one is very personal and so difficult to fit into a template. You can either list out every individual item you think of, or group items into bigger categories like day to day living costs, holiday costs, luxury/shopping costs, staff (don't we all want a housekeeper?) etc.

Use the Absolute Freedom sheet in the attached file to start listing out your dreams however they make sense to you. As with the previous two, we'll then calculate the monthly and annual totals for you. Maybe it'll scare you, maybe it'll inspire you, or maybe it might not be as unrealistic a goal as you expect.

What Next?

Obviously understanding your goals is just the first step towards actually achieving them, but it's such an important step that I wanted to share this guide to make sure you actually give it the thought it deserves.

I'm of the belief that taking a step in any direction is better than standing still, but it will make your life and your work so much more purposeful if you actually understand what you're working towards.

Once you have completed the exercise, you'll have a real understanding of how much you need to generate to survive, to live independently of a J.O.B., and to achieve the real 'absolute' financial freedom of your dreams.

The next step is to put a plan in place to achieve those goals. I assume by virtue of the fact you found this through our Inside Property Investing podcast that you have at least some interest in property investing to create an income, so I'll focus on that.

We're preparing a few other guides and helpful documents to help you understand the income potential of the different popular investing strategies, and we'll share these with you as and when they're ready.

Listening to past episodes of the Inside Property Investing podcast is another great way to see how real people are making money from property, and you might just get a feel for what strategies appeal to you.

The best advice if you're new to this though is to get out and speak to people with similar goals to you but at different stages of their own journey towards financial freedom. There are plenty of property networking events and online forums/Facebook groups to get involved in, or if you want to have a chat with me I'd be more than happy to run through your goals and give whatever advice I can.

However you decide to proceed with the planning stage, I hope having a clear idea of the destination as a result of completing this exercise has helped in some way, and I'd love to hear how you're getting on.

Send me an email to mike@insidepropertyinvesting.com with any feedback, comments or questions you might have.

All the best,

Mike Stenhouse