# Want to Save More? Set Some Goals

*Specific targets boost motivation better than saving for saving's sake.*
by Suzanne Gerber

Here's an interesting concept: The best way to save a bundle is to pre-spend it.

While there are plenty of effective, tried-and-true ways of saving money, many experts agree success comes more quickly—and with less angst—when you set specific, quantifiable financial goals.

A recent Fidelity survey confirms this. Half of the polled folks who had made a money resolution the previous year described themselves as "better off financially," compared with just 38 percent of those who didn't set one.

We all have objectives, some of which are fairly universal: get out of debt; save enough for college tuition, taxes or an emergency fund; buy a house (or a second one, or renovate); start a business; or pay for a wedding, " special ocassion" vacation or a new car. But even when we're able to translate those objects into numbers, it can be challenging to create a plan to get us there. Harder still, for some of us, is getting started.

This is when we turn to psychology. Psychologists talk about two different types of motivation: intrinsic, which comes from within and is a sustained source of incentive, and extrinsic, wherein you're driven by something outside of yourself, like external rewards.

When it comes to saving money, you want to tap into your intrinsic motivation. That personal impetus and stimulus will help you stay the course until the finish line and bestow a sense of control over your bank account and your destiny. But if your motive is merely extrinsic, then managing your money could wind up feeling like a chore and might even backfire.

**How to Set Inspirational Goals**

To set you on a path—and keep you on it—your goals need to inspire you and be based on your own values and interests. At some point, you need to ask what you are willing to sacrifice to make it happen.

Once you pinpoint your goals, you need to make sure they're realistic. The first of the three key qualities is that they're **achievable**. An oft-quoted survey from 2006 found that 21 percent of Americans have, as a key tactic in their retirement strategy, winning the lottery. (Of course no reader of *this* blog is among those 67 million.)

The second component of realistic goals is that they're **specific**: "Wealthy"" isn't explicit, whereas "save $180,000 for college tuition" is.

The last is **measurable.** This is useful not only in determining when you're reached your target but in having a means of assessing your progress along the way.

**Consider the Time Frame**

Determining whether your objectives are short-, medium- or long-term is essential for two reasons: The tick-tock of the countdown drives motivated *and* helps you choose appropriate investment resources.

Short-range goals—with deadlines in the next one to three years—might be a vacation or new car. For these, you want low-risk liquid investments. The rely on the steady accumulation of principal rather than high interest.

Long-term goals, more than seven years away, are your grand visions, such as a country house, tuition and a retirement fund. Discuss your risk tolerance (and other preferences) with your adviser and plan shift to a more conservative investment as the time grows near.

**Monitor Your Progress**

To make sure you're on track, you need to do regular check-ins. You might have to make adjustments if your nest egg isn't keeping pace with the objective. Discuss with your investment professional how frequently you should review the numbers or, if you're doing this on your own, designate specific times to do this—perhaps monthly for short-term objectives and quarterly or bi-annually for longer-range ones. Timing is important because checking too often can distort your sense of growth, and too infrequently can cause you to miss a critical opportunity to make a course correction.

**Tips for Saving for Goals**

- **Create a detailed plan.** Specify exactly how much you need, from where you'll take it, and into what product (bank account, money market, CD, etc.) you'll put the money. Do the math: If you need $60,000 in five years, make sure you really afford to put aside $230 every week until then *and not touch it*.
- **Keep it real.** How adjustable is your number; your deadline? Build in a cushion in case of an unexpected expense.
- S**et minor milestones.** Keep yourself psyched by focusing on—and acknowledging—interim progress. Success tends to feed on itself.
- **Make it automatic.** See if your company can do direct deposits or set up an automatic weekly transfer of, say, $230 from your own account into a special one. This prevents you from "cheating" or thinking of this money as part of your cash flow.
- **Keep it out of reach.** Avoid temptation to funnel that money toward other expenses by making it *very* hard to access the account (e.g., no ATM card).
- **Reflect on your highest goals.** While "putting the kids through college" or "retiring at 65" don't requires justification, stepping back, refocusing on the big picture and reframing your underlying motives can give your savings a little more juice. Think about the specific benefits to your children (starting adult life debt-free, being empowered to pursue their own passions) and yourself (doing more humanitarian work in your later years). This can make the belt-tightening feel all the more worthwhile.