Juggling Act

A successful retirement plan is just part of the financial juggling act

When it comes to financial planning, it's all about setting goals. In fact, you can't have a successful retirement plan in place until you make sure you've got everything else covered. Otherwise, your finances would be all out of balance. And a financial plan out of balance is a sure recipe for failure — and endless frustration!

The trick is to learn how to juggle long-term goals like retirement with short- and medium-term goals such as purchasing a home or paying for children's college tuition — while taking into account your personal priorities, economic circumstances and stage of life.

Beat the Clock

When you set your financial priorities based on time horizons — how much time you have to save and invest — it helps you create realistic action plans for reaching different types of goals. To help you sort out your priorities, take a sheet of paper and divide it into three vertical columns. Put the following headings at the top of the columns, and take some time to jot down the goals you have, placing them under the appropriate time horizon. To help you get started, some examples are included:

SHORT-TERM GOALS *(within 5 years)*	**MEDIUM-TERM GOALS** *(5 to 10 years away)*	**LONG-TERM GOALS** *(10 or more years away)*
Take a vacation	Go back to school	Retire before age 65 (or full ret. age)
Save for down payment on house	Start a business	Buy retirement property
Buy a new car	Pay for child's college education	Support aging parent
Build an emergency fund	Remodel your house	Help children with down payment on home
	Buy a vacation home	
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Next, rank the goals in each list according to their priority for you. This can be based on their importance and/or the order in which you would like to achieve them. Now estimate the potential cost of each goal, and determine how much of any money you've already saved can be allocated to that goal. How much more do you need to save to reach your goals? Are you on track, or do you need to create a more effective savings plan?

Keeping a steady eye on all your goals

Short-term, medium-term and long-term financial goals each require different approaches to saving and investing. The longer your time horizon, the more investment risk you can afford to take for potentially higher returns over the long run. Why? Because riskier investments such as stocks have the long-term potential to earn more money, and their short-term ups and downs tend to even out.

Less-risky investments might be a good strategy for short-term goals, because you may not want to risk a sharp drop in value right before you need the money. However, if you invest all of your assets in conservative investments, you may sacrifice long-term goals and the higher potential returns offered by more aggressive (riskier) investments.

Spread the wealth!

Practically speaking, you'll likely be saving and investing for more than one type of goal at a time. This means you'll need to figure out how much of your savings to invest in which types of funds, depending on their risk level, your financial situation and the time horizon of your specific goals. You'll want to balance the returns you'd like to receive with a level of risk you are comfortable taking on.

Make sure you keep the information you filled out above on your goals and time horizons handy so you can refer back to them occasionally and check your progress!