Careful planning an important part of setting goals for 2011

by Lori McGinnis Black

Setting and expecting to achieve financial goals in 2011 will require some financial planning, investment professionals say.

Having a handle on debt is an important first step of financial planning, said Andy Arkfeld, financial adviser with Edward Jones.

Investors should make a point to review their portfolio with an adviser before setting specific investment goals, said Jessi Garlock, financial adviser at The Garlock Group at RBC Wealth Management.

Investment goals should be consistent with an investor's unique circumstances and risk tolerance, according to Brent Boyce, trust investment officer for Security National Bank Wealth Management.

Investors should know what they are saving for, said Chad Rutar, financial adviser with Renaissance Financial Corp.

The best planning for 2011 is not just determining investments but considering everything that includes money, Arkfeld

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Careful planning important for setting goals

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said.

"I think the number one thing is having a handle on your debts first and then plan for accumulation of assets," he said.

It is difficult to invest money with a mortgage, second mortgage, car payment and credit card payments; people should run their personal finances like a business, Arkfeld said. He suggests creating a balance sheet that lists debts and assets. This will help when planning for the accumulation phase to build wealth.

Arkfeld

According to Arkfeld, goals should be the product of the person and not what someone else says. Some people want to travel and have second homes while others simply want to be able to pay their bills.

Reviewing an investment portfolio is an important step, especially if there have been significant life-changing events since the last review, Garlock said. Any investor who has experienced a major life change should inform a financial adviser and strategize how to reach goals.

"The purpose of setting investment goals is to make sure an investor is on track to meet and hopefully exceed their financial requirements," she said.

Clients at RBC Wealth Management complete an assessment that uses their age, risk tolerance, liquidity needs and other factors to determine specific investment goals and the vehicles that may help them reach those goals.

Projections for reaching goals look promising, Garlock noted, as many analysts believe the economy is in the early stages of recovery, which bodes well for investments.

When setting investment goals, it is imperative for investors to take into account time, horizon, liquidity need, tax considerations and risk tolerance when establishing investment goals, Boyce said.

"Each investor should set investment goals for 2011 that are consistent with that investor's own unique circumstances — in particular, risk tolerance," he said.

The purpose for setting investment goals is to establish a realistic guideline by which one's financial future can be obtained, Boyce said. An investor can best ensure that investment goals are being obtained by having a periodic review with a financial professional.

Garlock

Rutar

Economic growth is expected to be slower than normal for the foreseeable future, so investors need to be comfortable with their portfolio's risk level, he said.

According to Rutar, the first step in analyzing a portfolio is updating goals to reflect changes that have affected one's financial situation.

Second, he advises, know why money is being invested, such as a second home, children's education or retirement.

"Your end goal and time horizon for achieving the goal will determine how aggressive or conservative your investments should be," Rutar said.

Keeping up with education is a must in today's investment environment as investment vehicles are constantly changing, he said. Next, investors should reallocate total portfolios to ensure they will achieve their investment objectives.

Finally, with the fluctuations in different asset classes, investors should reevaluate their risk tolerance, Rutar said, noting some people may find themselves more conservative than once thought.