

## Goal setting with objectives in mind

“There is always a free cheese in a mouse trap”. This tells us that we should be cautious and circumspect before jumping into anything which seems to be harmless and easily attainable. “There are no free lunches”. Now let us see how a goal with an objective in mind is better than just having goals.

What is a goal?

Goal is a desired and measurable end result.



What are objectives?

An end that can be reasonably achieved with an expected time frame and with available **Resources**. In general objectives are broader in scope than a goal.

We normally identify our goals and try to achieve them but, we do not think about what is the objective behind a goal.

Let us take an example

Sunil's goal: To get insured

Choices a) Endowment policy b) ULIP c) Term plan.

Now when Sunil try's to understand the objective behind his insurance cover only then he will be able to achieve his goal in the true sense, if his objective is for replacing his income then a term plan would be the right choice ,if his objective is to have market linked insurance plan then an ULIP would be the option, if he feels to accumulate an amount over a long period with less insurance coverage then an endowment policy would be right, so knowing your objectives lets you to understand the "WHY" aspect of your decision or goal. Just identifying a goal and not knowing the objectives may turn out to be a wrong decision. If the objectives are clear beforehand the attained goals will be more fruitful.



Let us see how a goal based planning can sometimes lead to a precarious situation.

One of my clients wanted to accumulate retirement corpus of 4 crores in the next 25 years and was willing to take High Risk with a leverage position to attain his goal. My only question for him was what is the objective of retirement corpus? His reply was “to lead a happy retired life”.

Then I pointed out that he need to invest only RS.25000 per month @ 12% P.A for the next 25 yrs and he would beat his goal of retirement corpus easily, instead of taking High risk and eroding his net worth.

I as a planner always try to make my clients to realize the objectives behind every goal to get clarity of thought in decision making is obtained to stay focused on attaining the larger picture which may not be numbers alone. We may having many goals but, what is needed is the questioning the ultimate objective behind each goal.

We may have goals like buying a Car, House, holiday, creating wealth Etc Etc. but, the moment you try to identify the objective behind each goal then you will figure out the utility value, the budget, whether it is a need or a want and the risk involved etc, which then lead us think how we can optimize our resources to attain the goal effectively. In many ways knowing your objectives is the first step to have a successful financial plan or life planning.

The objectives steer us away from the free cheese without getting trapped.

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