

MODULE 1:

Setting goals and planning for large purchases

If you have a 10 minute session...	If you have a 30 minute session...	If you have multiple sessions...
<ul style="list-style-type: none">▪ <i>Tool 1: Goal-setting tool</i>	<ul style="list-style-type: none">▪ <i>Tool 1: Goal-setting tool</i>▪ <i>Tool 2: Planning for life events and large purchases</i>	<ul style="list-style-type: none">▪ Follow up to see if goals were written down.▪ Follow up to see if any steps have been made toward reaching goals.▪ Consider using <i>Tool 3: Buying a car</i> (if this is a goal).

Every person or family has a different idea of the future they want to build. Some of the ideas they have are focused on the next few weeks or months, and others are long-term. What do you want for yourself and your family in the near future? What do you want to see in the next few years? These ideas of your future are your hopes, wants, and dreams.

These are important questions, but people sometimes hesitate to ask them because they feel their life is out of control and they can't change the direction they're going.

If you're like most people, thinking about some of your goals means thinking about the money you need to achieve them. Your goal may be having enough money to pay all of your bills each month, even though your income varies from week to week. Your goal could also include saving money to buy gifts at holiday time, set up an emergency fund, purchase a car, send your child to college, or pay off a large debt.

Depending on the goal, it can take just a week, a month, or a few months to reach. These are short-term goals. You may also have long-term goals – things that will take many months or even years to reach.

Life events and large purchases

People often put off saving for large purchases or significant life events because they feel like they don't have enough money to save or they are busy struggling to make ends meet today. They feel like they just can't worry about saving for these types of big ticket items or goals. But not thinking about, planning for, or saving for these things may mean that there is no money to cover the costs that come with them. Here are just a few examples of the types of expenses we're talking about:

- Moving in with a partner, getting married, getting separated, getting divorced, or becoming widowed
- The birth of a child
- Faith-based celebrations
- Your daughter's quinceañera
- Your child's high school graduation celebration
- Post-high school training or education expenses for your children
- Purchase of a car
- Purchase of a home
- Training or education to help you get a different job or a higher paying position
- Starting a new job
- Tools or equipment you need for your trade or profession
- Wedding expenses for your children
- Short- or long-term disability
- Illness
- Loss of a job (covering the gap unemployment benefits don't cover)
- Celebrating a landmark birthday or anniversary
- Death of a family member
- Retirement
- Your own final expenses

Some of these events are likely to occur, and others may never happen to you. But some of them will be inevitable. These events can be quite costly. While there are many variables that affect

the cost of life events from one person or family to another, here are some average costs of life events in the U.S.:

- Out of pocket childbirth expenses for women with insurance coverage – \$3,400³
- Quinceañera – coming of age celebration for 15-year old girls in Latino families – \$15,000 to \$20,000⁴
- Typical funeral costs – \$8,500⁵

Because of the expenses that are associated with life events, people often set goals, particularly long-term goals, around them.

Setting SMART goals

Setting goals helps you turn your needs, wants, hopes, and dreams for the future into something concrete that you can take steps to achieve. When you set goals, you can:

- **Work** toward making your future better.
- **Prioritize** how you spend your money so that it goes toward things that really matter to you.
- **Measure** and track your progress toward getting the things you want out of life.
- **Take pride** in bettering your life and the life of your family.

³ Rosenthal, Elizabeth, *American Way of Birth, Costliest in the World*, NY Times, June 30, 2013. See <http://www.nytimes.com/2013/07/01/health/american-way-of-birth-costliest-in-the-world.html?pagewanted=all&>.

⁴ Kennedy, Bruce, *These Girls' Parties Can Cost More than a Wedding*, MSN Money, August 9, 2013.

⁵ National Funeral Directors' Association: <http://www.nfda.org/news/statistics>.

SMART goals have five important characteristics. They are **Specific, Measurable, Able to be reached, Relevant, and Time bound. When setting a new goal, think about the following:**

Specific	<p>Ask yourself: What will I achieve? Who will benefit from the goal? What specific thing will I accomplish? Why is the goal important? Is this goal related to covering the expenses associated with an expected life event?</p> <p>A specific goal has a much greater chance of being met than a general one because it provides something defined to reach for.</p>
Measurable	<p>Ask yourself: How much? How many? How will I know when it is done?</p> <p>You should be able to track your progress toward meeting the goal.</p>
Able to be reached	<p>Ask yourself: Is this goal something that I can actually reach?</p> <p>You might want to get out of high credit card debt tomorrow or become a millionaire in a year, but for most of us, those are totally impossible goals. That doesn't mean that your goals should be easy. Your goal may be a stretch for you, but it should not be extreme or impossible.</p>
Relevant	<p>Ask yourself: Is this something that I really want? Is now the right time to do this?</p> <p>Set goals that matter to you and are a priority in your life.</p>
Time bound	<p>Ask yourself: When will I reach this goal?</p> <p>Goals should have a clearly defined time frame, including a target or deadline date. This helps ensure they are measurable and that actions are planned to reach the goal by the target date.</p>

Here are some hopes, wants, or dreams you might have for your family and how they could be translated into SMART goals.

Hopes, Wants, or Dreams	SMART Goals
I'd like to be able to pay all of my bills each month.	<p>Short-term goal: I will review my budget to see if there are ways to cut my spending by the end of the month.</p> <p>Long-term goal: I will meet with the Community Action Program to see if I qualify for job training and other benefits by the end of the month.</p>
I really want to save some money in case something happens in the future and I lose my job.	I will save \$60 over the next three months to start an emergency fund.

Hopes, Wants, or Dreams	SMART Goals
I want to get out of credit card debt.	I will pay down \$1,000 of my debt over the next 18 months.
I'd like a safe, stable place to raise my children.	<p>Short-term goal: I will save \$1,600 for the required first month's rent and deposit in the next six months so that I can move into a new apartment by June.</p> <p>Long-term goal: I will save \$3,000 for a down payment, apply for additional down payment help, and purchase a home in four years.</p>
I'd like to buy a new television.	I will save \$400 and buy a new television in six months.
I'd like to help my child go to college.	<p>Short-term goal: I will read to my child every night to show that school and learning are important.</p> <p>Long-term goal: I will save \$5,000 in a fund to help pay my child's tuition in ten years.</p>

Building a plan

Every goal requires two things: commitment and time. To reach goals, you may also need:

- Information
- Tools
- Transportation
- Money
- Other resources
- An action plan – small steps needed to reach a goal
- Assistance from a professional – This may include a regular meeting with a financial coach or counselor who helps you identify goals, build a plan, and decide how to take the steps to reach your goal.

Turning goals into financial targets

For goals that require money to reach, you will want to know how much to set aside every week (or month) to meet the goal.

When figuring out **how much you need to set aside every week** to meet your goal, you need two pieces of information: the **total amount** you need to reach your goal and the **number of weeks** you have to reach your goal. Then, you can plug those two pieces of information into this formula:



Here is an example: It is January 1st, and you've just set a new goal to save \$500 in an Emergency Fund by the time your kids start school at the end of August. You already have your first piece of information: the total amount needed for your goal is \$500. To get the second piece of information, the approximate number of weeks, just count the number of months from January to August and multiply by 4. You should arrive at 32 (8 months x 4 weeks).⁶

You can plug these numbers into the formula:

$$\mathbf{\$500 \div 32 = \$15.65 \text{ (rounded)}}$$

You would need to set aside about \$15.65 every week in order to have \$500 by the end of August. (If you want to put money aside monthly instead of weekly, divide \$500 by 8 months instead of 32 weeks.)

If you feel you cannot set aside that much every week, you can lengthen the time to reach your goal. It's helpful to use this formula when figuring out if your goal is actually reachable in the timeframe you have set.

What about revising goals?

Goals aren't something to set and then forget. You need to keep your goals in sight, and you may sometimes need to revise them.

⁶ This calculation is designed to simplify planning. Because there are 35 weeks in 8 months, using a 32-week framework can help individuals reach their goal more quickly or allow them to miss their target for up to three weeks in the period and still reach their goal on schedule.

Revise your goals when:

- The amount of saving every week or month toward the goal is more than what makes sense for your family.
- Emergency savings are used and need to be rebuilt.
- Your circumstances change due to life events (such as when you lose a job or get a new job, start earning more money, have a new child, have a health emergency, etc.).
- Your values change and a goal no longer feels relevant.

To revise one of your goals, take a look at what has changed.

If the amount of saving every week or month toward the goal is more than what is possible for you, ask yourself whether you can change either the total amount of savings or the length of time you have to save.

For example, in September you decide to buy a new television by the end of November. You've looked at models, and the one you want is \$600. If you start saving at the beginning of September, you have approximately twelve weeks to save. When you plug this into the formula to see how much you'd need to save, you find that you would need to save about \$50 every week (or about \$200 every month) in order to meet this goal. But what if you don't have \$50 extra dollars in your budget every week? Does that mean buying a new TV is a bad goal?

No – it just means you need to adjust your goal. Are you willing to buy a less expensive television? If you decide that you can spend \$300 on your new TV instead of \$600, you've cut the amount you need to save each week in half.

But if you don't want to buy a cheaper television, you can decide to lengthen the time you'll save up for it. Instead of saving for three months, you can extend the time you'll save to six months. By giving yourself twice as much time to save, you can bring your weekly savings down to \$25 and purchase your desired television in February instead of November.

If you've used your Emergency Savings, they've done their job. Now it's time to replenish them. Create a new goal by figuring out how much Emergency Savings you'd like to have and by when. Calculate the amount you need to save weekly or monthly and start saving. (See *Module 2: Saving for emergencies, bills, and goals* for more information on this topic.)

When your circumstances change due to life events (such as when you lose a job or get a new job, start earning more money, receive a lump sum from a tax refund or inheritance, have a new child, have a health emergency, etc.), take stock of your new situation and your goals. If you have less money to put toward savings goals, adjust the length of time and/or the total savings for your goals to make them manageable in your new situation. For example, if you get a tax refund, consider putting some of the lump sum toward one of your goals. This may help you reach the total you need for a goal faster.

When your values change and a goal no longer feels relevant, think about what you want for your family in the future. If the goal you set before no longer feels relevant to your life, set it aside and begin setting new goals that do feel relevant.

Remember, setting goals and working toward them is a process that never really ends. If one of your goals has been achieved, it's time to start the process again and set a new goal. Think about what you want for yourself and your family and create a new goal.

Tool 1:

Goal-setting tool

This tool can help you with the process of setting goals. Identifying goals is important because it helps you plan for and reach what matters most to you.

All goals take time and commitment to reach. Many goals also require information, help from a professional, tools, action plans, and money. If you decide to make a budget, be sure to include money you need to set aside for your goals.

Step 1: Brainstorm list of hopes, wants, and dreams

Fill in the chart below with the hopes, wants, and dreams you have for yourself and your family. Write the things you hope, want, or dream about achieving in less than six months in the short-term column. Write the things you hope, want, and dream about achieving in more than six months in the long-term column.

Short-term What I want to achieve for myself or my family within six months	Long-term What I want to achieve for myself or my family that will take more than six months

Step 2: SMART goals

Use your list of hopes, wants, and dreams to create SMART goals. Use the checklist to make sure your goals are specific, measurable, able to be achieved, relevant, and time bound. You may have many things you want to achieve. If you can focus on one or two, you may have a better chance of reaching that goal.

Short-term goal

Goal:	<input type="checkbox"/> Specific <input type="checkbox"/> Measurable <input type="checkbox"/> Able to be reached <input type="checkbox"/> Relevant (important to you) <input type="checkbox"/> Time bound (is there a deadline?)
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Long-term goal

Goal:	<input type="checkbox"/> Specific <input type="checkbox"/> Measurable <input type="checkbox"/> Able to be reached <input type="checkbox"/> Relevant (important to you) <input type="checkbox"/> Time bound (is there a deadline?)
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Step 3: Action plan

Use the following worksheet to create an action plan. Remember to include resources you may need to reach your goals, including:

- Information
- Tools
- Assistance from a professional
- Transportation
- Other resources

Action step	Resources needed	Date to complete step	Completed

Step 4: Figure out weekly target

If your goal requires money, use this chart to figure out the amount of money you will need to set aside each week to reach your goal.

Example

Goal	Amount needed	÷ Number of weeks to deadline	= Weekly amount
Example: I will save \$50 within 6 months to start an emergency savings fund.	\$50	24 weeks	$\$50 \div 24 = \2 per week (about \$8 per month)

Short-term

Goal	Amount needed	÷ Number of weeks to deadline	= Weekly amount
Goal:			

Long-term

Goal	Amount needed	÷ Number of weeks to deadline	= Weekly amount
Goal:			

Once you know how much you need to set aside each week to reach a goal, be sure to add it into your budget or cash flow budget. For more information on cash flow budgets, see *Module 5: Getting through the month*. For ideas on finding money to save, see *Module 2: Saving for emergencies, bills, and goals*.

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Tool 2:

Planning for life events and large purchases

This tool can help you plan for life events and large purchases, such as a celebration, a car, or the tools you may need to make a living in your trade. Follow these steps:

1. **Think about the life events you are likely to experience and the large purchases you might need to make.** If you rely on a car to get to and from work, you will probably need to replace it at some point in the future. If you use tools in your trade, they may need to be updated or replaced periodically. Brainstorm a list of these types of expenses using the timeline chart below. Consider where you are now, and when you are likely to experience some life events (like a graduation party) or need to make large purchases. If your child is ten years old now, a high school graduation party will be in about eight years. If your car is five years old or has a lot of miles on it, you may need to replace it within the next five years or less.
2. **Estimate the costs of these expenses.** Research the costs of the large purchases you plan to make or costs associated with life events you are expecting. If the life event or purchase is likely to happen more than five years from now, remember that the cost of almost everything gradually increases over time.
3. **Identify potential ways to pay for these expenses.** For example, you can borrow money to buy a reliable used or new car. If you plan to borrow money, consider saving some money for a down payment to keep your monthly payments as low as possible. Many large purchases may require a combination of borrowing money and paying a portion up front to cover the cost.
4. **Identify ways to keep the costs as low as possible.** For example, for your daughter's graduation party, can you save on the rental of a location by holding it in a rent-free or reduced-rent facility like a community center or a public park? Can you save on the meal by involving family and friends in helping you prepare food rather than hiring a catering company?



Planning for life events and large purchases worksheet

Timeframe	Large purchase or life event	Total cost	Ways to pay	Ways to cut expenses
Within 1 year				
1-2 years from now				
2-5 years from now				
5-10 years from now				

Timeframe	Large purchase or life event	Total cost	Ways to pay	Ways to cut expenses
10-15 years from now				
15-20 years from now				
More than 20 years from now				

Use *Tool 1: Goal-setting tool* to estimate how much you will need to set aside each week or month to reach your goals.

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Tool 3:

Buying a car

A vehicle may be a lifeline for you or your family if there are no local employment opportunities or inadequate public transportation options. For some, access to affordable vehicle financing is necessary when it comes to stable employment, healthcare, and education opportunities. Even though your vehicle can help you to access economic opportunities or achieve financial independence, it can quickly become a financial burden if you don't learn how to protect yourself from getting stuck with an auto loan you can't afford. Here are four ways you can protect yourself:

1. Be prepared before you shop for an auto loan

You can't always plan the timing of purchasing a new or used vehicle, but you can take steps to prepare. Not being prepared can potentially cost you hundreds or thousands of dollars over the life of the loan.

Check your credit score before shopping for an auto loan and make sure your credit report doesn't have any errors, so you can negotiate the best rate. You may be able to take some steps that will help you raise your score in a relatively short period of time. A better score will secure a lower interest rate and reduce the amount of money that you end up paying. You can learn more about your credit reports and scores in *Module 7: Understanding credit reports and scores*.

Take the CFPB auto loan worksheet with you to the lender or auto dealership and use it to compare the total cost of different financing options. The first step is to record each loan offer and compare them using interest rate and length of the loan. This might take some time, so plan ahead. You can find the auto loan worksheet at <http://www.consumerfinance.gov/consumer-tools/auto-loans>.

2. Know what you can negotiate

Just like you can negotiate the price of the vehicle, you can also negotiate your loan terms. You can negotiate for a better interest rate, how long you will be paying the loan, whether you buy and the price of optional add-ons, and some dealer fees. Our auto loan worksheet can help you keep track of all the factors of your loan that you can negotiate.

3. Avoid long-term loans if you can

When comparing your offers and negotiating a loan, it's important to know if you can afford the monthly payment, but be sure you look at the total cost of the loan. A smaller monthly payment may mean the loan is extended over a longer period of time – 60 months, 72 months, or more, instead of 36 or 48 months. If your income or job is not secure, having an extended loan is a risk as you could lose the ability to make monthly payments in the future. For older vehicles, a longer loan could be a problem if the life of the loan is longer than the expected life of the vehicle. For example, in the chart below, you can see how a lower monthly payment increases your total interest cost. The chart assumes a \$20,000 loan and an interest rate of 4.75 percent.

Loan term	Monthly payment	Total interest paid
36 months (3 years)	 \$597	 \$1,498
48 months (4 years)	 \$458	 \$1,999
60 months (5 years)	 \$375	 \$2,508
72 months (6 years)	 \$320	 \$3,024

4. Review your loan contract before signing

Before you sign your new loan contract, make sure everything matches what you agreed to during the negotiation. Consider reviewing with a friend or partner to help you review all of the paperwork before signing the loan documents. Lenders are required, under the federal Truth in Lending Act (TILA), to give you written disclosures about important terms before you're responsible for the loan. Read that information before you sign the contract and drive away.

Check the Annual Percentage Rate (APR), the amount financed, the finance charge, and the total of all your payments. Some dealers will allow the customer to take possession of the new vehicle before the loan is approved by the lender. This could put the loan that you thought you had at risk. Before you drive away, make sure you and the lender have both signed all of the paperwork and that you have copies of each document.

Be prepared for your family too

Our resources will also help if you are asked to be a co-signer for an auto loan. You may be one of many people who want to help a family member or friend, but remember that being a co-signer would put you on the hook for monthly payments if the other borrower stops paying the loan.

For more information about buying a car or getting an auto loan visit

<http://www.consumerfinance.gov/consumer-tools/auto-loans>.

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