



## Matching your solutions to your goals

Investors are faced so much choice it can be difficult to decide on the right investment. By understanding your goals, it becomes easier to make the right choice, writes *Craig Peters, Executive Individual Life: Product Development & Support*.

### Identify your goals

Although Liberty provides a range of benefits, there is always only one solution that will meet your needs – the one that matches your goals.

The starting point, then, is to identify what your financial goals are over the next 6 months, 1 year, 5 years, 10 years and 25 years. Your goals may include retiring comfortably, educating your children, paying off your home and building an emergency fund. Each of these goals has a different time horizon and the investment solution will be different for each one.

By understanding your time horizon as well as your final financial needs, you will be able to identify the ideal solution.

### Speak to your financial adviser

A good financial adviser will help you identify the best solution taking into account accessibility, flexibility, time horizon and risk appetite. You would not invest your emergency funds in equities as you do not want to expose your emergency money to market volatility. You may also want to invest part of your retirement savings outside of a retirement product to provide flexibility, trading off the tax benefits of retirement products with the flexibility offered by other investment products. When investing for your children's education you may want to include some guarantees on an investment you will need in the next five years.

### Understand your returns over time

It is important to remember that flexibility comes at a cost, so aligning your time horizons is critical. For example, if your money is on daily call, you will receive a far lower interest rate than if it was invested in a six-month fixed deposit. If you cash in early on a fixed-term product, the higher expected return may be adjusted. Make sure that you buy the right product by matching the length of the investment to your goal date.

### Work out how much you need to save each month

It is important that you make savings the starting point of any budget. Rather than saving what is left at the end of the month, start with how much you need to save and what this leaves you to spend.

Once you have identified your investment solutions, calculate how much you need to save each month to meet your goal and whether this is realistic. If you realise that some of your goals are not realistic based on your current income, you may need to adjust some of your expectations such as the age you will retire or postponing the family holiday.

### Review your investments regularly

Once you have started your financial plan, review your investments at least once a year to ensure that they are in line with your goals. This is particularly important when you experience a life-changing event such as a new job, marriage, children, divorce or buying a new home, as these will all have an impact on your financial goals.

### Visualise your future

Creating a vision of our future and setting goals to achieve it will help to overcome emotional responses to our finances, especially during difficult financial times. A vision can include: a decent education for our children; to be debt free in ten years; a family holiday overseas or a retirement by the sea.

By having a positive goal:

- We tend to react less to the emotional ups and downs of our day to day life.
- We feel more positive about our future.
- We feel in control of our finances.
- We find the discipline to postpone consumption.
- It becomes easier to talk about how you will get there together rather than focusing on the negative.