



**Michael
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Be SMART about your Finances

As the latest addition to the New Hamburg Independent, I am delighted to share with you my knowledge and experience of personal finance, a topic that can at times be quite complex and daunting.

Before we plunge into this wonderful topic, however, I would like to provide you with a personal introduction, and explain the format that this column will assume during my time here.

After graduating from the University of Waterloo in 1979, I enthusiastically entered the field of financial planning and began building a private practice, which I continue to maintain and enjoy. During the last 25 years, the financial industry has changed drastically, and I have been fortunate to have experienced these changes as well as some of my own.

In 1984, I co-founded a large financial planning firm called *Associated Financial Planners* (AFP), and subsequently sold the company to ING. I remained the CEO of AFP for 1.5 years, and sat on several industry committees also. More recently, I co-authored *Rich is a State of Mind* with Robert Gignac, one of my long-standing clients. It is a book on personal finance, investing, and wealth management.

Regarding the format of this column, I would like it to become a dialogue as opposed to a monologue. In other words, I encourage you to submit any questions or concerns on personal finance and investing. Each month, I will conclude my column by addressing your submissions. For today's topic, I am going to explore the basics of creating a good financial plan, a theme that I will continue to explore over the next several months.

The first and most important step to creating a good financial plan is to establish written goals. By documenting your goals on a piece of paper or on the computer, you've taken the first and perhaps most difficult step towards achieving them. Written goals act as markers to ensure we remain on track. Of course, written goals are not carved in stone, as they can change and evolve over time.

Each goal should be applied to S.M.A.R.T., a handy acronym for assessing goals and objectives. In other words, each goal should be specific, measurable, attainable, realistic, and time sensitive. Here's what I mean by these five important terms:

Specific: Let's say you've decided to start saving. There are several factors that must be clearly defined. You need to specify the amount to be saved, the frequency of your contributions, and the kind of investment product you'll use to build your savings.

Measurable: Once we've defined our goal, we must determine how we'll measure our progress. With finances, this task is relatively easy. Let's assume you've decided to save \$12,000 over the next 12 months, contributing \$1,000 per month. If there is \$6,000 saved in six months, you know you're on track. With other life goals, however, measurement becomes more difficult.

Achievable: We cannot achieve a goal if there's no chance of accomplishing it. This doesn't mean, however, that you shouldn't push yourself to achieving something you really desire.

Realistic: Saving \$300,000 by next week if you only make \$50,000 per year is not realistic. But saving this amount over the long-term is a reasonable goal.

Timeframe: We can't set goals without placing them within a particular timeframe. A deadline, so to speak, urges us to accomplish the task at hand.

Of course, we don't always achieve our goals. This is not a failure. Rather, the failure lies in not attempting to achieve them in the first place.

Next month I will continue this discussion on creating a good financial plan, and I look forward to receiving and addressing your questions or concerns.

Please submit your questions to **mtownshend@ipcc.org**.

Michael Townshend is an independent financial planner based in Waterloo. He lives in Haysville. He is the co-author of "Rich is a State of Mind", for more information: **www.richisastateofmind.com**

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