Failure to Plan: Is it Planning to Fail?

Benjamin Franklin once said, "If you fail to plan, you are planning to fail." But as you chart your financial course, what steps should you take to help you keep moving forward to where you want to go?

Consider these suggestions:

• *Establish and quantify your goals*. Throughout your life, you'll have short-term goals, such as an overseas vacation or a home renovation, and long-term goals, the most important of which may be a comfortable retirement. You'll want to identify all your goals and put a "price tag" on them. Of course, it's not always possible to know exactly how much it will cost to achieve each goal, but you can develop reasonably good estimates, revising them as needed.

• *Create an investment strategy to achieve your goals*. Once you know how much your goals will cost, you can create the appropriate savings and investment strategies to potentially help you reach the needed amounts. For your retirement goal, you will likely need to contribute regularly to your IRA and 401(k) or other employer-sponsored retirement plan. But for shorter-term goals, you may need to explore other types of investments. For all your investment moves, though, you'll need to consider your risk tolerance. You won't want your portfolio to have such a high-risk level that you're constantly uncomfortable with the inevitable fluctuations of the financial markets. On the other hand, you won't want to invest so conservatively that you jeopardize your chances of achieving the growth you need to reach your goals.

• *Control your debts*. We live in an ex pensive world, so it's not easy to live debt-free. And some debts, such as your mortgage, obviously have value. But if you can control other debts, especially those that carry high interest rates, you can possibly free up money you can use to boost your savings and investments.

• *Prepare for obstacles*. No matter how carefully you follow the strategies you've created to achieve your goals, you will, sooner or later, run into obstacles, or at least temporary challenges. What if you incur a large, unexpected expense, such as the sudden need for a new car or a major home repair? If you aren't prepared for these costs, you might be forced to dip into your long-term investments – and every time you do that, you might slow your progress toward achieving your goals. To help prevent this, you should build an emergency fund containing several months' worth of living expenses.

• *Review your strategy*. When you first created your financial strategy, you might have planned to retire at a certain age. But what if you eventually decide to retire earlier or later? Such a choice can have a big impact on what you need from your investment portfolio — and when. And your circumstances may change in other ways, too. That's why it's a good idea to review your strategy periodically to make sure it still aligns with your up-to-date objectives.

None of us can guarantee that our carefully laid plans will always yield the results we want. But by taking the right steps at the right times, you can greatly improve your chances.

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5 – Oct. 3, 2022
526 words