

Sahab, kahan jaana hein apko?

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“Sahab, kahan jaana hein apko?”- an obvious question every time a passenger gets into a taxi. The obvious answer is the passenger’s destination. Imagine after boarding the taxi, the passenger says s/he does not know the destination.

Absurd as it may sound, many of us don’t know our financial destinations or financial goals. People ask questions on television programmes and seminars on ideal investment vehicle – best stock, safest mutual fund etc. Unfortunately they do not know the purpose for which they are making that investment. They do not have a list of their financial goals.

Most of us have a latent desire to retire early, spend on children’s education, own a home and have family vacations but it is not put in perspective – it is not clearly written in a list form. Financial goals are the destinations where you want to reach. They will help you stay focused.

Do this simple exercise. List down 5 most important goals in your life for which you are willing to save money. Also list down (at today’s cost) how much you are willing to spend for those goals. Measure the time taken to list down those goals. If you are spending more than 2 minutes to list it down, there is problem. If time taken is more than 2 minutes then it means that you are working hard everyday at office/work but you do not know for what you are working hard.

All our financial goals can be segregated into two categories –Responsibilities and Dreams.

Responsibilities: All those events in life, which begin with the statement “I have to”, are your responsibilities. For example, “I have to provide for my children’s education; I have to take care of my retired parents” etc.

Dreams: We all have dreams as well. We dream of a luxury car or a holiday home etc. Statements that start with “I wish” are the dreams. ‘I wish to go on a tour of Europe’ is your dream. Having sufficiently provided for your responsibilities, additional resources should be utilized for financing dreams.

The first step towards preparing a financial goal statement is to list all goals under each category of responsibilities and dream in the order of priority. Next to the goals write the amount you are willing to spend for each one; this is most important. Write down the cost at today’s rate of inflation. Next column calculate inflation adjusted value. If you have problem calculating the inflation adjusted value, use Microsoft Excel’s future value function. In last column put down amount of years it will take to reach the goal. Suppose daughter is currently 5 years old then there are at least 10/12 years left before money is needed for her higher education. Also, remember to review the goals list. Over a period of time, our responsibilities get modified and dreams change.

By the way, if you are married ask your spouse to prepare a list independently. After completing the list compare it. If the list which you have prepared, including amount you are willing to spend for each goal and s/he has prepared is different than it means two wheels of your chariot are moving in different direction. It is usually common to have lists with difference. We discuss everything with our spouse except the most important list of responsibilities.

In the end if you do not know your destination, the taxi driver will take you on a long ride so that he can reach his “goal” of higher earning. Those who do not work for their own goals, work for somebody else’s goals.

- [Gaurav Mashruwala](#)

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