Financial IQ
The Fundamentals of Financial Well-Being

Financial Goal Setting
Why is setting financial goals important?

Whenever you start any journey, you need to map out how you will get from where you are now to where you want to be. It’s the same when it comes to your finances: Establishing goals for yourself will help you envision what you want to achieve financially – so you’ll stand a greater chance of actually reaching those goals.

One way to approach financial goal setting is to address your financial concerns. These concerns are the things that keep you up at night, like paying bills, eliminating debt, and having enough for retirement.
What keeps you up at night?

According to a 2018 survey, Americans’ top financial concerns involve their Income, Savings, Retirement, and Debt.¹ This makes sense when you consider the following:

**Income**
Many of us have trouble making ends meet. In fact, more than half of Americans (57%) live paycheck to paycheck.²

**Savings**
We often don’t have a cushion to fall back on if something unforeseen were to happen. 4 in 10 Americans don’t have enough savings to cover a $1,000 expense.³

**Retirement**
Many Americans aren’t saving enough for retirement. Nearly 50% of working age persons have no retirement account savings at all.⁴

**Debt**
Many of us are in debt and don’t know how long it’ll take to dig ourselves out. The average student loan will take 20 years to repay.⁵

Consider setting financial goals around these four financial concerns using the concept of **5-10-15-20.**

*5-10-15-20 is a guideline for your consideration. Your goals may be different based on your personal financial situation and other factors.

¹ MassMutual’s State of the American Family Executive Summary, 2018.
Key Question: Do you have a solid understanding of all sources of income that may be available to you?

Important considerations to help you reach this goal:

- Does your employer provide an annual cost-of-living or merit increase that can help you reach this goal?
- Is overtime pay available to you?
- Do you have other sources of income that may be available to you, such as rental income?
- Do you have any hobbies or other personal efforts that can be used to generate income?
- Have you met with your tax advisor to review any tax minimization strategies?  

What action steps can you take to help increase your income by 5% each year?

1) ____________________________________________________________

2) ____________________________________________________________

3) ____________________________________________________________

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Key Question: How, and how much, are you saving each month (not including retirement savings)?

Important considerations to help you reach this goal:

- Has a household budget been created – and followed – to accurately identify amounts that can be saved each month?
- Have you created an emergency fund equal to at least six months of salary?
- Do you automatically save a certain amount of your pay each month via direct deposit into a savings account?
- Do you know the interest rate for each of your savings accounts? Are you directing more money into higher-yielding accounts?
- Are there regular expenses that can be cut – or minimized – to make available funds that can be set aside for the future?

What action steps can you take to help save 10% of your net income each year?

1) _________________________________________________________________
2) _________________________________________________________________
3) _________________________________________________________________
Key Question: Do you have an estimate of when you will retire and where your retirement income will come from?

Important considerations to help you reach this goal:

- Have you identified your target retirement date?
- Do you know what your estimated monthly Social Security benefit will be, based on your target retirement date?
- Do you have retirement accounts, such as a 401(k), 457, 403(b), IRA, or Roth IRA?
- Do you have other sources of income (such as annuities or rental income investment earnings) that can provide you with monthly income in retirement?
- Have you tried to estimate your cost of living in retirement?

What action steps can you take to target retirement savings of about 15 times your annual income?

1) __________________________________________
2) __________________________________________
3) __________________________________________
Key Question: Do you know your total debt, and have you made plans to pay it down?

Important considerations to help you reach this goal:

- Do you know your total amount of debt, including student loans, personal loans, and credit card debt?
- Do you know the interest rate and applicable terms for each debt?
- Are you giving greater priority to paying down higher-interest loans?
- Do you allocate additional money toward paying down the principal on your debts?
- Have you created a pay-down schedule with estimated dates of completion?

What action steps can you take to help have your debt (excluding mortgage) paid off in 20 years?

1) ____________________________________________
2) ____________________________________________
3) ____________________________________________

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