

SAVING FOR LONG-TERM GOALS



I recently traveled to Missoula, Montana, and a couple of friends and I decided to hike one of two hiking trails that have very large letters built on the mountain at the top of the hikes. The M Trail is more popular, representing

the University of Montana, which is located at the base of the hill. The L Trail is for nearby Loyola High School and is supposedly a bit more challenging overall. We couldn't find parking near the M, so we ventured to the L.

As we stood at the base of the hill, it looked pretty steep, and the path was initially very narrow and a bit overgrown with brush. Only one of the three of us (not me!) had any experience hiking. We stood there for a while, trying to decide whether to proceed. We finally decided to give it a try and hiked for a few minutes. We talked again and decided to keep going. Eventually, it opened up, and a series of switchbacks emerged, allowing us to ascend without having to hike straight up the hill. We took each portion of the hike in segments and made it to the big L, our goal!

As we hiked along, I started to think about how that hike was a lot like navigating the process of saving for long-term goals. If you want to retire, send your kids to college, or save for a long-term goal, it can seem very daunting if you just focus on the end game—the final amount needed to achieve the goal. However, if you take it one step at

a time and measure your successes as you proceed, you will reach the top before you know it.

Retirement is a very large expense if you only look at the total need. Sending kids to college is scary due to the rising cost of education and the limited time frame to save for it.

Here are five tips to help you with those long-term goals:

1. Start out saving what you can and take small steps, even if you do not think it will move the needle much. Each year, try to increase it gradually. If you get a raise, use that money to add more to your investments. Setting up an automatic monthly investment works well for saving toward a goal. Over long periods, small amounts can significantly add up to help in meeting long-term goals.
2. Take advantage of tax-favorable investments. For retirement, using Roth and/or Traditional 401(k)s and IRAs can provide tax advantages either now or during retirement, depending on which you choose. Some people put a portion of their contributions in each to get some tax benefit now and some at retirement. Definitely take advantage of employer contributions by investing the percentage that gets you the full match. That is free money!
3. Do not be afraid to take some risk, especially if you need to start small—just like we had to do to start our hike. The biggest factors in achieving long-term goals are time, amount invested, and return on investments. If you cannot add much, you want to make sure it is working as hard as it can for you.
4. Make a plan and stick to it. Goals need to be specific and measurable. If you stay the course, you will arrive at the top of the hill. Having a plan in place is essential to know how much you need to invest and what your rate of return needs to be to reach your long-term goals.
5. Hire a financial advisor. It would have certainly helped us if we had a guide when we started our hike. Having an advisor to help with the plan and proper investment allocation can make all the difference. You want someone who is skilled in helping others like you achieve their long-term goals, so you do not need to go it on your own!



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