



OVERVIEW

Achieving investment goals

You need to define your goals, determine your risk tolerance and invest according to your timeline.

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Use investments to reach your goals

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Many people go about investing in sporadic fashion, without considering their goals, time horizon or risk tolerance. They put together a thousand bucks, call a broker and ask for a stock recommendation. Or they sign up for 401(k) plans -- a good thing -- but plan to tap them early without realizing they'll have to pay stiff penalties plus taxes to do so. Still others dutifully open accounts and invest without truly examining why. And dreams? For many, dreams are for those rare moments of reverie and don't even enter the process.

Steps to fine-tuning your investments:



- 1 [Figure out your dreams, goals.](#)
- 2 [Balance multiple objectives.](#)
- 3 [Consider your timeline.](#)
- 4 [Invest for your time horizon.](#)
- 5 [Determine your risk tolerance.](#)

1 Figure out your dreams, goals

Instead of following a financial formula and then seeing if it makes sense to pursue your dreams, you should work from the other direction, says life-planning pioneer George Kinder, author of "Seven Stages of Money Maturity" and founder of the Kinder Institute of Life Planning. First determine your dreams, then use financial planning to help you get there.

Use this [work sheet](#) to help you determine your goals.

It's important to explore even those desires you wouldn't normally consider discussing with a financial planner. Whether you want to spend more time with your family, play the guitar like Eric Clapton or learn to fly a plane, you'll need to figure out how to free up the resources -- the financial and time components. After all, time is money.

"Write down five to 10 financial objectives," says John Grable, associate professor in personal finance planning at Kansas State University. "It's unlikely you'll be able to fund them all unless you're very rich. What you've got to do is determine what's important to you and then prioritize meeting the goals."

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