

Managing Your Money: Financial Goals and Saving

Revised by Bryce Jorgensen and Michelle Stizza¹

pubs.nmsu.edu • Cooperative Extension Service • Circular 591

The College of
Agricultural,
Consumer and
Environmental
Sciences is an
engine for economic
and community
development in New
Mexico, improving
the lives of New
Mexicans through
academic, research,
and Extension
programs.



Photo by Darren Phillips, 2021. NMSU

INTRODUCTION

Wouldn't it be great to win the lottery and suddenly have enough money to pay off all your debts and become financially secure for life? That is a nice dream. But even if that dream came true, you would find that simply having a lot of money does not end financial concerns. It just means having to think about other things.

Money problems affect us all, no matter how much or how little we have. That is why financial planning is so important. It's hard to think about the future when pay day is a week away and your bank account is empty. You can make your money stretch further if you learn to manage it carefully.

Here are some helpful tips:

- Know what you want to do with your money.
- Know where your money goes.
- Know how to keep your money longer.
- Plan your spending in advance.
- Know and keep within your credit limits.

That is what this and the additional five circulars in the Managing Your Money series (Circulars 592-596) can help you do.

WHAT'S IMPORTANT TO YOU?

Why do you spend your money the way you do? If 10 people were given a \$100 bill, they would probably all spend it in entirely different ways. Why? Because people are different and have different values. The deep-rooted beliefs you have about what is desirable and good are known as values. Values grow from personal experiences and are not necessarily right or wrong; they simply express what is



New Mexico State University
aces.nmsu.edu

¹Respectively, Associate Professor and Bernalillo County Extension Family and Consumer Sciences Agent; and Assistant Professor and Family and Consumer Science (FCS) Agent at NMSU Santa Fe Cooperative Extension. New Mexico State University.

most important to you. You have made and will continue to make choices based on your values.

Families set goals based on their values. A major reason many couples argue about money is differing values and goals. Worksheets 1 and 2 can help you find out what you and your spouse/partner value to set those family goals for financial planning.

To find out what you value, fill out Worksheet 1 and have your spouse/partner fill out Worksheet 2. After you have both completed the worksheet, take some time to compare your responses. Do you both value the same things? Do you want more new clothing, while your partner would prefer to go on a fishing trip? It's hard for one person to decide what is most important, but even harder for two people to agree. What about your children? Don't forget to consider their priorities as well. Do you and your partner agree on your spending values? Are you spending money on things that are important to both you and your family?

Now that you have explored what you value as individuals and as a family, the next step is to take some time to compare your actual spending to your rated priorities to see if they match.

HOW TO TALK ABOUT MONEY

Preventing and overcoming money problems takes honest and open communication. It also takes some time and effort. Talking about money is hard and it is much more than just discussing the amount of income, who is spending money, on what, and how much things cost. Think about money, what does it mean to you? To some it means power. To others it may mean security or status. Take some time and find out just what you and your spouse/partner think about money.

Worksheets 3 and 4 can help get this conversation started. Don't wait until a problem occurs; try to talk on a regular basis. Also choose a place where you won't be interrupted.

Here are some tips for a productive financial planning conversation:

- Clearly identify the issue or concern. Just what is the problem? None of us are immune to problems. Is the problem spending too much money, spending at the wrong time, or spending on unnecessary or unimportant items? Additionally, financial problems are made more serious by certain addictive behaviors (drugs, alcohol, gambling). If you suspect this might be the cause of the problem, please seek help from a local counseling/mental health center or from a qualified professional. It is imperative that you start working to solve these kinds of problems as you also work on your financial ones.
- Ask other family members for input; include all family members, even children, in helping make decisions about money as a team. People, in general, are more supportive of decisions when they have been asked to

give some input. Discussing financial priorities with your family is essential to creating a successful money management plan. Planning with your family now ensures financial security later.

- Every family member should be allowed to state their feelings, wants, and needs freely without judgement or criticism.
- Talk about the present. Try using "I" statements instead of saying "you always" or "you never." For example, instead of saying "You never fill the gas tank," say, "I get really upset when I find the gas tank close to empty whenever I want to use the car."
- Be sure to listen carefully to the other person. Let them know you understand what they are saying. For example, "Dad, you seemed upset when there was no gas in the car."
- Be willing to negotiate for a realistic settlement of differences. Family members must be ready to compromise.
- A verbal agreement is fine, but a written one may help even more to avoid conflicts. For example, when the gas tank gets down to a quarter-tank, the person driving is responsible for filling the tank.

SETTING FINANCIAL GOALS

It is necessary to look into the future and see where you want to be before you can get there. Families set their financial goals based on their values. One family's goal list will be different from another family's. Some examples of goals include owning your own home, paying off all debts, saving for your children's college education, or taking a family vacation.

Think About Your Goals

Worksheet 5 can help you plan your family goals. Now is the time to think about what you want. Take time to write down your goals so that you can see what is important to you and your family. What do you really want for your future?

Financial goals are the specific things you want to do with your money within a certain period. They will give you a purpose for the way you spend your money today and tomorrow. You can have short-term, intermediate-term, and long-term goals:

- Short-term goals include things that can be done soon, perhaps in a week or a few months, but no longer than a year. Examples include buying new clothes or saving for a vacation.
- Intermediate-term goals include things that can be accomplished in one to five years. Examples include buying a new car or paying off debts.
- Long-term goals include things you would hope to achieve in five or more years. Examples include buying a house, putting children through college, or saving for retirement.

Be Specific and Realistic

Begin by setting Specific, Measurable, Attainable, Relevant, Timebound (SMART) goals. Unrealistic goals will just discourage you. Goals that are set too high may frustrate you and cause you to abandon your plans. Maybe it is impossible to save \$100 a month right now. Why not try for \$10 or \$25?

To set SMART goals, begin by stating your objectives concisely. Visualize your goals by drawing pictures or cutting pictures out of magazines that illustrate what you want to accomplish. If goals are vague, you may not be able to meet them, and others in your family may have different ideas about the goal. An example of a specific goal might be, “If we save \$100 a month for the next 12 months, we can afford new carpeting for the living room.”

Using SMART goals helps you ask the right questions to be able to comprehend if it is the right goal for you, to look at the obstacles that are coming ahead, and to create the steps necessary to make it successful. Saving for retirement does not happen overnight, it takes years of saving! Contributing to a college fund for your kids could take years of saving! Buying a house for you and your family could take years of saving!

Plan – Outline a plan to meet your financial goals. If you want to save for a specific goal, save a certain amount of money each month for that goal for a specific time. If you do not put a plan and a time limit to the plan, your goals will always get pushed to the future.

The easiest and most effective way to save each month is by setting up direct deposit through your employer and financial institution or by setting up a direct transfer at your financial institution from your checking account to a savings account. This is how millions of employees save for their 401(k) and other retirement programs at work. It is also how millions of Americans save at their bank or credit union for other goals. Many banks and credit unions have saving account options that make it easier for you to save for a specific goal. You should always start small by creating a realistic goal with a realistic timeline. You will find you don’t miss the money; you’ll get excited by how fast it grows, and you’ll end up wanting to add more money to debt.

Creating financial goals and following a roadmap on how you plan to spend, save, use credit, and invest and can help you live comfortably and purchase things without guilt or stress.

Create a Spending Plan and Stick to it

Does your money seem to fly out of your hands as quickly as it arrives? If so, you are not alone. Most of us feel that way at some point in our lives. There is no magic solution to this problem; it just requires a different mindset, savings habits, and having a savings plan. Increased expenses and the inability to achieve financial goals or

create financial security can lead to stress when emergencies or unexpected events happen. Having savings provides a pot of money to prepare for unexpected expenses or emergencies, achieve your financial goals, and take care of your future self. By saving money and creating a savings plan, you can increase self-awareness and emotional intelligence. When you can pay yourself first and delay gratification, you learn self-discipline that bleeds over into other areas of life. You have more control over your health, relationships, and other key areas of life.

The ability to achieve financial goals leads to financial security and reduced stress when emergencies happen. Having some savings can help your marriage by lowering the number of arguments that occur due to lack of money. Savings also give you more options in life. Some examples might be to buy a new home, change jobs, retire, or start a business. Make it a game and get family and friends involved in setting goals and making plans. Surround yourself with others who want to win financially instead of those who are often looking for ways to spend their money. Those who do not have a plan often worry about having enough money for the things they need and want.

To get started, assess your income and expenses realistically and create a spending plan. If you make weekly or monthly budgets, do not forget about large annual expenses, such as tax bills or insurance payments. Leave room for an occasional treat, as you can afford it, to avoid getting discouraged.

Define Needs vs. Wants – This can be difficult, but it is necessary. If you cannot pay your bills, rethink if you really need the extra items such as streaming subscriptions. Deep down, you know what your priorities should be. Focusing on needs and being grateful for what you have helps to counteract the desire for more (i.e., all your wants). The key to saving and winning financially is to know where your money is going. This makes you aware of your money and empowers you to make decisions, to act on your money rather than let your money act on you. You decide, would you rather redirect money to its highest and best use according to your goals or have no idea where it went?

When you are in the process of establishing your needs versus wants you may be surprised by the kind of arguments you will have with yourself. Be real for a second and target the things in your financial spending that you believe are a necessity, but it is not something you need to survive. The famous battle of them all is coffee. Coffee may certainly be considered a necessity if you stay up all night studying for a test and you must wake up the next morning to take the test and rely on the caffeine to keep you awake. Now the question you could ask yourself here is, “Do I need to go buy my \$7 cup of coffee from my favorite coffee shop or could I just make it at home?” If you create a budget for the first time, you will realize and be amazed at how much money you spend a month on coffee and find that you

may want to save money and make your coffee at home instead. It is not a loss; it's just a readjustment of your mindset and habits. So, when you are deciding your needs versus your wants, you can cut down the spending by learning to do things yourself at home (e.g., cooking, cutting your family members' hair, etc.) or doing things less frequently.

You don't want to stretch your budget so much that you can't enjoy it, so here are some easy ways to decrease everyday spending:

- Internet, TV - call, compare, ask for deals and bundles. How many streaming platforms do you really use or need?
- Phone - cell and home-do you still need that home phone? Do you need unlimited data?
- Insurances - compare premiums, look at higher deductibles.
- Credit – check credit reports regularly, improve your credit.
- Fees – eliminating fees on bank accounts, late fees, etc.
- Snacks, coffee, soda, bottled water – reduce or eliminate or buy at grocery store in bulk.
- Eating out - reduce the amount you spend each month.
- Comparison shopping - food, clothing, etc. It is good to compare but only buy things you need, not because it is on sale or a “good deal.”
- Limit spending on gifts.
- Pay off high-interest debt.
- Gas – limit driving.
- Unused gym memberships – either go or stop paying and workout at home.
- Unused subscriptions and streaming memberships- monitor to ensure you are using and not overpaying for the subscription.

There is a helpful budgeting system called, “The Envelope System”. The envelope system requires you to write down your budget first and plan your expenses for the month. Then, you take envelopes and name each one with a spending category, such as, clothes, food, school material, entertainment, etc. Next, you will put the designated amount of cash in the envelope for each spending category. It is important not to cash out your whole paycheck because you may need to pay bills online, or you want to transfer money over to your savings account. Many people pay bills online, this envelope system can be adapted to using it for categories that have variable costs or an expense or category you identified where you are overspending. For example, you may have identified that eating out is an area where you overspend. You can establish the amount that you will spend per month on eating out and use cash and the envelope system for eating out. The cash envelope system teaches you to only use the designated amount of money for each spending category. When there's no money left in

the envelope, you don't buy anything else in that category until next month. This helps discipline us to spend less and stay within our desired budget. Savings usually comes from decreased spending rather than increased income.

What is important to understand about budgeting is that it will only work if you stick with it. Budgeting does not mean you cannot spend, but that you spend according to a plan you choose. Budgeting is spending your money on paper, in the way you decide, before you spend it in the real world. Budgeting is hard at first until you figure out the best amount of money for each spending category and the best way to manage that money. You may change/tweak your budget every month until you find what works best for you. As you budget and take control of your money you will have less stress and more peace in your life.

Be flexible. Plans may require adjustments as your income and lifestyle change. Don't be so rigid that you must start over with an entirely new plan. For example: An unexpected expense comes up. You can't save the entire \$100 that month. Don't let that get you off track. Continue to set aside something toward your goal no matter how little it may be.

Take time to prioritize your goals. Of the ones you have listed, which are the most important to you as an individual? Which are the most important to your family? Can you agree on an order in which to accomplish goals?

Some goals require resources other than money to achieve. To reach some goals, you may decide you need to earn more money. To do that, you may need more training or education, which requires time and other talents. Reaching long-term goals may depend on achieving several short-term goals along the way. It may be hard to give up things now to have something in the future, yet short-term sacrifices may be needed to provide for the future. All too often you can get so caught up in day-to-day problems that you end up accomplishing very little. While this may not be a problem in the short run, in the long run (whether it is college or retirement) a lack of financial planning can mean real problems. Knowing what your goals are and how much money you need to achieve them may help you make decisions about spending money now.

Think about each of your savings' goals and create a plan for each goal:

My saving goal is _____
_____ by _____.

I'll be saving _____ each _____ to make it happen.

I'll take the following steps and make the following changes to reach my goal: _____
_____.

I'm doing this because _____
_____.

Obstacles that may get in my way are _____
_____.

TIPS FOR ACHIEVING YOUR SAVING GOALS

Create a Second Savings Account

It may help to create a second account that serves as your “piggy bank”. With direct deposit, you will have a portion of your paycheck sent to this account. After some time, you might forget about it with respect to the daily bills, and the temptation to overspend will be reduced. If you’re going to open a savings account, think about a purchase or goal that you have, such as a down-payment on an apartment/house, car purchase, vacation, emergency fund, holiday spending, etc. These are big purchases that you need to save up for. Having multiple separate savings accounts specified for these larger goals (you can even have a savings account for each major goal) makes it easier to save and removes it from your checking account where you might be tempted to spend it.

Pay Yourself

Treat yourself as if you were just another person to whom you owe money because you are another payee. Pay your “bill” to yourself regularly every month and include yourself as part of your budget - use direct deposit if the resources are available. Should you miss a “payment,” charge yourself a “penalty” to be included in the next month’s deposit. All this “pay” should go immediately into some form of investment. These investments can range from low-risk, high-yield savings or money market accounts to higher risk, but higher yielding, investments in diversified mutual funds. Regardless of the investment vehicle, what matters most is that you set this money aside first before paying any other bills.

Minimize Withdrawals and Transfers

Even if there are no charges for moving your money around, treat your money as if it were less accessible than it really is. That way you will be less tempted to get cash back when shopping, stop at the ATM for impulse purchase money, or transfer money from your savings.

Manage Your Debt

If you have high-interest credit card charges or loans, pay them off as soon as possible. An important thing to keep in mind is that if you have high interest debt then you need to focus on paying that debt off first before you focus on saving. Once high interest debt is paid off, you can accomplish both paying off other debt (e.g., home, auto, student loans) while also saving and investing. Once you’re done paying off your debt, avoid spending temptations, using credit cards, or taking out additional high interest loans. Avoid getting back into the debt trap. Instead, spend only the money that you already have, to be free not only from future debt but to fully invest in your savings as well.

Take Advantage of Discounts

You do not have to be an extreme couponer, but there is no reason not to take advantage of discounts available to you on purchases you would make anyway. Many wealthy people attain and maintain wealth because they do not pay more than they need to or buy expensive brands. Take advantage of online coupons, shop grocery advertisements, and save money on everyday expenses. Apps may have coupons and discounts available. Also, look out for military, student, and senior discounts. Whatever discounts you use, be sure to only use them on purchases you would normally buy. You will be surprised how much money you can save each month using these resources.

Minimize Use of Credit

At times, your type of payment depends on the type of purchase. Credit is essential at times, but easy credit also can mean easy overspending. If possible, never charge more on a credit card than you can afford to pay at the end of the month. By spending too much on your credit card, you will gain interest charges which can add up overtime. Shop around for credit cards with low Annual Percentage Rates (APR rates) and avoid companies that offer teaser rates. For example, no interest for 6 months credit cards. Ensure you read the fine print to shop around for the lowest interest rates rather than fall for the introductory offers many credit card companies offer. Many consumers do not realize that if they carry a credit card balance past the introductory rate period, the credit card company will back-charge interest over the entire introductory period.

The Bottom Line

Hopefully, these steps are useful in helping you grow your savings. A common phrase from people in financial distress is, “I am poor, because I don’t make a lot of money.” That may be part of it, but not the whole case. Close to 80% of NFL players do not have money or file bankruptcy after they finish their football career. How is it that those guys earn millions of dollars and are “broke”? “Broke” is spending unwisely, which could mean not distinguishing between needs and wants. Even if you make one million dollars, you do not have money if you spend over one million dollars. Saving should be considered a necessity. Saving can happen at any income level; you just need to make the decision that you are worth paying first and living off the rest. Saving is primarily a mindset and an attitude. The habit of saving will get easier as you practice it and as you see the rewards grow. If you stick with it, eventually you will meet your financial goals and grow your savings.

REFERENCES:

1. Acorns. (n.d.). <https://www.acorns.com/>
2. Bankrate. (n.d.). <https://www.bankrate.com/>
3. Business Insider. (n.d.). <https://www.businessinsider.com/>
4. Consumer Finance. (n.d.). <https://www.consumerfinance.gov/complaint/>
5. Corporate Finance Institute. (n.d.). <https://corporatefinanceinstitute.com/>
6. Incharge. (n.d.). <https://www.incharge.org/>
7. Jorgensen, B. (2018). *How Do You Rate as a Money Manager?* [Guide G-219]. New Mexico Cooperative Extension Service. https://pubs.nmsu.edu/_g/G219/index.html

AVAILABLE RESOURCES

Publications, Books, and eBooks

- Jorgensen, B. (2018). *How Do You Rate as a Money Manager?* [Guide G-219]. New Mexico Cooperative Extension Service. https://pubs.nmsu.edu/_g/G219/index.html

Online resources, and community forums

- America Saves: <https://americasaves.org/resource-center/saver-tips-and-stories/saver-story-set-a-goal-make-a-plan/>
- Investopedia: <https://www.investopedia.com/>
- [New Mexico State University Cooperative Extension Service](https://mymoney.nmsu.edu/links.html) <https://mymoney.nmsu.edu/links.html>

Online informational videos/webinars

- New Mexico State University Extension Family and Consumer Science: <https://efcs.nmsu.edu/resources/webinars.html>

Workshops/short courses and academic degrees

- New Mexico State University Cooperative Extension Service: <https://learning.nmsu.edu/nmsuondemand.html>

Previous revisions by Fahzy Abdul-Rahman, Extension Family Resource Management Specialist at New Mexico State University.



Michelle Stizza is an Assistant Professor and Family and Consumer Science (FCS) Agent at NMSU Santa Fe Cooperative Extension. As an FCS Agent, she provides programs on Financial Health and Wellness, Food and Nutrition, and Health and Wellness. She believes in creating programs that can help transform lives and create strong, healthy, and vibrant communities. She is earning her Ph.D. in Curriculum and Instruction at NMSU.



Bryce Jorgensen is an Associate Professor and Extension Family Resource Management Specialist at NMSU. He earned his Ph.D. at Virginia Tech. As a consultant, trainer, author, and speaker, he focuses on achieving individual, relational, and financial wellness for New Mexicans. An expert in the psychology of change, mindset, and behavioral economics, he provides customized programs leading to life and financial success.

Contents of publications may be freely reproduced, with an appropriate citation, for educational purposes. All other rights reserved. For permission to use publications for other purposes, contact pubs@nmsu.edu or the authors listed on the publication. New Mexico State University is an equal opportunity/affirmative action employer and educator. NMSU and the U.S. Department of Agriculture cooperating.

APPENDIX

Worksheet 1

Values Assessment (for you)

Read over the list below. Put a 1 beside the things that are most important to you, a 2 beside the things you consider somewhat important, and a 3 beside things that are not important to you. After you and your spouse/partner have completed the list (Worksheet 2 for spouse/partner), compare and discuss your answers.

Religion	
Education	
Vacation	
Saving money	
Our own business	
Jewelry	
Family health	
Cultural events	
Sports	
Job success	
Food	
Insurance	
Lots of money	
Friends	
New car	
Pay off debts	
Our own home	
Clothes	
Entertainment	
Boath	
Other: _____	

Worksheet 2

Values Assessment (for spouse/partner)

Read over the list below. Put a 1 beside the things that are most important to you, a 2 beside the things you consider somewhat important, and a 3 beside things that are not important to you. After you and your spouse/partner have completed the list, compare and discuss your answers.

Religion	
Education	
Vacation	
Saving money	
Our own business	
Jewelry	
Family health	
Cultural events	
Sports	
Job success	
Food	
Insurance	
Lots of money	
Friends	
New car	
Pay off debts	
Our own home	
Clothes	
Entertainment	
Boath	
Other: _____	

Worksheet 3

Let's Talk About Money (for you)

Money is often a source of conflict in families. It is a difficult topic to discuss. This worksheet will help you learn more about your values and feelings about money. Each spouse/partner should use the worksheets provided and answer separately, then take some time to compare and discuss your answers. You will also want to include other family members in some of these discussions.

Note: First item is an example.

1. You've just won \$10,000 in the lottery. What will you do with the money?

How much money?	For what?
\$2000	Savings account.
\$	
\$	
\$	
\$	
\$	

2. You have just been laid off from your job. You must make a major cut in spending. What would you cut first?

3. I'd like to see us spend more money on _____ and less money on _____.

4. How much money does your household spend monthly on the following?

Rent or mortgage	\$
Groceries	\$
Car payment	\$
Clothing	\$
Utilities (electricity, gas, water, telephone, cable)	\$
Entertainment	\$

5. What money problem is the most frequent cause of arguments?

6. What is the most foolish thing you've spent money on in the last year?

7. What is the most sensible thing you've spent money on in the last year?

8. How do you feel about buying on credit?

9. Do you agree (A) or disagree (D) with these statements? Circle your answer.

A	D	I am too tight with money.
A	D	My spouse/partner is too tight with money.
A	D	I want to be included in making decisions about spending money.
A	D	I like to buy things because it makes me feel good.
A	D	I feel good about the way our family handles money.
A	D	Our family needs to develop a better way to manage money.
A	D	I think it is important to set goals and plan for the future.
A	D	Why worry about tomorrow? I live from day to day.
A	D	I would like to go out more often, even if it means doing without something.
A	D	I would rather do without some things for now to have a more secure future.
A	D	If one of us were to get sick or lose a job, we'd be able to pay our basic bills for a few months.
A	D	If one of our vehicles broke down and we needed \$1,000 for the repair, we could pay it without a lot of financial stress.

Worksheet 4

Let's Talk About Money (for spouse/partner)

Money is often a source of conflict in families. It is a difficult topic to discuss. This worksheet will help you learn more about your values and feelings about money. Each spouse/partner should use the worksheets provided and answer separately, then take some time to compare and discuss your answers. You will also want to include other family members in some of these discussions.

Note: First item is an example.

1. You've just won \$10,000 in the lottery. What will you do with the money?

How much money?	For what?
<i>\$2000</i>	<i>Savings account.</i>
\$	
\$	
\$	
\$	
\$	

2. You have just been laid off from your job. You must make a major cut in spending. What would you cut first?

3. I'd like to see us spend more money on _____
and less money on _____.

4. How much money does your household spend monthly on the following?

Rent or mortgage	\$
Groceries	\$
Car payment	\$
Clothing	\$
Utilities (electricity, gas, water, telephone, cable)	\$
Entertainment	\$

5. What money problem is the most frequent cause of arguments?

6. What is the most foolish thing you've spent money on in the last year?

7. What is the most sensible thing you've spent money on in the last year?

8. How do you feel about buying on credit?

9. Do you agree (A) or disagree (D) with these statements? Circle your answer.

A	D	I am too tight with money.
A	D	My spouse/partner is too tight with money.
A	D	I want to be included in making decisions about spending money.
A	D	I like to buy things because it makes me feel good.
A	D	I feel good about the way our family handles money.
A	D	Our family needs to develop a better way to manage money.
A	D	I think it is important to set goals and plan for the future.
A	D	Why worry about tomorrow? I live from day to day.
A	D	I would like to go out more often, even if it means doing without something.
A	D	I would rather do without some things for now to have a more secure future.
A	D	If one of us were to get sick or lose a job, we'd be able to pay our basic bills for a few months.
A	D	If one of our vehicles broke down and we needed \$1,000 for the repair, we could pay it without a lot of financial stress.

