My Take: In Honor of the World Cup, a Look at Goaaals!
Neal Merbaum

Meet Ben, the CEO of a fictional company. One day, he calls his employees into a conference room for a meeting and starts to assign tasks. "Mark, start typing a letter. Marge, create a spreadsheet. Frank, organize a team." And so on. But Ben doesn't tell anyone why they're doing these things or identify the goal.

Most would agree that Ben's actions don't make much sense.

Now meet Rose, a software developer who just inherited some money and wants to invest it. She understands that it's good to be diversified, meaning one should invest in both domestic and foreign stocks and in safe bonds. She also understands that she should consider her risk tolerance. She's not sure exactly how much risk she's comfortable with, but she's read that she should invest her age in bonds and the rest in stocks.

So she opens an account and buys some domestic and foreign stock index funds (she knows enough to stay away from actively managed funds!) and some low-risk bond funds. Rose has been pretty thorough, right?

Wrong! Rose left out a huge piece of the financial puzzle: her goals. Without identifying her financial goals, Rose is investing the way Ben manages. Just as Ben needs to know what he wants his employees to accomplish in order to give them the proper tasks and direction, Rose needs to know what she wants her investments to accomplish so she can structure her portfolio to meet her objectives.

If you don't want to make this mistake, then before you develop your investment plan:

1. **Identify your goals.** Typical goals include saving for retirement, leaving money to heirs, funding college for kids or grandkids and leaving money to charity and alma maters.

2. **Prioritize your goals.** Goals compete with each other. For example, the more you spend in retirement, the less you will have for another goal like leaving money for the next generation. Decide what's most important.

3. **Be specific.** "Having enough money for a good retirement" is a worthy goal, but it's not specific. Add some details, and the same goal could look something like this: "I want to retire in 10 years with after-tax income of $60,000 a year in the first year and adjusted for inflation after that."

Once you've identified and prioritized your goals, you're on your way to constructing a portfolio that will give you the best chance of meeting those goals. Just like a soccer team needs goals to succeed, so does your financial plan!

About Neal Merbaum, President, Rocktree Financial Advisors, Boston

Neal Merbaum is president of Rocktree Financial Advisors LLC. His diverse background includes stints as a commodities trader, trading-desk manager, executive director of a family foundation, and nonprofit consultant. For fourteen years he worked for John W.Henry, the principal owner of the Boston Red Sox, in a variety of roles. Neal is trained as a mediator and has mediated small-claims cases and landlord/tenant disputes in the Boston court system.

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Neal enjoys playing tennis when he's not injured. He and his wife reside in Boston.

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