



Investment Insights

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Invest For The Goal

Editor's note: This is part three of a three part series on life/wealth planning.

Most of us have goals in life: a comfortable retirement, sending our children to college, helping family members in need. Goals, however personal and unique, are the universal language that can turn wealth into financial wellness for you and your family. They are the benchmarks and signposts that mark our journey on the road to happiness. They are the proof statements that remind us that long hours, personal sacrifice, and commitment are just the tolls on that long road to personal fulfillment.

We've all heard the adage "People don't plan to fail, they fail to plan." Translating your goals into actions you can take today can put you on a path to achievement and success.

Financial planning can play an integral role in your financial peace of mind. Because your wealth, and the impact of that wealth on your quality of life, plays a key role in the aspirations you have for yourself and your family, a commitment today to designing and implementing a planning process are critical components of your future success. Your personal goals are at the core of your motivation for saving and investing, and your investments are destined to fulfill a unique goal in your life. Shouldn't your investment strategies be specifically designed to achieve those goals?

The current model for financial advice is clearly geared towards managing your portfolio instead of managing goal identification and achievement on your path to financial wellness. Portfolios are analyzed, investment holdings are evaluated, and intricate solutions are proposed. This still leaves you without a clear answer to the important questions: "Will I have enough to retire?" "Will this strategy enable me to live the lifestyle I desire?" "What is the risk that I will not achieve my goals?" "How will I measure progress on the path?"

Chances are, your investment portfolio is destined to support multiple goals. Rather than evaluating the risk considerations and return expectations of the portfolio, look beyond to the goals it represents. To illustrate this point, I'll use two common examples of goals-based investing. Most of us anticipate some form of retirement in the future, although this goal may have a time horizon of twenty or more years. Between now and then we have a

goal of accumulating the wealth that will support our lifestyle in retirement. We may have additional goals, such as putting our children through college, with a target date in the next five years. Each goal has a distinct priority in our lives, but they have very different characteristics and risk parameters. The college funding goal is short-term and therefore the strategies that support this goal will demand lower volatility. Surviving a bear market like the one we have experienced over the past several years simply is not an option. The goal of retirement is well in the future, and thus a more aggressive, growth-oriented strategy may be appropriate to reach that goal, depending on your individual comfort around volatility along the way. The longer timeframe associated with this goal may give you the confidence to ride out the inevitable ups and downs in the markets. Rather than building an investment strategy around your money, customize a distinct strategy around your goals and in the context of your life.

To take this idea one step further, consider how you currently assess the progress of your investments. Many investors measure success relative to the broad markets (i.e. return compared to the S&P 500). If you ultimately are investing to achieve a goal, shouldn't progress be measured relative to that goal? After the devastating stock market decline from 2000-2002, most investors were not concerned with how they did relative to the stock market. The anxiety was around questions like "Can I still retire?" or "Do we still have enough to send our daughter to college next year?"

The concept of a goal-based investment system may sound like common sense to you, but view your current portfolio or your current advice relationship in this context. Does the discussion begin and end in the realm of your goals and your life, or are discussions centered around your portfolio as a living, breathing entity? Does your advisor recommend investment strategies specifically designed around your goals, or are investments recommended for much less individual, shallower reasons? Do you have a written plan for how to achieve your goals and measure your success against those goals, or are you just "pretty sure" that the actions you're taking today are putting you on a path to success? If you find yourself feeling confused or unsatisfied in these areas, commit to designing and implementing strategies specifically customized to a goals-based approach with an advisor that will support you on the path. You may find in this arena, as with most of life, a journey begins with one step and that happiness and fulfillment are found in the journey itself.

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