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## Setting long-term goals key to boosting financial freedom in retirement

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It is often a misconception that short-term goals should take precedence over long-term objectives as it is difficult to predict the future.

Growing one's wealth is frequently challenging as income increases.

The shopping list gets longer, the search for ideal holiday destinations fills your phone and many other "essential" things take priority over setting long-term financial goals, in general.

A long-term financial goal is often something that is at least seven years in the future, and setting them can help you to stay focused on your finances.

As the saying goes, people do not plan to fail – they fail to plan. Here are five reasons why setting long-term goals can set you on the path to financial freedom.

### Financial security

Financial planning entails solving numerous problems, setting a savings plan and investing for the future.

A well-thought-out financial strategy can be the difference between financial security and uncertainty. While some may believe that financial planning is reserved for the wealthy or the elderly, experts believe everyone needs one.

Long-term financial goals assist you in creating a safety net for your future. There will be a variety of expenses in your life, such as retirement planning, emergencies and unforeseen life events. Thus, having a well-structured financial plan and judiciously adhering to it would provide a sense of financial freedom.

### Take advantage of the compounding effect

"Compound interest is the world's eighth wonder," Albert Einstein famously said. "He who understands it earns it ... he who doesn't ... pays it."

When considering long-term wealth generation plans, one must consider the benefits of compounding interest. It is the process of accumulating interest or growth on top of growth.

This can cause the value of an investment to expand enormously over time.

If significant funds are not available for disposal, one can use a Systematic Investment Plan. An SIP is a disciplined investment approach in which a fixed amount of money is invested regularly. Let us suppose two people, Rick and Ben, start investing \$1,000 a month until they are 65 years old.

Assuming an average annual return of 10 per cent, Rick starts investing at the age of 25, and Ben starts at the age of 45.

By the time Rick reaches 65, he would have accumulated \$6.3 million, while Ben would have accumulated only \$758,000 – that is the power of compounding returns!

### Avoid debt traps

Debt can provide instant satisfaction for people who desire something they cannot afford, but it often comes with high interest rates and diminishes people's capacity to save and create healthy long-term plans.

On the other hand, debt is not always terrible; it may be managed by adopting some wise lifestyle choices and exercising some discipline. Setting the correct financial goals requires coming up with a budget, developing a debt payback plan and combining repayments with savings.

### Lifestyle design

Setting long-term goals allows you to construct the lifestyle you want. A long-term plan helps to build realistic scenarios that can highlight how long your existing financial portfolio would continue to achieve the lifestyle you seek. It also helps you to adapt and fill in any gaps, contributing to the accomplishment of your goals.

### Retirement planning

Financial independence in retirement is one of the crucial goals of having a longterm financial plan. Thinking about life as a 70-something is one of the most challenging aspects of planning for retirement. Many become so overwhelmed by the prospect of saving for an unknown future that they fail to save anything, which is the most catastrophic mistake one can make.

A well-structured financial plan enables you to begin saving early. When you are young, you can start by investing in stocks or exchange-traded funds to receive higher returns and, over time, you can increase your allocation to bonds or mutual funds to avoid volatility.

Financial planning is a continuous dedication to one's financial prosperity. Examining your plan and updating your financial profile frequently is generally recommended.