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How to Reach Your Financial Goals One Step at a Time

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By Kevin Peters

The 47th New York City Marathon took place earlier this month, with more than 50,000 participants racing throughout the five boroughs. The Internet is chock full of blogs and write-ups, not only of race results and placements, but stories of motivation and triumph.

Many entrants faced incredible challenges in the race. What all these people had in common was that they ran the race one step at a time.

So it is with the process of building our portfolios over our lifetime, and reaching our financial goals through retirement; we do so one step at a time, altering our “gait” to meet changing conditions.

Reaching a particular financial goal may seem daunting. Success, just as with participating in a race, takes action, the first step of which may be clarifying and setting the actual goal. What are the milestones you expect to encounter? What are the qualities in life you value most – education, recreation, security for the future?

The second step entails a cleanup of your existing financial landscape. Reducing debt is always a priority. In my mind, paying off credit card debt at, say, a 15 percent interest rate, may well be better than investing in a security with a lower return and typically greater risk.

Reducing debt on a steady and sustained basis takes a deliberate action plan that includes paying out the same lump sum each month to chip away at what is owed.

Growing your portfolio requires the same kind of deliberate action, which brings us to step three: investing wisely for the future by choosing from an array of investment vehicles that meet an individual’s specific needs.

Equities are one such vehicle. Yes, the stock market continues to hover near record highs, but that should not cause you to shy away from carefully selecting corporate equity for long-term investment.

I particularly like equities with a long history of dividend payments, which can either be added to your spendable income, or even better, reinvested in the individual stock. A Dividend Reinvestment Plan (DRIP) compounds your shares of stocks and the value of your holdings. Dividends are also psychologically comforting in the case of stock market corrections.

How to jump into equities, particularly when market averages continue to hover near highs? I like to begin my research into individual companies by looking at what I buy and companies that I recognize. Who makes the goods and provides the services that you use? Do you believe those companies have good prospects for the future? Then consider those that provide the raw materials and other essentials. What do financial analysts have to say about all of these companies? Assessments typically are readily available on the Internet, and, of course, through your financial adviser.

Just as you wouldn’t go from being a couch potato to attempting a marathon, building your portfolio will not be accomplished overnight. Commitment to investing a manageable amount on a regular schedule (i.e. dollar cost averaging) is one technique; doing so means purchasing more shares when prices are low, and fewer shares when prices are high.

You just can’t neglect your homework – and don’t be afraid to consider foreign companies.

Of course, past results are no guarantee of future return. Trends in the economy and in the stock market can be guides, but are not gospel. However, it’s important to take the step into investing.

Whereas the winner of the New York City Marathon covered the 26.2-mile race in about two hours and 10 minutes, as an investor you will likely take years of deliberate steps to reach your long-term financial goals. And that's as it should be, because the point of investing is not speed, but endurance. It's the route you take so that you can enjoy all the scenery of your lifetime along the way.

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