



Setting Priorities

Top 10 things you need to know about your money and your financial priorities.

1. Narrow your objectives.

You probably won't be able to achieve every financial goal you've ever dreamed of. So identify your goals clearly and why they matter to you, and decide which are most important. By concentrating your efforts, you have a better chance of achieving what matters most.

2. Focus first on the goals that matter.

To accomplish primary goals, you will often need to put desirable but less important ones on the back burner.

3. Be prepared for conflicts.

Even worthy goals often conflict with one another. When faced with such a conflict, you should ask yourself questions like: Will one of the conflicting goals benefit more people than the other? Which goal will cause the greater harm if it is deferred?

4. Put time on your side.

The most important ally you have in reaching your goals is time. Money stashed in interest-earning savings accounts or invested in stocks and bonds grows and compounds. The more time you have, the more chance you have of success. Your age is a big factor - younger people (who have more time to build their nest egg) can invest differently than older ones. Generally, younger people can take greater risks than older people, given their longer investment horizon.

5. Choose carefully.

In drawing up your list of goals, you should look for things that will help you feel financially secure, happy or fulfilled. Some of the items that wind up on such lists include building an emergency fund, getting out of debt and paying kids' tuitions. Once you have your list together, you need to rank the items in order of importance (if you have trouble doing so, use the CNNMoney.com Prioritizer for help).

6. Include family members.

If you have a spouse or significant other, make sure that person is part of the goal-setting process. Children, too, should have some say in goals that affect them.

7. Start now.

The longer you wait to identify and begin working toward your goals, the more difficulty you'll have reaching them. And the longer you wait, the longer you postpone the advantage of compounding your money.

8. Sweat the big stuff.

Once you have prioritized your list of goals, keep your spending on course. Whenever you make a large payment for anything, ask yourself: "Is this taking me nearer to my primary goals - or leading me further away from them?" If a big expense doesn't get you closer to your goals, try to defer or reduce it. If taking a grand cruise steals money from your kids' college fund, maybe you should settle for a weekend getaway.

9. Don't sweat the small stuff.

Although this lesson encourages you to focus on big-ticket, long-range plans, most of life is lived in the here-and-now and most of what you spend will continue to be for daily expenses - including many that are simply for fun. That's OK - so long as your long-range needs are taken into consideration.

10. Be prepared for change.

Your needs and desires will change as you age, so you should probably reexamine your priorities at least every five years.