

Setting SMART goals

Setting goals is the first step toward achieving your dreams. This tool teaches you how to effectively set goals that are SMART—meaning they are **(S)**pecific, **(M)**easurable, **(A)**chievable, **(R)**elevant, and **(T)**ime bound

SMART goals provide an easy-to-follow structure for creating goals. This helps you really break down what you want into a format that makes it simpler to plan for, track, and ultimately achieve your goals.

To create your goals, first think about your values. When your goals match up with the values that are important to you and your family, you're more likely to prioritize achieving them.

If you're not sure what your goals are, think about what you want to change in your life. See if there's a goal you can create that would help bring about that change.

It's likely there are many things you want to achieve. But if you can focus on one or two priorities that align with your values, you'll have a better chance of reaching that goal.

What to do

- **List your values** to help you think about what is important to you and your family.
- **Brainstorm a list of dreams and goals.** Remember, dreams are aspirational and usually vague. Goals are specific things you can achieve to help you reach your dreams.
- **Create a SMART goal** from one or two items on your list of goals. Write down what makes this goal specific, measurable, achievable, relevant, and time bound.

A step further

After you've written down your SMART goals, take a look at the "Putting goals into action" tool to create an easy-to-follow plan for achieving your goals.



Setting SMART goals based on your values motivates you to achieve them

1. Think about your values and choose which ones are most important to you.
2. List some things you'd like to change about your life and dreams you have.
3. Pick one or two items from your list of brainstormed ideas and create a SMART goal.
Make copies of the next page if you want to set more than one goal.

Which values are most important to you?

Family/friends

Reputation

Status

Freedom

Self-respect

Other: _____

Happiness

Spirituality

Other: _____

Health

Stability

Other: _____

What are your hopes, wants, and dreams?

Thinking about your values, write a list of things you'd like to change and dreams you have. They can be short term (less than six months to achieve) or long term (more than six months to achieve).

Things I'd like to change	Dreams I have for myself and my family

Use your list of dreams to create a SMART goal.

Remember that SMART goals are **S**pecific, **M**easurable, **A**chievable, **R**elevant, and **T**ime bound.

My SMART goal is...

To make sure your goal is SMART, write in what makes your goal specific, measurable, achievable, relevant, and time bound.

SMART characteristic	Questions to ask yourself	Your answers
Specific	What will I achieve? Who will benefit from the goal? What specific thing will I accomplish?	
Measurable	How much? How many? How will I know when it's done?	
Achievable	Is this goal something that I can actually reach? Do I have the tools and support I need to accomplish this?	
Relevant	Is this something that I really want? Is now the right time to do this? Why is this goal important?	
Time bound	When will I reach this goal? Is the time frame reasonable?	

Spending tracker

Before deciding on changes to your spending, it's a good idea to understand how you use your money now.

Keeping track of what you earn and everything you spend money on for a month, rather than just a week or two, lets you see all of your income and expenses in one place. Many people who track their spending for a month discover that they're spending money in small ways that add up and sometimes don't match their priorities. Once they track their spending, many people can find money to save for emergencies, unexpected expenses, and goals. Others are able to balance their budgets.

What to do

- **Get a small container or envelope.** Every time you spend money, get a receipt and put it into the case or envelope. If the receipt doesn't list what you purchased, take a few seconds and write it on the receipt. If you don't get a receipt, write down the amount and what you purchased on a piece of paper and add it to the stack. If you use a mobile device to keep track of your spending, make sure you read the "Protecting your information on digital money apps" tips in Module 4.
- **Analyze your spending.** Go through your receipts and enter the total you spent in each category for each week. Add the weekly amounts per category. Write these down in the "Category totals" column. Once you have these totals, add them together to get your total spending for the month. If tracking your spending for a whole month seems too difficult, try it for just one or two weeks.
- **Notice trends.** Circle items that are the same every month (like rent, car, or cell phone payments). These are often your needs and obligations. This will make creating your budget easier. Identify any areas you can eliminate or cut back on—these will generally be wants.

A step further

Once you've tracked your spending, be sure to add it into your budget or cash flow budget. Learn more about cash flow budgets in Module 5: Getting through the Month.

CATEGORIES USED IN THE SPENDING TRACKER













	Cell phone	Any costs related to having and using your cell phone
	Debt payment	Credit card payments, payday loan payments, pawn loan payments, auto title loan payments, other loan payments
	Eating out	Any meals or beverages purchased outside of the home
	Education + childcare	Childcare costs, school supplies, school materials fees, field trips, other activity fees
	Entertainment + personal care	Movies or concerts, sports equipment/fees, sporting events, lottery tickets, alcohol, books/CDs, subscriptions, streaming services, haircuts, hygiene items, dry cleaning
	Groceries + other supplies	Food and beverages brought into the home, household supplies (diapers, paper towels, etc.)
	Health expenses	Co-payments, medication, eye care, dental care, health insurance premiums
	Helping others	Donations to religious organizations or other charities, gifts
	Housing + utilities	Rent, mortgage, insurance, property taxes, electricity, gas, water and sewage, landline, television, Internet service
	Pets	Food, vet bills, and other costs associated with caring for your pets
	Transport	Gas, car payment, insurance, repairs, transit fares, ride services, cabs
	Other	<ul style="list-style-type: none"> ● Court-ordered expenses (child support, restitution) ● Household items (things for your home like cleaning supplies, kitchen appliances, furniture, other equipment) ● Savings (saving for emergencies, goals, back-to-school expenses, holiday purchases, children's education, retirement) ● Tools or other job-related expenses (equipment, special clothing, job-related books, machinery, working animals or livestock, union dues)



Use this **spending tracker** to consider what is important to you

Spending for the month of:

- 1 Get an envelope to collect your receipts.
- 2 Use the table to sort your spending into the categories below. Don't forget about bills you share with others.
- 3 At month's end, total up each category.

	Week 1	Week 2	Week 3	Week 4	Week 5	Category totals
 Cell phone						
 Debt payment						
 Eating out						
 Education + childcare						
 Entertainment						
 Groceries + other supplies						
 Health expenses						
 Helping others						
 Housing + utilities						
 Pets						
 Transport						
 Other						

Total spending this month

Use this **spending tracker** to consider what is important to you.

- 1 Get an envelope to collect your receipts.
- 2 Use the table to sort your spending into the categories below. Don't forget about bills you share with others.
- 3 At month's end, total up each category.

This month's spending:



Cell phone



Debt payment



Eating out



Education + childcare



Entertainment



Groceries + other supplies



Health expenses



Helping others



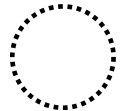
Housing + utilities



Pets



Transport



Other

1												
2												
3												
4												
5												

Category totals:

--	--	--	--	--	--	--	--	--	--	--	--	--

Total spending for this month:

--

Prioritizing bills

Making a short-term plan can help you identify the consequences of failing to pay certain bills. This can help you prioritize your expenses if you just can't pay everything.

You're responsible for paying all of your expenses on time. If you miss payments now, you'll have to make them up in the future. But when you don't have enough money to cover your needs and obligations, you may have to make a short-term plan to get through the month.

Sometimes your plan may involve paying some bills late or missing a bill. When bill collectors are calling or you're trying to decide which of your obligations to pay first, it can sometimes just seem easiest to pay the "squeakiest wheel"—but this might not be the best approach. Sometimes you may need to ignore the squeaky wheel for a short time while you pay for necessities and build a plan for repayment.

What to do

- **Read through the list of expenses.** Identify what you need to pay to protect your housing and income, keep your insurance, and meet any court-ordered obligations.
- **Prioritize your bills.**



A step further



Don't ignore bills you can't pay. If you must miss a payment, call the person or company you owe the money to and explain that you will miss a payment and the reason for it. You may wish to contact a certified housing counselor or credit counselor for specialized assistance in building a plan to pay your debts and pay your monthly bills and expenses. Module 6: Dealing with Debt describes your rights in debt collection and includes tips for responding to debt collectors. For additional information on what debt collectors can and cannot do visit [consumerfinance.gov/
consumer-tools/debt-collection/](https://consumerfinance.gov/consumer-tools/debt-collection/).



Prioritizing bills helps you manage issues when you can't pay them on time

1. Read through the items that apply to you and write down the monthly amount of each bill. It's OK to estimate if this amount changes from month to month.
2. If you can't pay all your bills at once, think about the order you pay them in. Weigh the risks of not paying each one, then number them in the order you want to pay them, based on priority.

		AMOUNT	PRIORITIZE YOUR BILLS	CONSIDER...
 THINGS I NEED FOR A JOB	Transportation to get to work (car payment, gas or bus fare)			If you miss a car payment, you may have to pay a late fee. You risk possible repossession of your car, a negative entry on your credit record, and lowered credit scores.
	Equipment or uniform			
	Childcare			If your car is repossessed, you might have trouble getting to work and risk losing your job.
 INSURANCE I NEED TO PAY	Car insurance			Not having insurance may mean you can't drive your car, and it puts your assets, including your health and your family's health, at risk.
	Health insurance			
	Renters or home insurance			

		AMOUNT	PRIORITIZE YOUR BILLS	CONSIDER...
 THINGS I NEED FOR HOUSING	Rent, mortgage, or property taxes			<p>If you're late with rent, you may have to pay a late fee, risk possible eviction, and strain your relationship with your landlord.</p> <p>If you don't pay your utility bills, they may get cut off. Utility companies may charge fees to get reconnected.</p>
	Gas, electric			
	Water, garbage, sewer			
 OBLIGATIONS I HAVE TO PAY	Credit cards			<p>If you're late with your credit card payment, you may have to pay a late fee. You also risk a negative entry on your credit record, lowered credit scores, and higher interest rates.</p> <p>If you don't pay court-ordered obligations, like child support, you may face legal consequences.</p> <p>Visit consumerfinance.gov/askcfpb/1433 to find a lawyer in your area.</p>
	Loans (student, payday)			
	Child support			
	Court-ordered fines and fees			

Cutting expenses

Finding ways to reduce your expenses can help you better afford the necessities you can't live without. It can also give you more money every month to save for your goals.

You may still find yourself short on money to pay your bills even after tracking your expenses and cutting back. This is even more likely to happen if your hours at work get cut or you're temporarily out of work.

Here are some tips and suggestions that can help you try to match what's going out with what's coming in. They focus on ways to decrease spending or uses of income and other financial resources. Not all of these may apply to you.

What to do

- **Read through the list of expenses and the strategies for how to reduce them.**
- **Check the ideas that may be possible for you.** Use this as a plan for getting more information or resources.
- **Share options you've identified with others** in your household and start implementing the strategies as soon as possible.



Cutting expenses can help you have money for what you need most

1. Review the strategies for cutting expenses and think about if they are realistic for you.
2. Check off the strategies that you can commit to or add your own at the bottom.

EXPENSE

STRATEGY



Car expenses

I will renew my license and registration on time to avoid late fees.

I will get regular oil changes and keep my tires inflated to reduce car repair expenses.



Eating out

I will bring lunch to work instead of buying it.

I will avoid buying fountain drinks.

I will find out if local restaurants have cost-saving specials like "kids eat free" nights and will check what's included.



Financial service fees

I will research if my accounts charge maintenance fees, ATM or overdraft fees, or fees to cash checks.

I will look into switching to lower-fee or no-fee accounts.

I will switch to a different credit card with no, or a lower, annual fee.



Furniture and clothing

I will buy clothing and furniture second-hand or wait for sales.



Groceries and supplies

I will use coupons.

I will join with other family or friends to buy groceries and supplies in bulk (if the cost per serving saves money).

EXPENSE**STRATEGY****Home energy expenses**

I will find out if I'm eligible for energy assistance, weatherization programs, or discounted utility rates.

I will set my thermostat lower during the winter and higher during the summer.

I will unplug appliances when not using them.

**Insurance**

I will increase the deductible on my car insurance to lower my premium payment.

I will ask about a good student discount for the young driver in my family.

I will check rates at other companies and look for discounts for moving home and car insurance coverage to one company.

**Late fees**

I will pay bills on time to avoid penalties or late fees.

I will request a new due date for some of my bills to make them better align with my income.

**Memberships**

I will cancel my gym membership if I don't use it regularly.

I will cancel discount store memberships if I don't use them.

**Phone**

I will check to see if I qualify for a "Lifeline" phone rate. (visit lifelinesupport.org/do-i-qualify).

I will consider prepaid or fixed-rate plans.

**TV, Internet, streaming services**

I will check with my providers about lower-cost plans.

I will discontinue my cable or streaming services.

**Other:**

Debt log

Before you can make a plan for paying your debt, you first have to know what you owe.

A debt is money you owe. For things like rent-to-own arrangements, credit cards, payday loans, student loans, and mortgages, the total amount you borrowed is your debt. So your total monthly payment (including interest or fees) is part of your debt payment.

There are other kinds of debt besides loans. For instance, your monthly electric bill isn't a debt, but if you're past due on your bill, that amount and any fees become debt. That past due amount should be counted in this tool as part of your monthly debt.

The first step in managing and reducing your debt is to make a list of **who you owe money to and how much you owe them**. Be sure to include debts owed to friends and family, credit card companies, banks, department stores, and payday lenders. Also include any money you owe for past due court-ordered child support payments, past due rent, and past due payments to local, state, or federal government for things like property taxes and back income taxes. You can gather this information from your free credit report, bills, and loan statements.

What to do

- **Gather all of your bills and loan statements** to help you figure out what you owe.
- **Get a copy of your credit report.** Use the "Requesting your free credit reports" tool (in Module 7) if you don't have a recent copy. This can help you find any debt you may have forgotten about or has been sent to collections.

A step further

If you're worried about debt or thinking about adding to your debt, it helps to first understand your total level of debt. Use the "Debt-to-income calculator" to measure exactly how much debt you have compared to your income. You can also use the "Debt action plan" to help prioritize payments.



Track your debts and how much you owe with this **Debt log**

1. List all the debts you have, including who you owe them to. Fill out the table to see your total monthly debt payment.
2. Repeat this exercise every few months to track if your debt is growing or shrinking.

Remember, a bill isn't always debt.

For instance, your phone bill isn't debt, but any past due amount for that bill is. If you're repaying a loan (like a credit card or mortgage), the entire amount is considered debt and should be included here.

Common debt types to help you brainstorm:



Auto loan



Back child support



Credit card debt



Friends and family



Medical debt



Mortgage or past-due rent



Past-due fees and fines



Payday loan



Student loan

Debt	Payment due this month	Payment is up to date?	Total amount left to pay	Interest rate (if any)	Payoff date or goal
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
Total monthly debt payment	\$				

Documents that can help you complete the "Debt log"

If you don't have all the information you need to complete the "Debt log," these documents can help you fill in the blanks. Here's the type of information you can find on each.

CREDIT REPORT

- Your monthly payment amounts
- The balance (the amount you still owe)
- Whether you are up to date or more than 30 days late on payments
- Your status as owner, co-signer, or authorized user (if you're an authorized user on someone else's account, the debt showing on your credit report may be money they've spent that you aren't responsible to pay; only include that amount in this tool if it's money you're responsible for)

CREDIT CARD STATEMENT

- Payment date
- Minimum payment amount
- Interest rate
- Payoff date if you continue to make minimum payments

LOAN OR MORTGAGE AGREEMENT

- Interest rate
- Payment date
- Fees
- Payoff date

COURT ORDERS

- Payment amount
- Due date
- Any other terms

BILLING STATEMENTS

- Past-due amounts
- Late fees

Tool 3:

Reducing debt worksheet

There are two basic strategies to reduce your debt: the highest interest rate method and the snowball method. Look through the pros and cons for each method and decide what works best for you.

Highest interest rate method

Focus on the unsecured debt with the highest rate of interest, and eliminate it as quickly as possible, because it is costing you the most. Once it is paid off, focus on the next most expensive debt.

PRO	CON
You eliminate the most costly debt first. In the long-run, this method can save you money.	You may not feel like you are making progress very quickly, especially if this debt is large.

Snowball method

Focus on the smallest debt. Get rid of it as soon as possible. Once you have paid it off in full, continue with the payment, but now dedicate it to the next smallest debt. This way, you create “a snowball of debt payments” as you eliminate each debt. How? You keep making the payments, but you are redirecting them to the next debt as each debt is paid off.

PRO	CON
You may see progress quickly, especially if you have many small debts. For some people, this creates momentum and motivation.	You may pay more in total because you are not necessarily eliminating your most costly debt first.

Debt reduction worksheet

Step 1: Pick your debt reduction strategy:

- Highest interest rate method:** List your debts from highest interest rate to lowest.
- Snowball method:** List your debts from smallest to largest in terms of the amount you owe.

Step 2: In the column labeled Extra Payment, list the extra payment you will dedicate to the payment of debts until you have it paid off.

Step 3: When this debt is paid off, allocate the entire payment (monthly payment + extra payment) you were making to the next debt on the list.

Lender	Total amount borrowed	Amount still owed	Monthly payment	Extra payment	Payment due date	Date paid off in full

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