Now, I would like to introduce my colleague from the Boston Regional Office, Angela Rizzolo who will introduce our next speaker.

Thank you, Jackie. It's my pleasure to introduce our next speaker because she and I have a mutual friend, Victoria Serott, and that's how we found her as a mentor. So it's my pleasure to introduce her to you today.

Jennifer Lane is the founder of Compass Planning Associates, and Jennifer was an early industry leader toward a client-centered approach to investing and life planning. She created a fee-only financial consulting firm, who's mission places clients' interest foremost and steers clear of conflicts of interest that can be part of a traditional broker and sales-based advisor relationship.

She is featured in numerous magazines, including the *New England Cable News* weekly “MoneyWorks” segment, and for the last four years, has also hosted a weekly finance radio program called *Financially Speaking*. She is heard nationwide on *Money Matters* radio network, and she has appeared on our local *Fox 25 News* and the WGBH’s *Greater Boston* with Emily Rooney, who is an expert on personal finance issues.
Jennifer was also named as the U.S. Small Business Administration Woman Business Advocate for Massachusetts in 2003. She is a former pilot—I don’t know how you could be a former pilot, but she's a former pilot and flight training executive—and Jennifer brings a very diverse experience based to the financial planning process, and she's also the author of an acclaimed book, *The Everything Get Rich Book*. So, I give you Jennifer Lane.

J. Lane  
Well, that was a lot of fun. I like hearing about the different things that I've accomplished and all the different goals that I've set for myself and actually achieved. So thank you very much.

A. Rizzolo  
I omitted a whole bunch.

J. Lane  
Welcome to everyone. I actually was very fortunate because when we sat down to have the conference call about how we were going to do this program, I get to talk about my favorite thing, which was really setting goals and attaining goals, whether they're short-term, intermediate- or long-range financial goals. So I'm very pleased that this is my topic. I'll talk for a few minutes about it, and then I know, if anyone has any questions, we'll have questions and answers at the end.
I think about goals in three different ways. One thing, you were talking in the first segment about the news and the media. I think news and media people make the mistake of really focusing on the activities of financial planning or the activities of reaching goals, the investing or the purchasing of different financial products, but they really miss the boat when they're not thinking about how to actually set those goals.

Many of us will spend more time and really more diligence planning our vacations than we do planning our finances. We put the cart before the horse. We buy the investments, but we don't know why we're buying them. Or we start to direct deposit, and we don't know really why we're saving that money. So I advocate people first thinking about what their destination is, what are their financial goals.

Fortunately, since we're all skilled in vacation planning to a certain extent, we can use those skills when we think about financial goals and financial planning. The first thing is to focus on your life goals. What is important to you and why? Why is this important? Write a list. What are the things that you enjoy? What is it that you want to spend your time doing? Have the people that you spend your life with do this, as well, separately than you, and then compare what those are.

Then, think about what each of the way points are going to be in your life.
You might be starting college. That might be a way point. You may be planning to have a family at one point. That would be another way point. Maybe start a small business or maybe retire, those would be, too, later in life way points. So write those down and then compare them to your family members’, and then look at each of the goals, prioritize them and write them out, so that they're specific and measurable and obtainable.

One example that I can think of is many people will tell me, “I'd like to retire comfortably,” but it's just kind of like saying, “I would like to vacation in the West.” We really don't know where you're going. If you say, “I just simply want to retire comfortably,” you need to sit down and think about what year that will be that you retire, how much money you need to have in order to live as income at that time, and where that money would be coming from. So you must sit down and think about your life goals, prioritize, and then make those goals specific.

Another specific goal would be, “I would like to finish school and start a family in six years, and in order to do that, I need to take six months off from work, so I'll need $10,000 in my savings account. And then, therefore, I'll need to accumulate that $10,000.” That's a very specific goal that's measurable and obtainable. It's kind of not any fun to not know whether or not you reached your goal because you haven't defined it. You'll know that once you have the $10,000 in your bank account, you're
ready to take that next step.

Then, when you look at your savings, diversify your savings into three different baskets, and many financial planners use the basket or the bucket theory. We have a short-term basket to cover emergencies; we have a life basket or intermediate-term basket which covers all of those things that are going to happen between now and the next life transition; and then, finally, we have the retirement basket or the transition basket that’s going to fund the next time we have a significant life change, maybe transitioning home to have a baby, transitioning out of work and into retirement, or transitioning from working for someone to working for yourself. So by thinking of each of these baskets separately, and being sure that you at all times have money going into each basket, you can much more readily achieve those specific goals that you've outlined for yourself.

So on a piece of paper, you should be dividing out your three individual baskets: your emergency basket, your life basket, and your transition basket. Now, the transition basket may get cut up into other small, little baskets, kind of like the milk crate that the milkman uses, or maybe I’m dating myself. The milkman used to bring the milk in this little segment. There are six little segments in his basket. Your retirement basket or your transition basket might look like this because you may have many
transitions that you plan to fund throughout your life. So list down those three baskets, and then inside the basket picture—hopefully, you can draw it better than I—inside the basket picture, write down what the goals are that are being achieved for each of those baskets.

So in the emergency basket, your goal might be to have money in case I lose my job to cover me for three months of living expenses, or to have money for three months of living expenses because my disability insurance doesn't kick in for 90 days, or to have money for 12 months of living expenses because I'm self-employed and I want to be sure that even if I have trouble finding new business, that I'll still be able to support my business, so I need more savings.

In the life basket, you're going to do the same thing—describe what the specific goal is, maybe college savings or accumulating money for a car or accumulating money for a house, I want to have so much money for a down payment.

And then, finally, in the transition basket, write all of those different transitions that you're planning for and work on. You may not be able to do this right away, but work on making those transitions specific. It may be difficult right now to say, “I want to transition out of work and stay home and have a baby or transition out of work and retire.” Those things
might be far enough ahead and it's hard to make them specific. But if you start now, and as you revisit these goals every month or so, think about how you can make them more specific as you go along.

Money is very interesting. It's almost, if you think about when you're on a beach and you draw the line in the sand. You can make a little canal, and when the waves come up into that canal, it fills the water into that little canal that you've made, and the water continues in a specific direction. I find that many people don't use this theory when they're looking at their three baskets. You want to have money going into those three baskets at all times. So even if you're in school or just out of school, you've got money going into your transition basket or your retirement basket.

Once you start sending money in a certain direction, it will always keep going that way. You've got money going into your life basket and you've got money going into your emergency basket.

We often suggest to people that they do this through direct deposit. So someone who has thought through this process might have a direct deposit from their employer that goes into three different places. They may have $50 a month going into or $50 a paycheck going into their savings account, which they've assigned as one of the assets in their emergency bucket because it's very safe. Or they may also have $50 or $100 going
into their life basket, which they may see as a mutual fund or a brokerage account. Then they might have $100 or $200 going into their retirement basket, their transition basket, much more long-term in many cases, so they're probably using a mutual fund or 401(k) or one of the retirement plans that is provided through their employer.

And then, the final step after you've written specific goals, you've thought about your life values, you've made those values into specific goals, you listed out your three different baskets, and you've assigned various amounts of money to each one of those baskets, the last step is to invest unemotionally into each basket. People get very concerned about the economy; they get very concerned about investing in general. Get the education and decide, from each basket standpoint, how you're going to invest.

The emergency basket is very short-term, so you'll have savings accounts and money markets. Depending on how long-term the goals are in the life basket, you may have stock investments or bond investments. Many people use mutual funds. And then, finally, in the retirement basket or the transition basket, that's much longer term, so many times people will use mutual funds, and especially much more stocks than they do bonds because of the long-term nature of stocks.
I think that's probably everything I can fit into my ten minutes, and maybe we'll have some questions later. Thank you very much.

J. Cooke Thank you, Jennifer. It's good to hear about specific goals. I think sometimes we all do fall into that wanting to retire comfortably but having no idea what that means or exactly how much you do need to be saving for a house or a family. So thank you so much.