

Goal Setting Paradigm Shift

By Ken Long



Here is a paradigm shift then you may find useful in developing your own personal financial plan.

Typically, when we set out on a plan to change behavior or achieve new goals, we choose a strategy or technique that we think will get us there. We then make an estimate of the amount of time that we think it will take to accomplish that change. This time estimate is based on our personal experience and may also be informed by the recommendations of experts. Here is a change in perspective or a paradigm shift, however, that I have found to be very valuable in both time and money.

I set my financial goals in terms of additional passive income per month and not in terms of the time I think it will take to achieve the new objective. For example, if I want to embark upon a real estate venture and I don't have a lot of experience in that area, I might think that one year is a sufficient amount of time for me to gather the required knowledge and experience necessary to increase my passive income by \$200 a month. If that is my method, then I will develop a plan that will use the entire year to achieve my objective. I will establish milestones and intermediate goals consistent with my belief that it will take me one year to achieve my goal. If my plan is a good one and I follow-through with the milestones I have established, and I take action on my knowledge, then at the end of a year I will be able to increase my passive income by \$200 a month and this will reinforce my original estimate and decision making process. My belief in my time analysis is reinforced and I will believe that a year is a realistic time estimate for achieving an increase in passive income. Realize though that without taking action the increase in my knowledge is pointless.

Like many people I feel comfortable when I am reading about something or listening to someone talk about their experience. I get uncomfortable when I actually have to implement a change or take action. I find myself hesitating, and telling myself that if I just knew a little bit more about the subject that I could

Now let's change the point of view and adopt an attitude that removes the crutch. Consider the "dollars per month" perspective. My plan now is to search for those opportunities that will yield me an increase in passive income of \$200 a month. I won't limit myself to real estate or equity investing or business opportunities, but I will consider all of those areas as possibilities. From day one I will devote my energies to hunting for precisely those kinds of targets that meet my needs and I will immediately seize them when my screening criteria and entry criteria have been met. It should take me a lot less than one year to define my set up and entry criteria. I may find myself involved in a partnership with an established real estate partner whose expertise I leverage with my capital to achieve my objective. I may become involved in a business venture. I may come across an equity strategy that lets me accomplish my objective in a way I never considered before. I may discover that by seeking ways to enrich others that I am enriched as a by product. This change in perspective, this paradigm shift is possible because I have defined my goal in terms of passive income per month and not with acquiring a body of

specific knowledge to be the complete real estate or equity investor. The outcome, not the plan has become the focus for all my energy and attention, and I am motivated to act.

This analysis also works in the equity markets where I define my objectives in terms of the outcome, expressed in dollars per month I seek to achieve rather than in terms of mastering a particular system which I believe will lead me to my financial goals. An interesting point in making this paradigm shift is the bias for action associated with the dollars per month of passive income. It does not presuppose that the knowledge I will get will actually produce more results. It puts the attention on results and keeps my mind sharp, open, and hungry for opportunities in whatever form they may take. It lets me cast my net wider for the opportunities that will help me achieve my goal. It treats information on the need-to-know basis and not a nice to know basis. It might be nice to be the world's smartest real-estate investor, but I actually need to know a lot less in order to become an effective investor. I might like to be the greatest fundamental analyst of company financial books, but in fact I don't need to be that smart to make money in the equity markets.

Does this mean that I can do without study or that specialized knowledge is useless? No, it's just that I can get the knowledge I need when I need it, rapidly, to help me with whatever the next task is, whatever the obstacle may be. I can either find the knowledge or find someone I trust with the knowledge I need to leverage to help me achieve my goals. I don't have to have perfect knowledge to act. I can offset my knowledge gap with protective stops and other risk management strategies to protect me on the downside.

So instead of focusing on time, consider expressing your financial goals in terms of dollars of passive income per month, and then immediately start looking for opportunities where your actions will achieve success and then add to your knowledge base as needed, ensuring that you have taken all prudent risk management actions before you commit your capital.