

5.2 Obstacles to Achieving Financial Objectives

It seems that goals and objectives are not that easy to achieve. We do not have statistics that will show how many people achieve their goals in life but we do know of many who fail to achieve their goals. What are the principal reasons for this?

1. Personal obstacles

The psychological make-up of the individual, the variety and complexity of his needs and his background will determine greatly his success in achieving his goals. The experience, expectations and values that an individual holds will affect his decision making. Not everyone sees the world the same way. The objective reality is hardly objective and is in fact very subjective. There are many distortions to how people perceive the environment. People's feelings and emotions affect how they see the world. Many planners have discovered deep seated feelings and emotions that includes fear, at the core of people's inability to solve problems. Therefore as a first step the objective reality must be established and agreed upon.

2. Lack of confront

Many are unwilling to confront or face the reality of the situation they are in. To confront is to face something comfortably without withdrawing or avoiding from it. The degree of difficulty in life is directly proportional to the degree of non-confront. Anytime somebody says, "I will face it", he begins to improve his life. Many are obsessed with just the basic needs and do not move into the other more complex needs. They are resistant to looking at alternatives to achieve their objectives. They fail to obtain all the information necessary to solve a problem. They only conduct a superficial evaluation of alternative strategies and thus do not explore the full potential of available alternatives to solve their problem.

3. Procrastination

Procrastination is a common obstacle to achieving your financial objectives. Putting off something to later, or for a more appropriate time is a common human characteristic. Sometimes it is due to hesitancy to face the reality of the situation. Facing and making painful decisions is hard on many people. They rather put it off. They also lack the information to make decisions. Time and the technical capability to evaluate all the alternative strategies may keep them postponing the process.

Many feel there is still plenty of time left to achieving the goals. One big reason for procrastination is that the task is too large and overwhelming. This naturally leads to procrastination. Someone is needed to help reduce the task into manageable portions that will allow the individual to confront the situation and take responsible actions to find the solution. For example, In Malaysia the percentage of people insured or who have written a will is still low by international standards. A major factor for this is procrastination which is probably due to lack of confront.

4. Ineffective communication

Personal finances must be a family activity. If the family can sit down to iron out their financial concerns more objectives can be achieved. Family discussions are helpful. Effective communication with financial advisers will also contribute to a better understanding of a client's financial situation. More discussions are useful in handling the 'noises' created by the media. If a family can discuss and decipher the motives of all the advertisements that they see and hear, a great deal of the confusion can be solved. It would indeed be fantastic if family discussions of personal finances are the norm in every household. A financial planner should be like the doctor of the household. He is a mentor and adviser that the family can consult on an on-going basis.

5. Confusion in the financial services environment

Financial institutions, are they friends or foe? Obviously it all depends on the situation. There is a communication overload with financial institutions using the media effectively to promote their products and services. However, some of the messages can be confusing. For example should one use his credit card indiscriminately to gather cash rebates or points to buy some luxury item or gift? It all depends. Today another issue will be whether to see a product specialist or a licensed financial planner? Should someone receive integrative advice that touches on all goals and objectives or should you approach a product specialist on an ad hoc basis. How important is a comprehensive approach and how important is the gathering of comprehensive data about the client. How important is the big picture in solving financial concerns. The launching of new products on a regular basis and the global environment has indeed increased the 'noise' and confusion in the marketplace.

6. Inflation and taxes

Inflation is on everyone's mind especially with the increasing cost of oil and gas which seems to have a spill over effect on every other goods and services. Consumption cost of lifestyle goods and services like medical and education have sky rocketed including the cost of basic items in an average consumers' basket. Inflation has reduced the real returns on most investments especially fixed income securities. At this rate maintaining your standard of living would be difficult for most people.

Taxes also take a big bite at your resources. The tax rates are not adjusted for inflation and so people keep moving up into higher tax brackets and paying more taxes without a corresponding increase in their welfare. Malaysians also face the possibility of a pervasive Goods and Services tax which would further contribute to the inflationary environment.