

# THE PRIVATE OFFICE

YOU, YOUR FAMILY, WEALTH AND LEGACY

## ACHIEVING FINANCIAL HARMONY: BALANCING SHORT-TERM AND LONG-TERM FINANCIAL GOALS IN FAMILY SUCCESSION PLANNING



In the ever-changing world of personal finance, people are often torn between short-term desires and long-term goals. The path to financial harmony is multifaceted, particularly when short-term financial needs are combined with long-term goals such as family succession planning. This involves the intricate balance of passing down wealth, assets and values to future generations while addressing immediate financial necessities.

In this article, we delve into the complexities of attaining financial harmony by effectively balancing short- and long-term financial goals in the context of family succession planning.

## The Significance of Short-Term Goals

Short-term financial goals range from a few weeks to several years. These goals are frequently linked to immediate needs and can include:

- a. **Emergency Fund:** Creating a financial safety net to cover unexpected expenses. Life is unpredictable, and having a financial safety net can provide peace of mind in the face of unexpected events like job loss, medical emergencies, or home repairs.
- b. **Monthly Budgeting:** Keeping day-to-day expenses within a specific budget. Neglecting these immediate needs can cause financial stress and impede progress toward long-term goals.
- c. **Debt Repayment:** Prioritizing the repayment of high-interest debt is crucial for financial stability. By focusing on short-term goals like reducing loan balances, individuals can free up resources that can be redirected toward long-term investments.

While long-term goals may be more appealing, focusing on short-term goals ensures financial stability in the present, while minimizing the risk of accumulating debt or falling into financial crises.

## The Significance of Long-Term Financial Goals

While short-term goals are essential for immediate stability, long-term financial goals are equally important for ensuring a prosperous future. Long-term goals might include:

- a. **Retirement/ Estate Planning:** Saving for retirement is a long-term goal that requires regular contributions. Starting early allows the power of compounding to work in one's favor, resulting in a comfortable retirement. Also, long-term financial goals in family succession planning frequently revolve around establishing a strong estate plan. This includes strategies like wills, trusts and other legal structures that ensure the smooth transfer of assets across generations while minimizing tax liability.
- b. **Wealth Building:** Protecting family wealth for future generations necessitates careful thought about investment strategies, risk management and tax planning. Diversifying assets and implementing effective wealth preservation strategies contribute to the family's financial stability over time.
- c. **Education Funding:** Saving for children's education requires careful planning and long-term commitment. Setting aside funds regularly in education savings accounts or other investment vehicles can help to reduce the financial burden of higher education.

## Strategies for Balancing Short and Long-Term Goals

Balancing short-term and long-term financial goals necessitates careful planning and strategic decision-making. Below are some recommended strategies:

1. **Prioritization:** Determine the most pressing short-term needs while keeping long-term objectives in mind. Prioritize the repayment of high-interest debt and the creation of an emergency fund.

2. **Budgeting:** Create a realistic budget that accounts for both short-term needs and long-term investments. Budgets should be reviewed and adjusted regularly as circumstances change.
3. **Emergency Fund:** Create an emergency fund to cover unexpected expenses, reducing the need to rely on long-term investments during financial crises.
4. **Investing Smartly:** Diversify your investments to balance risk and return. Consider long-term investment vehicles like retirement accounts and stocks to grow your wealth over time.
5. **Succession Planning:** Establishing a clear succession plan promotes family cohesion and ensures a smooth transition of responsibilities.
6. **Strategic Debt Management:** Create a plan to pay off high-interest debt while also saving for the future. This approach enables people to address immediate financial concerns without jeopardizing future financial security.
7. **Regular Evaluation:** Financial goals should be reviewed regularly and adjusted to reflect changes in income, expenses, and life circumstances.
8. **Professional Advice:** Seek the advice of estate planners, financial advisors and family business consultants. Professionals can provide valuable insights, guiding families through complex financial and interpersonal dynamics while ensuring that their goals are met.

## Conclusion

Balancing short-term and long-term financial goals is a delicate process that necessitates foresight, discipline and strategic planning. In the context of family succession planning, a deliberate and comprehensive approach is required. Families can leave a legacy for future generations by strategically managing liquidity, investing in education and implementing effective estate and wealth preservation strategies. The journey to financial harmony in family succession is a dynamic process that evolves in response to each generation's changing needs and goals.

Remember, financial well-being is a journey and finding the right balance is the key to long-term prosperity.

## References:

[How to Set Financial Goals for Your Future](#), Investopedia, accessed 20<sup>th</sup> January 2024

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[How to achieve financial goals: Short-term, long-term & everything in between](#), Thrivent, accessed 21<sup>st</sup> January 2024

[How to Balance Short-Term vs. Long-Term Financial Goals](#), Money Instructor, accessed 21<sup>st</sup> January 2024

[Setting Financial Goals: Achieving Long Term and Short Term Financial Goals](#), Education center, accessed 21<sup>st</sup> January 2024

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