

Start a New Summer Tradition: the Mid-year Financial Checkup

No, it's not exactly like a day at the beach, but a midyear review of your tax situation, retirement and spending issues can be far more valuable than the rushed attempt most people make at the end of the year.

Summer is a great time to review finances because things at work and home may be slower and if you've fallen behind on savings or haven't checked your spending habits in a while, you can work to correct the problem during the second half of the year. Here are the big issues to tackle:

Taxes: If you got a sizable refund in April or found it necessary to dig between the seat cushions to pay Uncle Sam, it's definitely time to reassess what you'll owe at tax time next year. Part of that might include harvesting losses in your investment portfolio and using them to shelter gains that may result from necessary rebalancing.

Retirement savings: If you are maxed out on your company retirement plan, that's great, but experts stress you may need other resources to retire comfortably. Check your existing IRAs and other accounts to see if you can deposit the maximum by the end of the year. Also see if a Roth IRA is right for you.

Health and health insurance: Increasingly, what we pay for health insurance will be tied to the state of our health. While the weather is good, commit to a plan to walk, bike, pick up a tennis racquet or hit the gym a specific number of hours a week. Also, check with your benefits expert at work or independent agent and look for ways to lower your premiums. Many insurers reset premiums at mid-year in a rising cost environment, so make sure you're ready to switch plans or negotiate different coverage if necessary. There are some great tips and learning tools on the Plan for Your Health Web site at www.planforyourhealth.com.

Check your spending: For people who use financial tracking software budgeting is generally pretty easy to figure out. And it shouldn't matter whether you're tracking your spending with a keystroke or shoebox full of receipts – take the time to figure out where your money's going. A look at the last six months of spending may reveal opportunities to reduce spending and redirect money toward more necessary goals. Also, take a look at such things as club memberships, magazines that are piled up and luxury coffee. If you're paying without really thinking about these things, you can probably live without them.

Reserve fund: Most financial experts encourage you to have between three to six months of living expenses in an emergency fund. If you don't have that minimum, go back to your spending review and see where you can start building.

College savings: If you are saving for your child's education or your own, check to see if you're on track with the savings goals you made for the year, and better yet, take some time to read the latest news on financial aid. Schools change their financial aid policies in subtle ways each year, and it's best to study the concept of college saving and financial aid early in the process rather than try to make up for lost knowledge late in the game.

Reset special goals: If you are going to need to replace your car, see if you can direct more money into your down payment fund so you don't have to take out a huge loan at purchase. If there's a vacation you want to take by the end of the year or a special household purchase you want to make, focus on the cash you'll set aside to make that happen. Also, do yourself a favor and make sure you have small, more affordable goals on the list – you need goals you can reach quickly, too.

The review process: Dealing with all of the above – particularly if it's your first attempt – can't be done in a day or week. Make it a lifelong thing. If you're willing to try computerized tracking of your personal finances, take the time you'll need to understand it. If your current physical filing system is a frightening mess, allot yourself proper time to get it straightened out. And don't forget that you can get help – bring a financial adviser into the process if necessary.

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