



Prevent Financial Fireworks This 4th – Do a Midyear Financial Checkup

Now that summer is here, much of our down time is spent with family and friends enjoying the wonderful weather. Summer is also a good time to do a midyear financial review of your tax situation, retirement and spending issues leaving plenty of time to make corrections.

Here is what your mid-year financial checkup should cover:

Taxes: If you got a sizable refund in April or found it necessary to tap into your savings to pay Uncle Sam, it is definitely time to reassess what you will owe at tax time next year. Also, if you think you will have some losing stocks in your taxable investment accounts, keep an eye on those in case you need to offset gains in your portfolio at the end of the year.

Retirement savings: If you are on schedule to max out your contributions to your company retirement plan this year, great. But don't forget to check your existing IRAs and other retirement accounts to see if you will have enough cash on hand to contribute the maximum in each account by their respective deadlines next year.

Wellness 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 wellness plan. Many insurers reset premiums at mid-year in a rising cost environment, so make sure you are ready to switch plans or negotiate different coverage if necessary during open enrollment in the fall.

Spending: Either on your computer or on paper, take the time to figure out where your money is going. A look at the last six months of spending may reveal opportunities to reduce spending and redirect money toward more necessary goals. Also, look closely at seemingly minor expenses that are not being fully utilized – like gym memberships and magazine subscriptions. Doing this exercise can identify a surprisingly large amount that is unaccounted for that can be redirected to debt payment, savings and investments.

Reserve fund: We typically encourage clients to have between three to six months of

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living expenses in an emergency fund. While it will be necessary to dip into your reserve from time-to-time, you should continually strive to bring it back to a pre-set level.

College savings: If you are saving for your child's education or your own, check to see if you are on track with the goals you made for the year. It is also a good idea to read the latest news on financial aid since schools change their financial aid policies annually.

Special goals: Plan your major purchases for the remainder of this year and next. Then begin focusing on the amount of cash you need to set aside to make that happen, so that you do not have to tap into your reserve fund.

Credit: If you have not set a schedule for receiving your three credit reports throughout the year, do it now. You have the right to get all three of your credit reports – from Experian, TransUnion and Equifax – once a year for free. You can do so by ordering them at www.annualcreditreport.com. By staggering receipt of each of your credit reports at different points in the year, you will get a continuous picture of how your credit picture looks. Also, you will have the opportunity to focus on possible errors in a single report, which will give the other two credit agencies time to update their files.

For further information about your mid-year financial check-up, please contact the professionals at Element Financial Group at 212.848.1760.

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