

It's Time for a Mid-Year Financial Checkup

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On New Year's Day, you had plans -- promises to get your finances in order in 2011. But the calendar has jumped from January to June in barely more than an eye blink. So today, check your financial pulse: Where do all those good intentions stand? Ask yourself tough questions and let your answers inspire you to take action, finally.



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Deal with your debt

How much debt do you have and do you have a plan to pay it off?

"Many people devise plans to pay down debt at the beginning of the year, but even the best laid plans can get waylaid," says Jenny Realo, personal finance expert and vice president of CareOne Services, a provider of debt relief services. "Pull out your credit card statements and see how much debt you owe and see what steps you can take to reduce that debt -- even if it's just paying an extra \$5 or \$10 a month," she says.

Then, put the credit cards away, somewhere safe and out of sight, she says.

"It's challenging to put the credit cards away, especially in the summer when there are family vacations, weddings and other things to splurge on," Realo says. "But even going a month or two without using a credit card can really make a big financial difference," she adds.

Kevin Gallegos, vice president of Phoenix operations for Freedom Debt Relief, explains two ways to get debt under control. With the snowball method, you pay off the smallest debts in full first, then move to those with higher balances.

With the waterfall method, you make minimum payments on the lower-rate cards, then put all your remaining available funds to the card with the highest interest rate. Once the highest-interest debt is paid off, move the card with the next-highest rate to the top of the payoff stack, and continue this until you are debt-free.

"The snowball method is actually more expensive over the long term, vs. the waterfall method, but many consumers report greater success with it," says Gallegos.

Get Serious About Saving

How close are you to meeting my savings goals? Did you set goals for how much you would like to contribute to retirement, or to add to your emergency fund?

That emergency fund is nothing to fool around with. "A savings component helps prevent you from getting into debt. A good goal would be to have three to six months of reserves that you can tap easily if needed," says Trae Wieniewitz, president of Wieniewitz Financial.

If your emergency funds need a boost, set up an automatic transfer from your checking account on a monthly basis to help it grow, suggests David Dennerll, senior vice president of investments at HDS Wealth Solutions.

Do sock money away for retirement. "Once the door closes on 2011, you'll never get another chance to make this year's retirement contribution. The window closes on Dec. 31, 2011, for 401(k)s and April 17, 2012 for Individual Retirement Accounts," points out Greg McBride, the senior financial analyst at Bankrate.com.

If you need a way to figure out whether you're on target to meet your retirement savings goals, log on to your plan's website, and use their calculator to determine current projections, or meet with your financial adviser.

Tackle Tax Stuff Early

Will you be ready for Uncle Sam?

"Why wait until the last minute to prepare for your year-end tax planning?" asks Jonathan Gassman, a certified financial planner and CPA with Gassman & Golodny. He recommends maximizing your 401k contribution now. "Stretch your dollars to make your contribution now. By putting the contribution off until the end of the year, you stand the risk of never making it at all," he says.

Start collecting receipts and records in one place for your 2011 tax return now, suggests Mark Steber, chief tax officer for Jackson Hewitt Tax Service. You will want to save canceled checks, receipts, invoices, sales slips and other proof of payment on expenses that could impact a tax return, such as: proof of moving costs if you move to take a new job (in your field) more than 50 miles away; proof of taxes paid when purchasing a new vehicle or owning real estate (these may be deductible if you itemize); proof of all business-related expenses if you are self-employed, among others. If you itemize, save proof of medical expenses, personal property tax and cash and non-cash charitable donations.

Know which life changes equal tax changes -- especially tax benefits. If you are planning certain life changes, it may be advantageous to speak with a tax preparer now to obtain a better understanding of the tax implications of getting married (or divorced); having or adopting a child; moving for a new job or changing jobs; buying a home or supporting an aging parent as a dependent, says Steber.

Be a vigilant money manager

Are you sufficiently monitoring your money?

Look for loopholes. Are you getting the best deals on health care insurance and costs? For many employees, open enrollment periods will be coming up in a few months. Whether you are affected by this or not, summer is a good time to see where you stand, make necessary updates and plan for appropriate expenses, says Gallegos. Review health insurance options. Calculate carefully for dental or vision coverage. Some plans cost more in premiums than you would spend in a year without insurance.

Learn all about FSAs (flexible spending accounts), which allow employees to pay for some medical expenses with pre-tax dollars, and HSAs (health savings accounts). See where you stand with your medical expenditures so that you can plan as much as possible for the balance of the year and not leave funds remaining in the account, says Gallegos.

Protect the basics. Insurance may not be sexy, but no product does more to protect one's financial dreams and goals than appropriate insurance coverage, says Bruce Ensrud, a certified financial planner with Thrivent Financial, which sells a variety of insurance products. Checking the appropriateness of your insurance protection should be part of every mid-year review, especially if there have been changes in your life. "Ask yourself, is my insurance coverage appropriate for my circumstances?"

Twice a year check out what others are saying about

you. "Now is a good time to review your credit report and report any errors to the reporting bureaus," says Barbara Stark, director of community development and education for the credit counseling non-profit, American Debt Counseling. You can get a free copy at www.annualcreditreport.com.

Take a good look at your portfolio. "Evaluate the fees or commissions you're paying. Fees diminish returns," says Randon Stancil, managing partner of Retirement Investment Strategies.

It's also likely time to rebalance your portfolio. Within the equity portion, each asset class should have a target in line with the overall plan. "Has that asset class exceeded or fallen under its threshold? In either case, you want to rebalance by taking profits from asset classes that have done well and adding to asset classes that are lagging. In other words, sell high and buy low as the means to accumulate wealth," says Madaline Creehan, principal and wealth advisor at BAM Advisor Services.

Face the music. How well are your investments performing? Analyze whether you might need to dump the dogs during summer. "It's not too early to take a look at your investments to see if you are on track for capital gains and/or losses that could possibly be used to lower your taxes for 2011," points out Carole Peck, a certified financial planner and owner of the Carole Peck Financial Center.

Settle Spending Issues

"How are you doing on your spending plan this year?" asks Peck. "You don't want to get ahead of yourself on expenses, that will be harder to pay off next year because of interest charges. Recap where you are, and make adjustments if needed."

Be honest. "Do you really know exactly where your money is going? Most people are surprised to find just how much they spend on some items. Mid-year is an ideal time to track spending and to make sure you're in control," says Gallegos.

Keep receipts and a spending journal or log. Writing everything down opens your eyes to your real spending patterns, and helps you avoid getting into debt. From there, you can look at your budget and determine where you can save and adjust.

"It is cliché to ask the question, 'Can I do without that expensive cup of coffee as I head into work, and replace it with the free coffee at work?' yet this is just the type of disciplined act that will get you on track for the rest of the year," adds Gallegos.

Lastly, says Derrick Kinney, a financial adviser with Derrick Kinney & Associates, "Grade yourself on how you've done managing your money for the first half of the year. Write down two ways you can improve."

He also advises taking 7 to 10 days to get tightly focused on what you really want to accomplish by Dec. 31.

"Get mentally and financially prepared for the challenge," says Kinney. "Then, heed the lessons you've learned so far this year. It's how you finish that counts."