

A Midyear Financial Checkup Can Make For a Smarter Second Half

This is not the time of year when many people want to stay indoors with their finances. 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 -- or after the year is over, at tax time.

Summer is actually a good time to do this task because there is still enough time to correct lapses in savings, spending or tax planning. Here is what most people should cover:

Budget: How is your spending going? It is a good time to see what is being spent on non-essentials and whether you can make some cuts and redirect those funds towards bills or savings. 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 gym memberships, magazines that are piled up and coffee expenses. If you are not using these things, you can probably live without them. Doing this exercise can identify a surprisingly large amount of money that is unaccounted for that can be redirected to debt payment, savings and investments. Track your cash spending for a month or two. Many people find plenty of "lost" money by doing this.

Taxes: If you got a sizable refund in April or found it necessary to empty 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 will 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.

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 or hit the gym a specific number of hours a week. 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.

Emergency fund: Most financial experts encourage you to have between three to six months of living expenses in an emergency fund. If you do not have that minimum, go back to your spending review and see where you can start socking money away.

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. Even if your child is still in grade school, it is a good idea to learn as much about college financial aid while you've got plenty of time to learn (and save.)

Special goals: If your car is suddenly looking like it will need to be replaced or if this might be the last year for your furnace, see if you can direct more money into a reserve fund to cover replacement costs or at least a large down payment. If there is 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 will set aside to make that happen. Of course, if you have credit card debt rolling over from one month to the next, maybe that should be your initial focus.

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 <http://www.annualcreditreport.com>. By staggering each receipt of your credit reports at different points in the year, you will get a continuous picture of how your credit 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.