

Your Mid-Year Financial Check-Up



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As I get older, it seems that time goes by faster and faster. The year may be more than half over, but it's the perfect time to run financial projections for year-end tax planning and adjust strategies if needed to ensure there are no "surprises" come tax time. If withholdings or quarterly estimated tax payment amounts should be adjusted, there's still time to spread out those differences to lighten the financial obligation later, or enjoy the benefit of increased cash flow now.

Here are some steps you can take to keep your financial situation on track.

Get Organized

Gather the necessary financial information, such as paystubs or other record of income, as well as receipts for all tax-deductible expenses. Keeping track throughout the year can alleviate much of the burden come tax time.

Evaluate your Financial Goals

At the beginning of the year, you may have set goals for improving your financial situation. Common ones we hear include save more, spend less, or reduce a credit card or loan balance. If your income, expenses or life circumstances have changed, you may need to rethink your priorities and adjust your goals. Life events such as marriage, divorce, having a child, buying a home, or a change in income all affect your finances. Review your various statements and account balances to determine if any changes should be made to keep your financial plan on track.

Review your Tax Returns

Start with the tax returns you recently filed and then adjust those numbers for any known changes to your income and deductions for the current year. Look at your paystubs to make sure your federal and state income tax withholdings

are sufficient to cover the projected tax liability. The IRS has a Tax Withholding Estimator tool at irs.gov that you can use to check your withholding. If you need to adjust the amount of federal or state income tax withheld from your paycheck, simply fill out a new Form W-4 and provide it to your employer.

Remember that income from all sources is taxable, unless specifically excluded. This includes unemployment income, side hustles, investment income (including virtual currency), retirement income and possibly even a portion of Social Security benefits.

Check your Retirement Savings

If you are still active in the workforce, look for ways to increase contributions to your retirement plan. This could be achieved by trimming unnecessary expenses such as that fancy coffee every morning or a rarely used streaming service. When you get a raise, allocate part of that increase to your retirement account each pay period. Even if you can't contribute the maximum allowed, be sure to contribute at least enough to get any match that your employer offers. This is free money that will help boost your retirement savings.

Additional questions to ask yourself during your mid-year financial checkup include:

- Do you have enough of an emergency fund to cover unexpected expenses?

This fund provides peace of mind knowing that you have money set aside in case of an emergency. This financial cushion reduces the stress and anxiety that may come with an unexpected car repair, medical bill or temporary job loss. While individual needs may vary, it's recommended to



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have enough saved to cover three to six months of living expenses.

- Is your insurance coverage sufficient to manage risk?

Insurance provides financial protection from accidents, natural disasters, theft or other unforeseen events by transferring the risk of financial loss to the insurance company. These needs change over time so you'll want to make sure your coverage has kept pace with your personal circumstances. What are the deductibles and coverage limits of your homeowners/renters and vehicle insurance policies? How much disability or life insurance coverage do you have?

- Do you have a balance left in your flexible spending account (FSA)?

FSAs allow you to allocate pre-tax earnings toward qualifying medical, dental, and vision expenses, along with other health-related products and services. Most FSAs are "use it-or-lose it" each year, so think about how you might use remaining funds before year-end so you don't lose the money you've contributed.

- Are your beneficiary designations current?

Beneficiary designations on retirement and other financial accounts, as well as on life insurance policies, override instructions contained in a will or trust document. Failing to update beneficiaries may result in assets going to an unintended heir. This could lead to legal disputes or other delays in the final distribution of your assets.

- Have you checked your credit score recently?

It's good to check your credit report at least annually to ensure there are no errors or fraudulent activity that could impact your credit score. By detecting inaccuracies early, you can better dispute errors and protect your credit worthiness before they have a negative impact on your score or ability to borrow funds when needed.

- Do you need to create or update your will?

Your will is a legal document designed to carry out your final wishes when you pass away. This is essential to protect your loved ones, especially when minor children may be involved, and allows you to specify how your assets and property will be distributed. A will also simplifies the probate process for your heirs.

- Is the asset allocation of your investment portfolio still in line with your financial goals, time horizon, and risk tolerance?

While the process of making retirement contributions may be a set-it-and-forget-it exercise, over time the allocation of those funds changes based on market performance. Periodic reviews, at least annually, help to identify where changes may be needed to rebalance your portfolio to its intended mix. This mix also tends to become more conservative as you get closer to retirement.

Tax strategies should be tailored to your specific situation. If you think one or more fits your situation, we would love to discuss it with you further. Give us a call at (309) 276-0977 or visit us online and check out the free resources available at www.SaveMooreTax.com.