

The year is halfway over, so do your before-year-end financial checkup

It's hard to believe, but 2021 is more than halfway finished. This makes it a great time to do a financial checkup before year-end.

The effect of the COVID-19 pandemic has made this step even more important. How might your situation have changed since the beginning of the year?

Here are a few suggestions to consider if you are on track: You may have set some financial goals at the start of the year. This might've been to save more money or perhaps to spend less.

The level of your debt may have been a top concern.

Mid-year is a good time to see if you have made progress on meeting your goals. Perhaps your goals are no longer your goals!

Your goals might have to change as your financial situation changes. Review your priorities and make adjustments based on the results.

One goal many people have is to retire. Are you saving enough? It is a good move to save enough to obtain the entire company match available through your employer provided retirement plan. You might want to look for ways to save more, such as saving part of a salary increase.

Don't forget that the amount you are allowed to contribute into a retirement plan can increase over the previous year. It might make sense to see what the limits are for the year and where your contributions are in relation to the limit. If you are age 50 and over, the potential increase is even larger for certain retirement plans.

For those already retired or close to it, it is time to review your income needs and decide how your retirement savings will meet these.

In addition to retirement, insurance is an area you might want to look at.

Is your homeowners or renters insurance policy adequate? Do you have an umbrella liability policy?

These protections are important for providing security to you and your family.

While you're reviewing your insurance, check if you have disability insurance. You may receive this from your employer.

This coverage protects you and your family's finances against income loss while you are alive. And to protect your family in the event you pass away, life insurance is important. It is a good idea to review the amount and type of coverage you may have. Remember that life insurance needs change over time.

For example, the birth of a child may increase the need for income at your death and you might want to increase your life insurance accordingly.

You also may want to review your tax situation.

It is a good idea to have an estimate of your tax liability. There still may be tax planning opportunities you can take advantage of.

Last year's return serves as the starting point for this review. Your income can be adjusted for any anticipated changes or deductions.

After estimating your tax liability for the year, it is a good idea to compare your tax withholdings against it. Adjusting withholdings over the end of the year is a possibility.

Uncle Sam has an IRS Tax Withholding estimator on their website at IRS.

gov that could be useful in the process. If you want to adjust your withholding, you can submit a W-4 with your employer. During this process, don't forget to check your state taxes.

Another important area to review is your emergency fund. Are these savings sufficient for your situation? Depending on your circumstances, three to six months of expenses is the typical amount to have on hand.

You might want to also review these items: Your beneficiaries on your life insurance policies and retirement plans.

The balance in your flexible spending account.

Your annual credit report.

Your estate planning for any updates.

Your asset allocation and risk tolerance to make sure they are still appropriate for your needs.

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Email questions to Marc at mhebert@harborgroup.com. Your question and his response might appear in a future column.



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