Midyear Financial Checkup: 5 Things to Review Now

Review goals, investments, taxes, and insurance—plus some planning.

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Key takeaways

- Review your financial goals—and the investments that go along with them—to see if anything has changed.
- Get a tax break by saving in tax-advantaged accounts.
- Protect yourself and loved ones with insurance and important paperwork like wills, health care proxies, and more.

These days you're probably thinking about the beach, the mountains, or a road trip with the family. But summer, when life may be a little slower and your mind a little less cluttered, is actually a good time to do a quick midyear financial reality check.

A midyear checkup can accomplish several things. You can stop and think about your financial goals, such as saving for retirement, a house, a child's education, or a financial cushion, and then make sure that you are investing appropriately for those goals. And while you are looking at your accounts, take care of "housekeeping" items too, like checking beneficiaries, which isn't complicated but can have serious consequences if neglected.

Here are 5 things to do in a midyear review.

1. Review your financial goals

You probably have several savings goals and accounts. Your annual financial review should revisit each of your priorities. If your situation has changed, make adjustments as necessary.

For instance, if you've been saving for a new home or your children's college education, you might want to adjust those goals based on the current real estate market and college tuition costs.

While you're reviewing your finances, it's a good idea to revisit the amount you're saving for retirement. See if you're saving enough already or if you could bump up your savings a bit.

At the same time, check the beneficiaries you've listed on your accounts, no matter what age you are. Your retirement account assets (for instance money in a 401(k) or IRA) pass directly to the beneficiaries you designate with your account custodian, trustee, or plan administrator. Your beneficiary designations supersede any directions in your will for your retirement account—so who you name as beneficiary is important.

You can also name beneficiaries on a regular bank or brokerage account.

2. Check your investments

This is also the time to see what you own, ensure that your investment mix continues to meet your needs, and make any changes that might be necessary due to the past year’s market performance. Start by assessing your mix of stocks, bonds, and cash to see if it still matches your time frame for investing, risk tolerance, and financial situation. You may need to make changes if there have been any big life events since your last portfolio review. It's also a good idea to make sure your investments still align with your target investment mix. In general, if any of your allocations are more than 10% away from your target, you may want to rebalance it back to your desired investment mix.

Then, look at specific investments and evaluate the role of each in your portfolio. If you own mutual funds, see whether they are performing as you expected and if there have been any changes to the fund's investment approach. If you own stock in individual companies, evaluate each company’s current status and prospects, and decide whether they justify keeping it in your portfolio.

3. Get a tax break

A simple way to reduce your taxes is to take advantage of opportunities to lower your taxable income by contributing to tax-advantaged retirement accounts like a 401(k) or IRA. If you have a high deductible health plan (HDHP) eligible for a health savings account (HSA), contributing to the HSA can also give you a tax break. A taxpayer with a marginal tax rate of 24%, for example, could potentially realize a tax savings of $240 for every $1,000 in pre-tax dollars contributed to an HSA, traditional 401(k), 403(b), or IRA.

If you have an HDHP, it can be a good idea to contribute at least enough to your HSA to cover your anticipated health care expenses. If you’re not sure how much your health care expenses may be, it’s a good idea to put in at least enough to cover your deductible. You can always change the contribution amount later if you find you need to. HSA contributions are pre-tax and tax-deductible. When you use money saved in an HSA on qualified medical expenses now or in retirement, the withdrawals—of contributions and any investment returns—are tax-free.

If you have a retirement plan at work, make sure you’re contributing at least enough to get the entire match from your employer. If you can save more, contribute the maximum to your HSA. You can change your HSA contribution at any time. If your HSA is funded for the year and you’ve gotten your match, see if you can save more in your retirement account. For 2019, you can contribute $19,000 of pre-tax dollars to your 401(k) or 403(b). Also, those aged 50 and older may make a catch-up contribution of as much as $6,000, meaning they can contribute $25,000 in total.

Eligible taxpayers can contribute up to $6,000 (or up to the level of earned income, if lower) to a traditional or Roth IRA, or $7,000 if they have reached age 50, for 2019. Self-employed individuals with a simplified employee pension (SEP) plan can contribute 25% of their compensation, to a maximum of $56,000.

If you received a big tax refund or wrote a sizeable check for tax due with your 2018 return, or experienced any life changes, you should evaluate whether you're having too much or too little in taxes withheld from your pay. The IRS withholding calculator can help you determine how much—if any—of an adjustment to make.

Now may be a good time to see how the new tax laws could impact you next year when you file 2019 taxes. Some tax breaks you got last year may be suspended or reduced in 2019. For instance, the state and local tax deduction is now capped at $10,000 for sales and state and local property taxes or sales and state and local income taxes.

The potential good news is that the standard deduction increased from $12,000 in 2018 to $12,200 for individuals in 2019. For married couples filing jointly, it's up from $24,000 in 2018 to $24,400 in 2019.

4. Protect what's yours

It's wise to evaluate your insurance needs annually to make sure you have the right amount and type of insurance to cover unforeseen circumstances that can derail your finances.

Life insurance may be a good place to start. If your family is growing, you might want to increase the amount of your life insurance to protect your loved ones. Life insurance is mainly designed to replace lost income. As you get older, there are fewer years of income in the future, so the amount of income to replace decreases.

If you choose to reduce your life insurance, you could apply the savings toward your retiree health care savings—the cost of health care in retirement continues to increase so it can be a good idea to prepare specifically for those expenses. Fidelity estimates a 65-year-old couple retiring today will spend, on average, $285,000 on out-of-pocket health care costs in retirement. If you have an HSA, consider contributing money above and beyond the amount you need for the current year's health care expenses. Saving and investing in an HSA for the long-term could help you pay for health care expenses in retirement.

You might also benefit from looking into long-term care insurance, which may offer a variety of features and options.

Don't forget disability insurance as well. You may be covered at work. But it's a good idea to make sure you're adequately covered just in case anything prevents you from working and earning a paycheck for an extended period of time.

Check your insurance beneficiary designations. It's easy to do, but it could have a huge negative impact if it's neglected. For example, if you forget to change the beneficiary after a big life event like a divorce, insurance proceeds could go to the wrong person if anything were to happen to you.

5. Review important paperwork

Thinking about a will, health care proxy, and power of attorney can be an uncomfortable topic, but consider the alternative. Do you want someone else making important financial and health decisions on your behalf without any input from you? If you don't have any of these key documents, take the time to set them up.

If you have them, review your paperwork and think about any life events you’ve been through. Marriage, divorce, birth, and death are the 4 big events that affect estate plans, but there are other factors that could affect your planning.

Make sure the people you care about know where to find relevant documents and information too. Consider using a secure virtual safe to store copies of important documents and other information, such as passwords, financial statements, and wills.

It's worth it

While this might sound like a lot of ground to cover, a midyear checkup is well worth the effort when you consider the hard work you have invested in building and protecting your savings.