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## Mid-Year Financial Planning Check-Up: Tips for a Stronger Future



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As we reach the halfway point of the year, it's a perfect time to conduct a financial planning check-up. Here are some essential tips to consider:

### **Revisit Your Spending**

Maintaining a budget and sticking to it can be challenging. However, reviewing your credit card and bank statements from the first half of the year

can help you stay on track. Many credit card companies categorize your spending, making it easier to identify areas where adjustments can be made for the remainder of the year.

### **Obtain Your Credit Report**

Checking your credit report several times a year is a smart financial habit. It allows you to correct errors promptly and detect potentially fraudulent activity. You are entitled to one free credit report from each of the three nationwide credit bureaus—Equifax, Experian, and TransUnion. Additionally, until December 2023, you can access a free credit report each week from each bureau at [AnnualCreditReport.com](https://www.annualcreditreport.com). Moreover, Equifax offers six free credit reports per year through 2026. These reports are in addition to the one free Equifax report, as well as your Experian and TransUnion reports, which you can obtain annually at [AnnualCreditReport.com](https://www.annualcreditreport.com)<sup>1</sup>.

### **Reevaluate Your Retirement Plan Contributions**

Summer is an ideal time to review your contributions to retirement plans. Are you maximizing your contributions? Can you increase your savings for retirement? Consider making adjustments now to boost your savings for the rest of the year. If you're 50 years or older, take advantage of catch-up contributions. In 2023, the maximum 401(k) contribution is \$22,500 per year, and for those 50 or older, it increases to \$30,000 (including a \$7,500 catch-up contribution)<sup>2</sup>.

### **Evaluate Your Tax Withholding**

Regularly reassess your tax withholding, especially if you've experienced significant life events. If you anticipate a shortfall, you have time to make adjustments or additional estimated payments. Some events that should trigger a review of your withholding include tax law changes, marriage, divorce, children, salary increases, new jobs, second jobs, starting a side business, or unemployment. If you haven't experienced major changes since the previous tax year, you may want to adjust your withholdings based on your prior tax return. This way, you can keep more money throughout the year instead of receiving a large refund during tax season.

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<sup>1</sup> <https://consumer.ftc.gov/articles/free-credit-reports#How%20To%20Get%20Your%20Free%20Credit%20Reports>

<sup>2</sup> <https://www.irs.gov/newsroom/taxpayers-should-review-the-401k-and-ira-limit-increases-for-2023#:~:text=The%20amount%20individuals%20can%20contribute,also%20all%20increase%20for%202023.>

## **Consider Roth IRA Conversions**

Converting existing assets from a traditional IRA to a Roth IRA can enhance your retirement income strategy. Having assets in a Roth IRA that qualify for tax-free withdrawals offers flexibility in managing your tax liability during retirement. Take advantage of your current tax bracket by shifting traditional IRA assets to Roth IRAs. Keep in mind that the amount converted will be taxed as ordinary income, but if you meet the holding period requirements in a Roth IRA, withdrawals are tax-free. Ensure that the conversion amount doesn't push you into a higher tax bracket, and starting this process mid-year allows time to develop an income plan that manages the tax impact effectively.

## **Review Your Insurance Needs**

Take the time to evaluate your insurance coverage levels, including life, health, disability, liability, auto, and property insurance. Research any discounts for which you may qualify. If your income has changed significantly, adjust your life insurance and disability income coverage accordingly. Additionally, if you have recently remodeled your home, ensure that your home insurance coverage has been increased to account for the higher home value.

## **Review Your Estate Planning Documents**

Check the beneficiary designations on your financial accounts, insurance policies, and retirement accounts to ensure they are up to date. Consider taking a fresh look at your will and/or trust to confirm that the beneficiaries named and specifications outlined are still valid.

If you're contemplating gifting to your children, be aware that the lifetime estate and gift tax exemption (currently almost \$13 million per person) is scheduled to be reduced to approximately half that amount in 2026. Take advantage of the exemption now to help reduce potential estate taxes in the future.

## **Map Out Your Charitable Giving Plan**

If you have a charitable inclination, proactively establish a tax-efficient charitable giving plan. If you are 70½ years or older, consider giving directly to your charity from your IRA using a Qualified Charitable Distribution. This allows you to donate and meet your Required Minimum Distribution for the year. The limit for 2023 is \$100,000.



Setting up a Donor-Advised Fund is another option. It enables you to contribute now and delay the decision on which charities to support. Donor-Advised Funds are particularly useful for higher income years since you can immediately deduct each contribution. Additionally, consider donating highly appreciated stock as part of your gifting strategy. You can deduct up to 60% of your adjusted gross income (AGI) for cash donations and up to 30% of AGI for appreciated securities when donating to a donor-advised fund program<sup>3</sup>.

## **Plan Ahead**

By conducting a mid-year financial planning check-up, you can take proactive steps towards a stronger financial future. Use these tips as a guide to reassess your financial situation and make any necessary adjustments for the rest of the year.

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<sup>3</sup> <https://www.fidelitycharitable.org/advisors/advisor-resource-center/offset-high-income-year.html#:~:text=Clients%20will%20be%20eligible%20to,a%20donor%2Dadvised%20fund%20program.>

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