Article published in:

Do a midyear check: Make these 7 resolutions for financial success

This year in particular, it may be a good idea to do a financial check as midyear statements roll in. The dust from the market crash has largely settled, and government decision-makers are in the midst of taking actions that will reverberate throughout the economy, the markets and beyond. You want to be prepared for the consequences.

By Dave Carpenter
The Associated Press

CHICAGO — Summertime and the livin' is easy, which often means letting decisions about your finances slide. Who wants to think about tedious money matters during vacations and down time?

But this year in particular, it may be a good idea to sit down and reset some things as midyear statements roll in.

The dust from the market crash has largely settled, and government decision-makers are in the midst of taking actions that will reverberate throughout the economy, the markets and beyond. You want to be prepared for the consequences.

Summer also is generally an opportunity for those willing to use some of their extra time to tighten their finances.

"It's like the fable of the ant and the grasshopper," said Eleanor Blayney, consumer advocate for the nonprofit Certified Financial Planner Board of Standards. "The grasshopper fiddles away the summer while the ant puts away food for the winter. Which one do you want to be?"

Be an ant, at least for a little while, when it comes to your financial affairs this summer.

Here are seven midyear financial resolutions, as recommended by certified financial planners, that should pay off in the long run:

1. Review statements, strategy

If you're among the many who have developed a habit of not opening account statements or delay looking at them since the market crash, it's time to break it.

It's not just that stocks have bounced strongly higher since early March, making midyear statements tolerable to look at. Disengagement can lead to bad things while your investments are on autopilot — portfolios can get out of whack, becoming too risky or conservative for your situation.

Besides looking at recent results, make sure your holdings and investment allocations still make sense in this economy. And rethink your strategy periodically from now on, either on your own or with a planner's help.

2. Become more aware

As part of a financial reawakening, it's a good idea to watch political and legislative actions more closely because federal and state officials are reshaping your future on many fronts.

Your investments, taxes, insurance and health care all face changes from a variety of pending or expected proposals: a health care overhaul, Social Security and Medicare reform and some states' income tax increases among them.

3. Build up emergency fund

The Great Recession and still-rising unemployment have increased the urgency of having at least six months' minimal living expenses set aside. The average length of official unemployment is now 24 ½ weeks and rising — the longest since the government began compiling that data in 1948.

Besides serving as a cushion in case of job loss or disability, it could also help provide the freedom to try a new line of work. "This job market is giving people an opportunity now to pursue what they love doing," said Susan Spraker of Spraker Wealth Management in Maitland, Fla.

4. Commit to save more

Put in writing how much you intend to save between now and the end of the year. Then begin working toward that goal by paying more attention to your spending.

If you made a New Year's resolution to save more but things haven't quite worked out the way you thought, you still have plenty of time to do it before year's end.

"It starts by knowing how much you're spending and where you're spending it," said Glenda Kemple of Kemple Capital in Dallas. "It is a rare family that I find that doesn't have some money falling through the cracks."

It doesn't have to be a lot. The National Foundation for Credit Counseling advises socking away just an additional $20 a week. That will give you $500 by year's end — enough to either help significantly with short-term expenses or to put toward retirement or some other long-term goal.

5. Do an insurance checkup

Review all insurance policies to make sure they aren't about to lapse and are at appropriate levels. You may be underinsured or overinsured if a number of years have passed since you purchased a policy or last checked it.

Switching to higher deductibles on auto, home or homeowners insurance is a quick way to save. Life insurance you bought 15 years ago may be either insufficient given changes in your living situation or unnecessary if your children are grown and you're nearing retirement.

6. Be realistic about college funds

Don't start shifting contributions from retirement to college to make up for losses in your 529 plan or other tuition moneys from the market meltdown. Make sure you can achieve your retirement objectives first.

Establish a budget and let your children know that anything above that is for them to pay. Make sure the money will be well-spent, too.

"If they have had mediocre high school grades, why not let them prove themselves at a less expensive venue like a junior (community) college?" said Kevin Meehan of Summit Wealth Advisors in Itasca, Ill.

7. Prepare for Roth conversion

Start setting aside money now for taxes you will need to pay to convert your Individual Retirement Account to a Roth in 2010. That's when income limits expire that now bar millions of people (anyone with an adjusted gross income of over $100,000) from converting.