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Mid-Year Is a Good Time to Fine-Tune Your Finances

Last month, we mainly discussed the benefits and differences of long-term and short-term planning, strategies, and goals. As we transition into July, we want to bring awareness to the idea of checking your finances at the mid-year. Taking a close look at your finances may give you the foundation you need to begin moving forward. Mid-year is an ideal time to do so because the planning opportunities are potentially greater than if you waited until the end of the year.

Let's face it, the last six months have been a roller coaster. But it's finally time to look at those investment statements, assess the damage, and implement a strategy to move forward.

Renew Your Resolutions

It is important to review resolutions and goals built at the New Year. Some may be more personal – maybe getting to the gym, making time for yourself to focus on a hobby, or moving forward in your career – but others are often focused on our finances – creating and sticking to a budget, saving for retirement, or making a large purchase like a home or car. Mid-year is a good time to look back and see if you've made any progress towards those goals.

Consider your retirement goals: has a reduction of income or contributions to your 401(k) affected your goals? How did market performance impact your retirement fund? The COVID-19 pandemic seemingly came out of nowhere, and none of us were prepared for the amount of devastation it would cause – particularly to retirement accounts. This could potentially affect your time horizon for when you aimed to retire. Being 55 with the goal of retiring in 10 years is a lot different than being 25 and hoping to retire in 40 years. The more time you have before you retire, the better chance you have at making up for losses.

If you're still saving for retirement, look for ways to increase retirement plan contributions. For example, if you receive a pay increase this year, you could contribute a higher percentage of your salary to your employer-sponsored retirement plan, such as a 401(k), 403(b), or 457(b) plan. If you're age 50 or older,

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consider making catch-up contributions to your employer plan. For 2020, the contribution limit is \$19,500, or \$26,000 if you're eligible to make catch-up contributions. If you are close to retirement or already retired, take another look at your retirement income needs and whether your current investment and distribution strategy will provide enough income.

It is also important to review your investment goals, especially considering the toll COVID has taken on the markets. You may reconsider your risk tolerance based on the recent market volatility and overall performance of your investments. Just remember you only need to review your investments a few times a year. Monitoring doesn't always mean daily or weekly check-ins.

Finally, review your savings goals and check to make sure you are still on track with your budget. How has COVID affected your savings goals? If you had to reduce your savings goals, are you sticking to your new goals? Are you putting discretionary dollars toward retirement? These are important considerations when trying to achieve your financial life goals.

While it may be difficult to look at your finances during turbulent times, review financial statements and account balances to determine whether you need to make any changes to keep your financial plan on track. Also, talk with your financial advisor to see if your retirement savings, investments, or budget need any adjustments to keep you on track to meet your goals!

Take Another Look at Your Taxes

Completing a mid-year estimate of your tax liability may reveal planning opportunities. You can use last year's tax return as a basis, then factor in any anticipated adjustments to your income and deductions for this year. Check your withholding, especially if you owed taxes or received a large refund. Doing that now, rather than waiting until the end of the year, may help you avoid a big tax bill or having too much of your money tied up with Uncle Sam.

You can check your withholding by using the IRS Tax Withholding Estimator at [irs.gov](https://www.irs.gov). If necessary, adjust the amount of federal or state income tax withheld from your paycheck by filing a new Form W-4 with your employer.

Also, there are some COVID-related tax implications you may want to consider for the 2020 tax year. If you took a distribution from your IRA because of an unexpected impact of COVID, consider how you will pay that back while maximizing tax efficiency. The IRS announced anyone who already took a required minimum distribution (RMD) in 2020 from certain retirement accounts now has the opportunity to roll those funds back into a retirement account following

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the CARES Act RMD waiver for 2020. The 60-day rollover period for any RMDs already taken this year has been extended to August 31, 2020, to give taxpayers time to take advantage of this opportunity.

Consider the tax implications of a PPP loan and unemployment benefits. Unemployment benefits are considered taxable income. If you received unemployment benefits in 2020, did you have funds withheld or will you need to prepare to pay those taxes in April 2021?

For more information related to tax implications and the CARES Act, check out the CARES Act Q&A on our website, www.whzwealth.com/covid19-resources, and talk with your financial advisor and accountant! They can help you determine the best strategy and plan for preparing your 2020 taxes.

Bouncing Back

We have all had lots of changes occur in the last 3 months – from loss of income, and unemployment, to investment losses and the effects of overnight policy changes. Take some time to sit down and comb through your finances and consider making an appointment with your financial advisor and accountant. These are important planning aspects to consider every year, especially this year due to the pandemic.

Don't forget, mid-year check-ins extend beyond finances. Are you still working toward achieving other goals? Even if you didn't, there's always another chance! But remember, don't put off until tomorrow what you can achieve today.

Check out our Live Well – Feel Well resource page for fresh ideas to safely enjoy the summer months! And for more planning strategies, resources, and information, visit our website www.whzwealth.com/covid19-resources. If you are interested in financial advising, give us a call at 860-928-2341 or email us at info@whzwealth.com.

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