It’s Time for a Financial Checkup

After months of continued economic anxiety thanks to the coronavirus pandemic, and with that uncertainty possibly continuing for the next several months, it may be the perfect time to conduct a financial checkup. A thorough examination of your finances, and adjusting your strategy as needed, may help you weather the current economy and position yourself for the future.

A recent *Business Insider* article, 10 steps for successfully completing your next financial checkup, presents several great pieces of advice. A great way to get your financial checkup started is to take a close look at your monthly spending habits. While you may be going out less for dinner and drinks or taking in fewer movies and ballgames, what do you think you’re spending on Netflix, music streamers and other regular subscription services? Those fees can add up quickly. Let’s say you have two subscription services for a total of $30 a month, it may not seem like a lot of money. But over the course of a year, that $30 becomes $360.

In reality, when you and your kids or grandkids are spending more time at home due to the current state of affairs, there’s probably nothing wrong with adding a couple of new subscriptions to your entertainment options. But as we look ahead to the fall and winter, and we cross our fingers in the hope that life returns to a bit more normalcy, you may want to scale those subscriptions back a bit so you can more comfortably add going to the movies or Chuck E. Cheese’s to your budget.

The next thing you may want to do is crunch your debt. This is especially true if your hours have been reduced or you’ve lost your job entirely. Make a detailed list of all of your debts with special attention to your interest rates. Your list should include credit cards, student loans, car loans, your mortgage and any other significant debts. If money is tight, you may be able to reach out to your lenders to make arrangements before you miss payments.

Additionally, student loans are another place you may be able to reduce your payment thanks to income-based payment plans. And, if you have extra money that you could use to pay down debt, make sure you prioritize where that money’s going.

That may mean focusing on things like high-interest credit cards to start. Additionally, if you’re considering refinancing your mortgage or auto loan, double check that you’ll be saving enough money each month to justify the various refinancing fees.

The next tip from the *Business Insider* article is to replenish your emergency fund. If we’ve learned nothing else during the last handful of months, we’ve learned how important it is to have some money set aside to cover your bills and expenses if you temporarily lose your income. Many financial experts recommend socking away at least six months of expenses. While that’s admittedly a tall order for some people, it’s certainly something that’s worth striving for.

Knowing you have some money put away if things get tough will provide you with more peace of mind and may also help you stay away from taking on more long-term debt to cover those bills. And remember, once you’ve used part of your emergency fund, you should make it a high priority to replenish it as soon as possible.

Another key element to a financial checkup is to closely examine how much you’re spending on your various insurance products. If your habits have changed during the last several months you may be able to save a few bucks when it comes to things like home and auto insurance. As the *Business Insider* article notes, if you're working from home and are therefore driving a lot less, you may be able to qualify for a low-mileage discount. In fact, depending on your company, you may be able to save around 40% if you use that company's tracking service.

There may also be other auto insurance discounts that you aren't even aware of so it's definitely worth giving your agent a call. A break in your premium if you enroll in a defensive-driving class is another common discount. Chances are they'll be happy to work with you to find some good options.

There's potentially some good news with home insurance, too. Your insurance company may be willing to reduce your monthly bill if you make home improvements that better defend your property from storm damage or if you're willing to increase your deductible. Remember, insurance is a competitive industry, so many companies and agencies are going to be willing to explore options with you in an effort to keep your business.

So much of budgeting comes down to striking the right balance. And when it comes to budgeting and taking a financial checkup, another good step is checking your credit report. When you know your credit score and understand your credit report, you have real financial power. There are three primary credit bureaus that can supply you with your credit report: Experian, Equifax, and TransUnion. Previously you could get a free copy of your credit report once per year by visiting www.freecreditreport.com. But, as *Business Insider* notes, because of the pandemic you can get a free copy of your credit report every week through April 2021. As you look at your report, keep a keen eye on any potential mistakes or suspicious activity, because those could be clues that you've been hit by identity theft.

Your credit report will clearly show you how not missing payments, or not pushing your balances too high, can improve your overall score. And when your credit score is healthy you obviously have more financial options when it comes to major purchases or refinancing. And a good credit score doesn't just affect the so-called big-ticket items either. A good credit score can make it much easier to secure a credit card with a more favorable interest rate, rent an apartment, turn on utilities, or buy a cell phone.

Let's next focus on retirement. A *U.S. News and World Report* article, Retirement Planning Mistakes to Avoid During Coronavirus, has some good reminders. Clearly, during a period when the news is full of stories about economic chaos, it can be easier to make overly emotional financial decisions. But if you closely examine your retirement strategy, you may just find that outside of a few minor adjustments here and there, your best course of action may be to just stick with it.

One of the things the article brings up that really caught my eye is the wisdom of not turning off automatic contributions to things like your 401(k). If you're having money taken out of your paycheck and funneled into a retirement account, it may be tempting to keep that money in your paycheck, at least for a while. But taking a break from your retirement savings imperils your retirement goals. For example, you may tell yourself that you'll keep that money in your check for just six months, but then that six months can easily turn into another six months and so forth.

Another great piece of advice from *U.S. News and World Report* is being very cautious when it comes to taking money out of your 401(k). As the article notes, before turning 59 ½ you were generally hit with a 10% penalty for withdrawing your money early. However, as the article explains, the recently passed

CARES Act waives that penalty on money up to $100,000 if the money is withdrawn for coronavirus-related reasons. But just because you can doesn't mean you should.

This is a place where working with a financial services professional may really be helpful. In a stressful and chaotic economic climate, it can be easy for anybody to make rash decisions, and when it comes to our finances rash decisions can often lead to serious strategic mistakes. A financial services professional has probably seen all of this before and will be able to calm your nerves, assess your overall strategy, and help you make any needed adjustments.