TIME FOR A MID-YEAR FINANCIAL CHECKUP

You did what you were supposed to do financially at the start of the year. You established or reviewed your financial plan to be sure its goals and strategies were still appropriate, rebalanced your investment portfolio, made sure your estate plan was in place, checked your insurance coverage, and so on. Give yourself a round of applause.

You probably do not want to think about your financial plan until next January. But you might consider doing a midyear mini-review just to make certain you're still on track and to tweak a few things. Here are some places to start.

Taxes. Did you either receive a sizable refund or owed a chunk of money in April? If either one happened, now's a good time to correct that for 2005 by projecting your taxes for the year and changing how much you are having withheld from your paycheck or you are paying in estimated taxes.

A substantial refund suggests you are overpaying taxes during the year. That is money you could have invested or saved. To reduce the size of the refund, increase the number of allowances you claim on your W-4 form at work (or pay a little less when estimated payments are due this June, September, and January). Do the reverse if you owed money.

Budget. Review your household budget or spending plan. Are you on track? Do you have a good handle now on where you are spending your money? Do some categories need adjustment? Are you saving 10 to 15 percent from each paycheck?

Fringe benefits. Many companies hold open enrollment in the fall for fringe benefits, so this summer is a good time to start thinking about them, especially health care. Your employer may have changed health care plans, for example, or the existing plans may have new wrinkles, prompting you to switch plans. Perhaps your family circumstances have changed, such as the addition of a child, so a new plan is preferable.

Retirement accounts. Have you received a raise this year that might allow you to put more into your retirement plan at work, or if a plan is not available at work, to contribute more to your individual retirement account? For example, you can put in up to $14,000 this year in a 401(k) or 403(b) plan, and another $4,000 if you are age 50 or older.

Flexible spending accounts for health care. These employer-sponsored accounts allow you to divert wages into an FSA account tax free and take money out of them tax free to pay for qualified out-of-pocket medical expenses. They can be a very good deal for employees. The catch is that you forfeit any balance not spent by the end of the year—a deadline the U.S. Treasury has now extended from December 31 to the following March 15th.

So now is a good time to see what is left in the account to be sure you use it up by the deadline and to help you estimate how much to have withheld for next year. Remember that you can use FSA money for such things as eyeglasses and many over-the-counter drugs.

Investments. You probably should not be making major changes to your portfolio at this point, but you might want to make some tweaks to it.

One tweak to consider is taxes. The decision to buy or sell an investment should generally be based on your needs and the economics of the investments themselves, not taxes. But if you have sold off some winners this year consider offsetting some of those taxable gains by selling off some losers. Or if you have sold off some losers, consider selling winners, which would offset their gains by establishing a new investment basis. You can then turn right around and re-buy the winners without worrying about wash-sale rules.

Assuming that your portfolio had the right mix of assets at the start of the year, you may not need to make adjustments until next year. But if a portion of your portfolio has done extremely well or extremely poorly, you may want to rebalance the portfolio to bring the proper mix back in line.

Charitable donations. Yes, you can wait to the end of the year to make planned donations. But consider avoiding the rush, which can lead to mistakes, and get a head start now. Perhaps appreciated securities will make the perfect donation.

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