



Budget Checkup: Tax Time Is the Right Time December 2019

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Dear Fellow Investor,

Every year, more than 147 million Americans, just like you, file federal tax returns, according to the Tax Policy Center. Many of my clients often tell me how much they dread searching through their files to locate their mortgage, retirement, and investment account statements. But gathering your records for tax season can also be an excellent opportunity to evaluate your income and expenditures. In other words, tax season is a great time to give the household budget a checkup. Here are some tips I've compiled over my years that may be helpful.

- **Create Some Categories** - Start by dividing expenses into unique categories, like ones for home, auto, food, and entertainment expenses. Don't forget savings and investments as well.
- **Follow the Money** - Go through all the receipts and statements you gathered to prepare taxes and track everything. Be as specific as possible, from large expenditures down to your morning coffee.
- **Determine Expected Income** - Add together all sources of income. Make sure to use net income.
- **Do the Math** - It's time for the moment of truth. Subtract projected expenses from expected income. If expenses exceed income, it may be necessary to consider changes. Prioritize categories and look to reduce those with the lowest importance until the budget is balanced.

Even though tax season can be a pain, this really is a great opportunity to give your household budget a thorough checkup. I know I feel better after evaluating my own finances this time of year.

Kind Regards,

James R Mertz®

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