



Smart Uses for Your Tax Refund

A tax refund can have a real impact on your personal and financial well-being. Before you spend that hard earned money on a new sofa or a vacation, look at these suggestions:

- Plan ahead—Without a plan, you may use the money on the first thing that comes to mind and later realize something else was more important.
- Identify all the possibilities—think big and involve your family in the process!
- Devote a portion to build long-term financial security.
- DON'T throw away part of your refund on loan fees—"Quick Refund" companies are just giving you a high-cost loan! A little patience can save you big bucks!

How Should I Spend My Money?

Here are four smart uses for your money:

1. **Pay Off Bills**—First priority are regular monthly bills (utilities, phone, etc.) and then those with the highest interest rate. If you owe \$2,000 on a credit card (18% interest) and pay \$50 a month, it will take 5 years to pay it off and you'll pay \$1,077 in interest. Will you even still have the items that you charged 5 years from now?

If you use your tax refund to pay off \$1,000 and continue to pay \$50 a month, the bill will be paid in 2 years and you'll save \$879 in interest!
2. **Save for Needs in the Coming Year** –
 - **Emergency Funds** – Try to save enough money to get you through a couple of months if you had unexpected car repairs or medical expenses, or lost your job.
 - **Occasional Expenses** – Avoid big bills like holiday spending by building up savings now!
3. **Long-term Savings** – Your tax refund can help you plan for future goals like a home or a comfortable retirement. Adding \$500 a year into an IRA retirement account can yield \$68,100 after 30 years. If you add \$25 to the yearly \$500 contribution you could have \$113,800 for a retirement nest egg! You may save even more in taxes by contributing to a tax deferred IRA or a Roth-IRA that is tax-free when you retire.
4. **Special Purchases** – Ask yourself do I, NEED or WANT that new refrigerator, TV or sofa? These may be essential or can be delayed until you save for that specific item.

Your Best Bet: Put some of your tax refund toward financial security by paying off debt, planning for the year ahead and setting money aside for your goals.

For more information about saving money and about enrolling as a Kansas Saver contact your local K-State Research and Extension Office.

Adapted from Tennessee Saves



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