



## **A Tax Refund! Congratulations! What to do With It?**

A tax refund is happy news for most taxpayers...it beats owing more! But it usually greeted with ways toward frivolous spending since it is “extra money”. A new TV? A beach vacation? Remember, most of the time, it is YOUR money that you overpaid to the IRS throughout the year in taxes. While some credits are given as “free money”, most refunds are the return of your money, but no interest paid. So, what should you do with that tax refund? Is it a large one? Perhaps spending it wisely could help get on the right path financially. It can make a big difference in your debt-reduction or savings plans.

Some suggestions on using the tax refund wisely:

### **Save Save Save!**

- 1. Save the refund in a bank account.** The IRS does offer the option to have tax refunds direct deposited into a bank account. Perhaps, direct deposit the refund straight into a savings account and make it more difficult to spend. Or, consider possibly depositing a portion of the refund into the checking account and the balance to savings.
- 2. Purchase Savings Bonds.** Savings bonds do not earn a lot of interest, but it is a simple way to make sure you are saving money while earning some interest.
- 3. Fund an IRA.** Create a Traditional IRA or Roth IRA and take advantage of their tax benefits retirement savings. Ask a tax professional and contact a financial advisor or your local US bank.
- 4. Begin a college savings account for the children.** A college savings account can start giving benefits from the initial year. There are also tax benefits associated with plans like a 529 or Coverdell Savings Account. But the main goal is it makes it less financial burden when the children are ready for college.
- 5. Consult with a professional financial advisor.** So, it's a large refund and you want to get on a better financial path toward happiness, then consulting a professional financial advisor could be a very wise decision. They can offer options depending on the amount of the refund.

### **Pay down debt**

- 5. Pay down credit card debt.** Credit cards usually incur high interest expenses that makes it more difficult to pay down the debt. The average household with credit card debt continues to increase annually. Even if you cannot pay off your credit card debt in full, making a sizeable payment toward it will help you incur less interest and will help you get a head start on paying it off sooner.



**6. Pay off a student loan or car loan.** If you can't pay it off the loan entirely, make additional payments. Extra payments on a car, or student, loan will help pay down larger portions of interest toward paying off the entire balance sooner. If a large refund can be applied toward the debt and completely erase it, that would be a great stress relief toward a more attractive financial picture!

**7. Extra payments on the mortgage.** A home mortgage can provide some relief on the tax return so there is no urgency to completely pay off a mortgage. However, one or two extra payments can mean that less interest accrues over time.

## **Spend less**

**8. Make energy efficient upgrades to your home.** Investing the refund into home fixes, or improvements, can save money on utilities costs for years. It can possibly qualify for tax credits. Congress recently extended the energy efficient credits for 2017 even though it expired in 2016. Possibly 2018 it can happen again? Also, replacing windows and doors or upgrading the insulation for your home can add to the cost basis of your home when you sell it in the future.

**9. Have medical or dental work that has been postponed?** Usually the longer you wait to get the medical needs completed, the more likely the situation could become emergent and expensive. Perhaps spending the refund on preventative care now could be a wise move over a new couch or TV. If there is qualified medical and dental expenses in the year medical deduction at tax time is possible.

## **You?**

**10. Invest in you!** Perhaps in the plans has always been going back to college, taking a continuing education course or attending professional conferences or networking events? Investing in yourself and your future are potentially a great path toward earning more and improving your financial situation.

Good luck and successful spending!

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