



Finance

ASK A SPECIALIST: HOW CAN I MAKE THE MOST OF MY TAX RETURN?

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This time of year, many companies are trying to persuade you to spend your tax return on their product or service. Before rushing to the car dealership, furniture store or shopping center, take a moment to reflect on your financial situation. Consider the following ideas for making the most of your tax return.

- * Use your tax return to catch up on bills. If you have outstanding or past-due bills that are accruing interest and late fees, put your return toward these first.

- * Assess your overall debt and credit situation. To whom do you owe money? If you have multiple accounts to choose from, choose the one with the highest interest rate to save the most money in the end. Visit www.powerpay.org and experiment with the online calculators programmed to show you how to get out of debt.

- * Save for a “rainy day.” This can help keep you out of debt when an emergency comes. And it is easy to do, since the IRS can deposit your refund directly into an account instead of issuing you a check. Act as if the return never came into your hands by placing it in a savings account that will not be touched until there is an emergency.

- * Use the refund to build a revolving savings fund for non-monthly expenses that come throughout the year. Examples include Christmas, car registration, school registration or tuition, back-to-school clothes, birthdays, hunting season, summer vacation, etc. Add all costs and divide the total by 12 months. This amount should be

placed monthly into a revolving fund to pay for these expenses. Use a portion of the tax return to get this fund going, and imagine how prepared you will feel when you need the money and it is available.

* Look at retirement funds and pension plans. Meet with a financial planner, if necessary, or use an online calculator to estimate future funds needed for retirement. Place your tax return in a Roth IRA or open a new investment fund. Watch as your money grows, adding a nice cushion to your retirement savings.

* As a family, make or review family financial goals. These could include a family vacation, providing college education funds or buying/paying off a home. What goal could use a boost from the tax return? Making it a family effort teaches family members valuable lessons about money, goals, dedication and achievement.

Be constantly aware that many companies would love to have your money in their hands. After determining your financial situation, make decisions that will most benefit your own financial goals and security, not the merchant's.
