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Living Well

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Smart Uses for Your Tax Refund

Whether your tax refund is \$500 or \$3,500, it can mean a real impact on your personal and financial well-being. Before you spend your refund on a flat-screen TV or an iPad, try to think through your options, even the ones that aren't especially exciting or glamorous. If you are receiving a refund, here are some things to consider before spending.

***Pay off bills and high interest debt.** As a first priority, consider paying regular monthly bills (utilities, phone), if you have gotten behind. Then consider other bills by prioritizing those with the highest interest rates. If you have credit card debt, you may be paying as much as 25% interest on your balance. By paying off high interest credit cards, you will save money on finance charges. If you have more than one credit card, pick the debt with the highest interest rate.

***Save for upcoming needs.** Build an emergency fund with enough money to get through 3 to 6 months if you lost your job or had major unexpected expenses such as medical bills or car repairs. Then, save for occasional costs like Christmas, back-to-school, car insurance, and other irregular seasonal expenses.

***Save for a home or car.** Tax refunds can help you achieve home ownership or save for a new car. A large down payment will save you money on interest in the long run.

***Special purchases.** Once you have taken care of the basics, consider that new refrigerator, sofa, or TV. These may be essential or can be delayed until you have saved for that

specific item. If you are planning to use your refund this way, be sure to research the item to make sure it is the one you want before you buy.

***Adjust your withholding.** Would you like to have a bigger paycheck? If you consistently receive a large refund each year, consider adjusting your W-4 form with your employer. This will give you more money for expenses throughout the year.

As you weigh options for spending your tax refund this year, consider financial security by paying off debt, planning for the year ahead, and setting money aside to help you reach your goals. For more information, contact the Flint Hills Extension District office in Cottonwood Falls at (620) 273-6491 or the office in Council Grove at (620) 767-5136.

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