

## 10 Great Ways to Spend an Income Tax Refund

Expecting a substantial income tax refund this year? If so, you are in the majority - over 70 percent of Americans get money back at the end of the tax year, with the average refund being close to \$2,000. Rather than having those precious dollars being absorbed into your normal spending routine, get the most out of your cash.

1. Pay down high interest loans and lines of credit. With average annual interest rates for credit cards and personal loans hovering around fifteen percent, paying off that Visa card before making other investment decisions makes good sense.
2. Fund Your Retirement Account. About 30 percent of all working Americans have no money invested for their retirement. If you are one of them, seriously consider making a contribution to an IRA contribution right away.
3. Invest it. Instead of just working for money, let money work for you. If you invested one lump sum of \$1,500 in the stock market, over thirty years at 12 percent interest (the 30-year market average) you'd have \$ 53,924. (Do your research first before making any investment decision, of course.)
4. Open an emergency account. Most Americans don't have money set aside for those financial emergencies that always seem to happen when there is no cash in the coffer. A large tax refund is a great start an emergency account. It should eventually total between three to six months worth of essential living expenses.
5. Pay for repairs. Maintaining expensive possessions now will result in dollars saved tomorrow. Use the money to repair that leaky roof before it develops into a bigger problem; replace those dangerous bald tires with new, safe ones.
6. Start a personal endowment. Investing in your emotional, physical, intellectual, and career growth is a wise use of money. Whether it's paying for a gym membership or a cooking class, you'll feel effects of this type of investment fast.
7. Make an extra home mortgage payment (or two). Though you won't feel the benefit immediately, doubling up on a mortgage payment now can save you months of mortgage payments later.
8. Donate to a charity. Giving back to the community is a wonderful way of supporting a cause that you are passionate about. Even better - in many cases at least a portion of your donation is tax-deductible too.
9. Open a 529 College Savings Plan. A four-year college education can cost upwards of \$100,000. Save for your child's college education with a 529 plan. It works much like a Roth IRA, and withdrawals are completely tax-free when used for higher education purposes.
10. Plan a vacation. If you are in a fluid financial position, and can truly afford a bit of luxury, do something you've been dreaming of. Money is to be enjoyed as well as earned, saved, and invested. Go ahead. Book that cruise.

Although all the preceding ideas are excellent uses for a lump-sum amount of cash, remember that instead of planning for a refund, it's best to come out even. A tax refund is an interest-free loan to the government, and money that is not in your pocket every month. If you have been getting a refund back each year, consider changing your withholding exemptions so less tax is withheld from each paycheck. While a tax refund may feel like a gift from Uncle Sam, it's not - it's money that you have overpaid on your income taxes.