

# A better way to use your tax refund



Are you one of those people who looks forward to getting an income-tax refund every year? Instead of spending it on the newest electronic gadget or an expensive vacation, make your refund work for you. Using it wisely can help you improve your long-term financial well-being. Below are four ideas to consider.

## 1 Beat back debt

Constantly paying large interest charges on credit card balances and consumer loans can make it tough to get ahead financially. Think about using your tax refund to reduce or eliminate your debt. One strategy is to pay down the cards with the highest interest rate first, while making minimum payments on all the others.

## 2 Prepare for emergencies

Life is full of surprises. Unfortunately, some of these unexpected events can be expensive. If you don't have an emergency fund, you may be forced to rely on your credit card to cover the costs. And if cash is tight, you may end up paying interest on the money you borrowed for a long time.

Use your tax refund to start or add to your emergency fund. Ideally, you should have enough in your emergency fund to cover at least **three to six months** of living expenses.

## 3 Add to education savings

If you have children, consider using your tax refund to jump-start a college education savings program. College tuition is expensive and is likely to remain so. Regular additions, however small, to a college savings program can help make college more affordable for your children.

## 4 Boost your retirement security

When it comes to saving for retirement, every little bit helps. Consider having less income tax withheld from your pay so you won't receive a big tax refund. Then increase your contributions to your employer's retirement plan. Your tax preparer can help you figure out how much you need to have withheld to avoid penalties or having a large balance due when you file your next return.



If you have questions about your workplace retirement plan, please contact your Human Resources department or your retirement plan provider's customer service center.