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## **Smart Ways to Spend Your Tax Refund**

**BRENTWOOD, Tenn.** – You did it. You pulled together your tax information, got your return prepared. Maybe Uncle Sam has received it, or maybe you filed an extension. You may have already spent your tax refund, or, at the very least, have big plans for it when it arrives. In 2009, more than 110 million taxpayers received tax refunds that averaged \$2,753 (2010 numbers are not yet available). If you're fortunate enough to get a refund this year, the Tennessee Society of CPAs offers some wise advice on the best ways to spend it.

### **Get Out of Debt**

Lowering your outstanding high-interest debt should be one of your top priorities for a tax refund or any other cash windfall. Although you can get more immediate satisfaction from a vacation or other splurge, chopping away at your outstanding debt balances will put more money in your pocket over the long-term. That's because once you pay off your credit card or other consumer loans, you save yourself all the interest you might have paid on those balances in the coming months and years - an amount that can build quickly. While it's almost always a good idea to pay off high-interest consumer loans, such as credit cards, paying down other borrowings, such as a home mortgage, may or may not deserve to be a top priority.

### **Pump Up Your Reserves**

Do you set aside money each week or month in a savings account? Are you contributing to a retirement plan? If not, or if you're not happy with the amounts you've put away, it may be a good idea to park your tax refund in a savings account or secure investment or to add to or open a retirement account. Again, it may not be as much fun as a trip to the mall, but down the road you'll be happy you built this foundation for the future.

### **Make Needed Repairs**

If you are facing urgent home repairs or your car really needs new tires, this may be a great use of your refund. Keeping up with your home or car maintenance can save you money if it helps prevent more serious problems later.

### **Think Ahead**

Will you or another family member be attending college in the fall? Do you usually have a lot of people on your holiday gift list? If you know that you have some big expenditures ahead of you - such as books or other college supplies or expensive presents or holiday entertaining - it may be a good idea to earmark your tax refund for these outlays. You might even consider doing some of your seasonal gift buying now, which is a fun way to bring the holiday spirit into the hot summer months.

### **Have Some Fun**

Although we've advised against a big splurge, it might actually be wise to spend a part of your refund on a small indulgence, such as a weekend at a local B&B instead of a week in the Caribbean or a new appliance instead of a kitchen renovation. You're more likely to use your money wisely if you do allow yourself some rewards, so if you're

hankering for one affordable luxury, go ahead and indulge yourself. Be sure that any spending you do fits in your overall budget, however.

***About Money Management***

*Money Management* is a column on personal finance that is a joint effort of the AICPA and the Tennessee Society of CPAs, as part of the profession's nationwide 360 Degrees of Financial Literacy program.

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