

Smart Uses for Your Tax Refund

New computer? New recliner? Nice vacation? Those are all great ideas. But before you spend the money, try to think through all the options, even the ones that aren't especially exciting or glamorous.

Consider three general rules:

1. **Do** plan ahead before spending your refund. Without a plan, you may use the money on the first important thing that comes to mind, and then later realize something else was more important. Planning ahead and involving the family increases the chances you will identify all the possibilities and think about which are most important.
2. **Do** devote a portion of your tax refund to build long-term financial security. Consider starting or adding to your IRA account.
3. **Don't** throw away part of your refund on loan fees. Did you know that those companies that offer "quick refunds" are just giving you a loan? A high-cost, high-risk loan, at that!!

If you have credit card debt, consider using some of the refund to pay down on this debt. If you look, the interests on the cards range from 16-22% interest. The sooner you pay off your credit cards, the more interest you will save and have that money to pay on something else.

Taken from "Smart Uses for Your Tax Refund", 2008, Iowa State University Extension