

# RETIREMENT PLANNING SERVICES, INC.



## Advice You Can Use!

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### Spending Your Refund Check: Think Twice



If you've received—or are waiting for—a sizable federal income tax refund, you're not alone. According to the Internal Revenue Service, over 100 million individuals received refunds last year, and the average refund payment exceeded \$2,000. How you spend your refund is up to you, but before you call a travel agent or splurge on a new big-screen television, consider whether there might be better ways to put this cash to work for you.

For example, if you have outstanding credit card balances, give some thought to applying some or all of your refund toward paying down the debt, starting with the credit card that carries the highest interest rate. Consider this: applying \$2,000 toward a credit card with an APR of 14.9% could save you almost \$300 over the course of a year in interest charges (assuming the card carried a balance of more than \$2,000 for the entire year).

If you don't have outstanding credit card balances, think about using your refund dollars to pay down other high-interest debt. And, if you don't have 3 to 6 months of living expenses set aside to cover critical, unexpected needs, consider bolstering your cash reserve.

Alternatively, consider saving or investing the funds. A sudden infusion of cash, particularly if it's unexpected, can provide the perfect opportunity to start an education fund for your children or grandchildren, or to add to your retirement savings by contributing to an IRA.

In the end, it's your money, and your decision. If you want to splurge, go ahead. Just try not to spend on impulse. And keep in mind that there's a middle ground—one possible approach is to spend part of your refund on something fun, and apply the rest to something practical.