



Ruth Brock  
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News Release

## **Do you have a plan for your tax refund?**

With many people expecting tax refunds, as well as the economic stimulus payments coming soon, have you thought about what you might do with the money? A great way to get the most out of any refund is to have and follow a plan. Go ahead and plan to enjoy a portion, but consider using 80% of the money for practical purposes and use the remaining 20% to pay cash for enjoyment or to make a special purchase. The following are some practical uses that will go a long way toward getting the most from your refund.

### **Avoid Refund Anticipation Loans (RALs)**

Refund anticipation loans provide early access to part of the refund amount you are expecting. The company offering the RAL will charge you a fee for lending you part of your tax refund until the actual refund is received. However, if you electronically (e-file) your tax return you can receive your refund in as little as 10 days or less. This is true whether you e-file through a VITA site, a paid tax preparer, or on your own through the IRS website ([www.irs.gov](http://www.irs.gov)). Why give away some of your tax refund when you can have it all to use and enjoy?

### **Pay down credit card debt**

Paying down credit card debt will save you money on high interest rate debt.

### **Pay extra on your mortgage**

The amount extra you pay goes right to reducing the principal and can make a big difference over a period of time.

### **Spruce up the homestead**

Take the tax refund and get a professional to sketch out a landscaping or remodeling plan for you to follow. For a few hundred dollars you will know exactly what you're getting into and how much of it you want to do yourself. Plus increasing the value of your home puts extra equity in your pocket.

### **Emergency savings account**

This account can be used for unexpected expenses, such as car repairs and appliance purchases.

### **Save for college**

Consider 529 Savings Plans, which are quickly growing in popularity. These college-savings vehicles grow tax-deferred and allow tax-free withdrawals when used for higher education. Visit

[http://www.treasury.state.al.us/Content/College\\_Savings.htm](http://www.treasury.state.al.us/Content/College_Savings.htm) to learn about available college savings plans in Alabama.

### **Open or contribute to an IRA**

Setting up an IRA account is usually as easy as downloading the application forms, signing them, and mailing with a check to fund your account. Contribution limits to IRAs are \$4,000 for 2007 but rise to \$5,000 in 2008 and beyond. In addition, the catch-up contribution for those ages 50 or older remains at \$1,000.

### **Splurge**

If you spend most of it on the above list, go ahead and reward yourself and spend it just for fun or make a purchase you have been putting off.

*For more information on this or related topics, contact Ruth Brock, Regional Extension Agent for Consumer Science and Personal Financial Management. You can reach her at the St. Clair County office at (205) 338-9416 or email at [brockru@auburn.edu](mailto:brockru@auburn.edu).*

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#### Sources:

Bird, Carolyn L. (2008). *Smart Money: Great Uses for Your Tax Refund*. Retrieved March 1, 2008, from North Carolina Cooperative Extension Web site:

<http://www.ces.ncsu.edu/depts/fcs/pdfs/Smart%20Money%20Great%20Uses%20Tax%20Refund.pdf>

Alabama State Treasury Website:

[http://www.treasury.state.al.us/Content/College\\_Savings.htm](http://www.treasury.state.al.us/Content/College_Savings.htm) Retrieved March 1, 2008.