

HOW TO SPEND YOUR TAX REFUND: 10 WAYS TO DO IT WISELY



If you're one of the 80% of taxpayers who received a tax refund this year, chances are you're debating what to do with the money.

While you can probably imagine plenty of places to put your prized refund check today, you might not be thrilled with the choice tomorrow.

Rather than spend all of your money frivolously, why not use it to boost your bottom line?

Invest that money in one of the ideas listed below, and you can guarantee your future self will thank you. You may even have some fun along the way.

Here are some of the best ways to put your tax refund to good use this year:

1. Pay Off High Interest Debt

While it's certainly not the most exciting option on this list, if you have credit card debt, paying it down (or off) when you get your tax return is one of the best financial moves you can make.

Free yourself from the shackles of high interest charges and kick at least a portion of that debt to the curb. It can also help boost your credit score, opening doors and securing your financial future.

It's been said that action breeds confidence and courage—taking this first step towards knocking down your debt will help you move in a positive financial direction.

2. Build Your Emergency Fund

Your car broke down; your child got sick; the neighbor kids broke your window while playing baseball. Accidents happen all of the time, so make sure you're prepared for them!

You may not be able to plan exactly for every expense that will pop up, but you can expect the unexpected and prepare yourself for the worst.

You'd be amazed at how free you'll feel once you have the peace of mind of knowing you're ready for the random strikes that life throws your way.

3. Open a High-Yield Savings Account

If you are unsure of exactly how to spend your tax refund or you'd just like to stow it away for safekeeping, an online savings account is the way to go.

Whether you use the account to house your emergency fund, or just to establish some solid financial habits by putting money away in savings, you should absolutely consider online savings.

To learn more about Blackhawk Bank savings accounts or to open an account online, click here: <https://www.blackhawkbank.com/personal/savings/money-market/cds>

4. Max Out Your Roth IRA

The value of a Roth IRA cannot be emphasized enough. A Roth IRA is funded with post-tax dollars, meaning your distributions won't be taxed as long as you follow the rules. You also won't be penalized for withdrawals.

Considering the amazing benefits Roth IRAs provide, if you qualify for one, you should try your best to max it out every year.

However, even small amounts can do wonders over the long-term, so take that tax refund check and send over whatever you can!

For more information about Blackhawk Bank IRA's, click here: <https://www.blackhawkbank.com/financial-planning/investment-services>

5. Apply Your Refund to Your Future Tax Bill

Are you self-employed? A freelance or contract worker? If you're required to make estimated quarterly tax payments, you can apply your refund directly to those future obligations.

Doing so now will help to alleviate tax-related stress in the future. It will also help to free up future income for other financial goals.

Rather than letting these expenses catch you off guard, you can pay for them with your tax refund, relieving the financial burden and administrative task of working those costs into your budget down the line.

6. Make A Principal-Only Extra Mortgage Payment

If saving thousands of dollars in interest appeals to you, making additional payments to your mortgage, especially those that are principal-only, is the easiest way to do so other than paying off credit card debt.

Check to make sure your mortgage company doesn't charge a pre-payment penalty (at Blackhawk Bank, we do not charge). If they do not charge, send that check (or make that online payment) today.

Every little bit of extra money you spend paying down the principal helps, potentially cutting months or even years off the length of your mortgage. Your tax refund is a great place to start expediting your mortgage repayment.

7. Invest In Your Home

Home improvements are a great way to boost your home's value. Plus, if there's a project you've been wanting to complete but haven't had the money to do so, finally crossing it off your to-do list will increase your overall satisfaction.

Simple, inexpensive changes such as paint color, faucets, and light fixtures can make a world of difference. Additionally, if you challenge yourself to DIY these upgrades or repairs, you'll expand your skill set while saving money.

8. Invest In Yourself

Never underestimate the option to invest in your health, education, or relationships.

From enrolling in foreign language courses to getting back into shape or rekindling that romantic spark, with a small investment in yourself, you can literally reap the benefits for years to come.

One of the best long term investments you can make is improving your marketability in the professional world. Whether it's going back to school, seeking professional development opportunities, or honing your skills, you won't regret putting money behind your professional goals.

9. Give It Away

One of the most rewarding ways to spend your tax refund money is to donate it to a cause you're passionate about.

If you don't have a particular organization in mind, a quick bit of research can provide you with tons of legitimate and worthwhile causes to donate to.

You'll feel great knowing your money is making a difference in people's lives, and as an added bonus, you're preemptively working on next year's tax season since your donation could be a deduction a year from now.

10. Have (a bit of) Fun

While it's ideal to take care of the items above on this list in lieu of having fun, it's not realistic. To avoid burnout or resentment, try allotting a small portion of your tax return to whatever new gadget you've been coveting, a nice meal out, or some other purchase that is for pure enjoyment.

While you shouldn't invest your whole return into the fun and frivolous, you can wisely set aside some of it for your leisure. In other words, you can treat yourself without going overboard.

You'll definitely not regret giving yourself a bit of a break as long as you're still moving along well with your other financial goals.

Source: Thecollegeinvestor.com by Robert Farrington