



# TAX REFUND

## 10 Smart Uses for Your Tax Refund

If you have a refund check coming your way, consider using it to bolster your personal balance sheet. The average refund is usually around \$3,000, and most people receive the money within three weeks of filing their returns. That's a nice chunk of change. Here are ten good things you could do with the money.

If your refund was substantial, consider giving yourself an immediate raise by adjusting your tax withholding to increase your take-home pay.

### Pay Off Credit-Card Debt

Using your refund to pay off a balance with an 18% interest rate is like earning 18% on your investments -- an incredibly valuable use of the money.

### Rebuild Your Emergency Fund

It's a good idea to keep three to six months' worth of expenses in an emergency fund, so you don't land in debt or have to raid retirement funds if you have unexpected expenses. If you've had to tap the fund over the past few years, you can use your refund to help build the account back up. Keep the money easily accessible in a money-market account or savings account that earns some interest.

### Boost Retirement Savings

You can contribute up to \$5,500 to a Roth IRA for 2017 (or \$6,500 if 50 or older) -- and withdraw the money tax-free in retirement. You can contribute the full \$5,500 as long as your income falls below \$118,000 if you're single, and \$186,000 if married filing a joint tax return. You can make a partial contribution if you earn

less than \$133,000 if single or \$196,000 if married filing jointly. If you work and your spouse does not, you can also contribute to a Roth IRA in his or her name if your joint income is within those limits. Even if you've retired from your main job but are working part-time, you may be able to contribute to a Roth. If you earn too much for a Roth, you can contribute to a nondeductible traditional IRA, then convert it to a Roth.

### Fund a Taxable Account

Use the extra cash to buy shares in a mutual fund or stock you've been considering -- but may feel is too risky for your IRA or not available in your 401(k) plan.

### Gaps in Your Insurance

**Liability Insurance.** Cover your legal expenses if someone is hurt in your home or by your car. It generally costs just \$200 to \$400 to buy a personal umbrella policy that provides \$1 million in coverage over the limits of your auto- and homeowners-insurance policies.

**Home insurance.** Hurricane season starts in June, so it's a perfect time to use some of your refund money to protect your home. For about \$130, you can add \$10,000 to \$20,000 in sewage backup coverage -- which isn't part of a standard homeowners policy. Consider buying a home generator: A 6.5 kw portable generator costs about \$800 to \$1,000. An automatic standby generator costs more than your refund (about \$4,000 plus \$3,500 for installation), but the money you get from Uncle Sam can help you start saving for one. You also can pay to trim your trees to help protect

against some of the most common types of storm damage and put together a disaster kit.

### **Build Your College Savings**

It's always hard to juggle saving for college and retirement. Here's an opportunity to use your extra money to contribute to a 529 account. You'll be able to use the money tax-free for college bills, and you could get a state income-tax deduction for your contribution.

### **Help Your Kid Save**

You can use the extra money to contribute to a Roth IRA for your child. Your kid is eligible as long as he or she has earned income -- from mowing yards or babysitting, for example. Your child can contribute up to \$5,500 or the amount of his or her earned income for the year, whichever is lower, and you can give him the cash to do it.

### **Prepay Your Vacation**

Set aside some money for vacation rather than using your credit card and paying interest long after you have returned. Or you can use some of your refund to start saving for holiday gift-giving or help with other short-term goals, such as for a down payment on a new car.

### **Invest in Your Home**

Your refund won't be enough to redo your kitchen or bathroom, but it can pay for some smaller home improvements. Use the extra cash to add a backsplash, paint a room or cabinets, replace your bathroom sink, swap out your faucets, organize a closet, install a programmable thermostat or spruce up your yard.

### **Give to Others**

If you have your financial bases covered, consider using your refund to make a charitable contribution to help others in need. You'll feel good -- and you'll be rewarded for your good deed when you file your tax return next year (charitable contributions are deductible if you itemize).

You also can use your refund to help accumulate enough money to open up a donor-advised fund. Most funds require a minimum of \$5,000 to \$10,000. You can claim a tax deduction in the year you make a contribution to the fund, but you have an almost unlimited amount of time to decide which charities to support.