

# Making your money work for you at tax time

A plasma TV, a vacation... or a headstart on a goal?

It's that time of year again – tax time – and some of you may already be thinking of how to spend your tax refund. I know from personal experience that it's hard to resist the “urge to splurge” and spend your refund on a big-ticket item. Maybe that flat-screen HDTV you've been eyeing in the electronics store is calling, or an exotic Caribbean vacation.

Stop and think about it, though. Won't you be better off in the long run if you spend at least part of that money building a better future for yourself? You'll be better off in the long run if you delay your gratification and invest in your future.

Consider these tips on how to wisely spend your refund and make your money work for you:

**Reduce your credit card debt:** Putting your refund toward a credit-card balance carrying an 18% (or higher) interest rate guarantees an 18% return on your money. Now that's smart!

**Make an extra mortgage payment:** Paying down your mortgage principal can save you a lot of money in interest in the long run. Think of how great you'll feel once your house is paid off!

**Establish a retirement plan:** Increase your contribution to your 401(k) plan. You might get even more if your employer matches 50 cents for each dollar you contribute up to a certain percentage of your salary. You'll double your contribution if the employer matches dollar-for-dollar. If you don't have the option of contributing to a 401(k) plan or another employer-sponsored retirement account, look into annuities or tax-efficient mutual funds. If you run your own business, you can get a solo 401(k) or other plan. No matter what your employment situation, it feels great to save for your future!

**Set up an emergency fund:** You never know when that “rainy day” fund will come in handy. Everyone should have one! Look into opening a savings account that earns significantly more interest than your checking account, but allows you access to your money at any time. Some online savings accounts are currently offering 3.8% to 4.8% interest, with no fees or minimum balances.

**Invest in your child's future:** Open a college account for your child. The younger she/he is, the more years the refund will have to grow. Consider investing in the tax-free growth of a 529-college savings plan or a U.S. savings bond.

It's OK to give yourself a little treat – maybe a nice dinner out with your family or a piece of recreational equipment you've all been looking at. But I hope you'll use these tips on how to wisely spend at least part of your refund and make your money work hard for you.

After all, didn't you work hard for your money?

Warmly,

Russ

Founder of Winning in the Cash Flow Business

The Dalbey Wealth Institute