



## HOW WILL YOU SPEND YOUR MONEY FROM UNCLE SAM?

### *Five Tips to Make the Most of Your Tax Refund, Stimulus Payment*

GREENWOOD VILLAGE, COLORADO—Money is winging its way to millions of Americans this month in the form of tax refunds and economic stimulus payments. The question is: How do you plan to spend it?

“The key word is ‘plan,’” says Ted Beck, president and CEO of the National Endowment for Financial Education® (NEFE®). “These payments present an opportunity to think about what you value most, and then direct the money toward those values, whether it’s paying off a credit card, adding to a savings account, fixing up your house or taking a much-needed vacation.”

The dollar amounts will be significant for some families. The Internal Revenue Service estimates approximately 75 percent of individual taxpayers will receive a refund this year, with an average payment of around \$2,500. In addition, more than 130 million households will receive a one-time economic stimulus payment up to \$600 per eligible individual (\$1,200 for married couples) and an additional \$300 for each eligible child under age 17.

“It’s difficult to resist the urge to spend the money as soon as you get it,” Beck says. “But put some thought into this. Deposit the money into a savings account while you plan what you want to do. Then, make a list of all the ways you would like to use the money, put the list away for a few days to think about it, and then make your decision.”

Some argue there is a social responsibility to use the stimulus payment to buy goods and services to bolster the weakening economy. However, most people would benefit more by following these five tips:

1. **Pay off your credit card.** Getting out of credit card debt will provide a huge emotional lift, not to mention the interest you’ll save. For example, if you pay off a \$2,000 balance, you will save \$1,100 in interest, assuming you make only 4 percent minimum payments on the bill at 18 percent interest over the next 10 years.
2. **Save for an emergency.** Most financial experts recommend that every American have an emergency fund—a savings account that you can tap into for unexpected bills or if you lose your job. The suggestion is three to six months of living expenses. “An emergency fund is your financial safety net,” Beck says. “It will give you great peace of mind.”

3. **Contribute to your retirement plan.** If you have an Individual Retirement Account, consider funding it for the 2008 tax year with your government payments. Or, use the money for everyday living expenses so you can direct more of your paycheck toward your tax-deductible retirement plan at work. “If your employer matches your contribution, that’s like free money,” Beck says.
4. **Take care of special needs.** If you’ve put off a visit to the dentist, new tires for your car or maintenance around the house, now may be the perfect time to attend to those needs. “It’s always good planning to protect your health, safety and investments, including your house,” Beck observes.
5. **Have some fun.** Life is meant to be enjoyed. “If you feel you’ve addressed your financial responsibilities, go ahead and have some fun with the money, whether it’s a vacation at the beach or a TV for your family room,” Beck says. “You’ve earned it.”

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