

# Tax Refunds will be at Highest Level in Years

## Use Yours to Jump-Start Your Own Road to Financial Recovery

COLUMBUS, Ohio, March 31 /PRNewswire-FirstCall/ -- Tax refunds are up 10 percent this year with an average household refund of \$3,036 or \$266 higher than a year ago, according to the federal government. The increase this year is largely due to the tax benefits available under the government's stimulus package. The added money can pay for a new flat-screen television or an expensive vacation. But smart consumers may want to leverage these windfall funds to get back on their feet financially.

In most years, more than 75 percent of American taxpayers receive a federal tax refund. If you are one of them, here are some road-to-recovery tips you might follow:

1. **Save it for a rainy day:** Everyone should have a rainy day fund that totals six months of annual salary. Unfortunately the recession has left many people without a safety net because they used their emergency fund or never had one. If you don't have a fund, open a savings account, money market or certificate of deposit and start one.
2. **Pay off your credit card debt:** Take the opportunity to pay off your credit card as much as you can with your refund. Then pledge to pay your credit card in full each month. The longer you delay a payoff, the deeper in debt you will fall. For example, if you owe \$2,000 on your credit card at an interest rate of 18 percent and pay only \$35 a month, it will take you more than 10 years to pay it off!
3. **Reduce your interest rates:** Interest rates are at historic lows. So if you haven't refinanced a home equity loan or a mortgage, consider doing so now. You can also consider applying your income tax refund to the debt and reduce your payment even more.
4. **Save for retirement:** Consider putting your refund in a Roth IRA for the 2009 tax year. If you open an IRA and achieve a rate of return of 6 percent at the age of 35 and add a \$3,000 tax refund each year, you will have \$237,174 when you turn 65. And with a Roth IRA, you will not have to pay taxes on the income it generates.\*
5. **Never underestimate the importance of professional advice:** If you haven't already done so, find a financial advisor you trust. Despite all of the media attention on investing, it is usually not a good idea to manage your own portfolio. A little effort will go a long way to find the right person for you. Also, understand the fees you will be charged and how your advisor makes money. He or she should be motivated to earn money for you, while understanding your risk tolerance.

\* This information does not constitute legal or tax advice. Consult your attorney or tax advisor.

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