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# Take Five Minutes for Five Tips on Wise Use of Tax Refunds and Rebates

## Between Refunds and Rebates Some Taxpayers Will Receive Over \$3,000

COLUMBUS, Ohio, March 24 /PRNewswire-FirstCall/ -- In most years, more than 75 percent of American taxpayers receive a federal tax refund, the average of which is \$2,500. These refunds, added together with rebates due from the federal income stimulus package, mean that this spring some taxpayers might enjoy a significant windfall.

So before you buy that wide-screen TV you have your eye on or plan that long-awaited trip to Bermuda, take five minutes to read these Five Tips that might help your financial health now and into the future.

- 1.) Pay off debt: Take the opportunity to either pay off your credit card or at the very least pay off most of it with your refund. Then make a pledge to pay your credit card in full each month. Remember, if you can't pay for it, you can't afford it. The longer you delay, the more you owe. For example if you owe \$2,000 on your credit card at an interest rate of 18% and pay only \$35.00 a month, it will take you more than 10 years to pay it off!
- 2.) Save it for a rainy day: Everyone should have a rainy day fund that totals three months of his or her yearly salary. If you don't have one, open a savings account, money market or certificate of deposit and start one.
- 3.) Start an education fund: The College Board estimates that the cost of tuition alone for private and public schools rose more than 6% from 2007 to 2008. Get the jump on educating your children by opening a 529 with your refund. If you place \$2,500 in a 529 Plan at a rate of 7%, and add a \$2,500 refund each year, you will have approximately \$67,220 in 15 years.
- 4.) Save for retirement: Consider putting your refund in a Roth IRA for the 2008 tax year. If you open an IRA at a rate of 7% at the age of 35 and add your \$2,500 refund each year, you will have \$271,713 when you turn 65.
- 5.) Make an extra mortgage payment: Take your refund and make an extra payment. Just write on your payment slip that you are paying additional principal. If you pay an extra \$600 each year on a 30-year, \$100,000 mortgage at 6 % interest, you can save \$25,000 in interest and cut the term of the mortgage by six years.

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