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It's a refund, not a jackpot

Your income-tax refund can be the largest single amount of money you will get all year. According to a recent report by the U.S. Treasury Department, the average American's refund last year was \$2,696.

It may feel like you've hit the jackpot, tempting you to splurge.

It's easy to think of this money as a gift or a bonus, but it's not. You worked hard for this money; it was already yours. It was just withheld from your paycheck.

When you think about it that way, it's much easier to dedicate it to a long-term goal rather than spending it on this and that.

Here are five ways I recommend using your tax refund that will help your financial situation in the long run:

BUILD IT UP

An emergency fund is an essential part of a financial plan, but many Americans don't have one. In fact, a December study by Bankrate.com found that only 38 percent of Americans say they have enough savings to cover an emergency.

I recommend my clients have three to six months of savings in the bank, and a tax refund can be a good start.

If you already have an emergency fund, you can use your refund to build up other accounts, like your retirement fund or a savings account for a grandchild's college education.

CUT IT DOWN

I'd love to see everyone who has debt put their tax refund toward paying it down. And I'm not just talking about credit card debt.

You can also use the money to make an extra payment on your house, car or student loans. The quicker you can pay off those high-interest debts, the better your financial picture will look.

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STRETCH IT OUT

If you're getting a large tax refund every year, consider changing your tax withholding. You can make changes at any time during the year by going to your payroll office and filling out a new W-4 if you're still working, or by submitting a new W-4P for a pension or annuity, or a new W-4V for Social Security or railroad income.

If you decrease your withholding, you won't get as big of a refund next year, but you'll get more in each paycheck throughout the year.

The IRS has a calculator on its website to help you figure out how much you should be withholding at tinyurl.com/withholding-calc.

PAY IT FORWARD

If you're not planning to retire in the near future, you can use your tax refund as an investment in your career. Use the money to pay for continuing-education courses, a weekend conference or an online class to learn a new skill. Investing in your education may increase your earning power down the road.

SPLIT IT UP

You may want to set aside a small percentage for a splurge — as long as it's a smart splurge.

If you love your morning coffee, you could get a cappuccino maker so you can cut out your Starbucks runs. Exercise equipment or workout DVDs could replace a gym membership. Just make sure you're only spending part of your refund and dedicating the biggest chunk to one of the other goals.

Remember, this money isn't a gift. It's money you worked hard to earn. The delivery was just a little late. Treat it like a paycheck and you'll be happier, financially, down the road.

Skip Johnson is a partner at Great Waters Financial in New Hope, Minn. Learn more at mygreatwaters.com.