

# **The Power of Extension**

**Columns from the staff of  
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Robeson County Center**

## **SMART USES FOR YOUR TAX REFUND**

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Get the most out of your tax refund this year by developing a plan. Make a commitment to enjoy part of the money. Be smart, and use the rest for practical purposes. Allocate 80 percent of your refund for “smart uses” and the remaining 20 percent as cash for enjoyment or to make a special purchase. Consider the following smart uses to improve your finances and make the coming year more enjoyable.

Paying down credit card debt will save you money on high interest rate debt. Credit card debt can be hard to pay off when making only the minimum payment because most of the payment goes to interest. If you carry over a balance every month, only a few dollars of each minimum payment goes toward reducing the principal owed. Reducing credit card debt will improve your financial security.

Save for special events by setting aside money for holiday and birthday gifts. Make an additional deposit into a savings account or open a new one especially for this purpose. Then make regular additional deposits over the coming months. Whatever you save in this account will help you avoid creating new credit card debt when those special events occur. Congratulations! You are on your way to stress-free holidays and birthdays.

Open an emergency savings account to provide easy access to funds for unexpected expenses. When the tire goes flat, the car battery needs replacing, or the washing machine breaks, money in an emergency account will let you pay for these expenses without going into debt.



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For example, if you are stranded because your car breaks down and have to use your credit card, you can use the money in an emergency account to pay the credit card charge in full. An emergency savings account can help you stay out of debt or keep credit balances from growing while you pay off the credit account. Do not feel bad or give up if you must use some of the money when the emergency account is just starting to grow. Recognize the value of being able to pay for the expense in cash or mostly cash. Make a commitment to keep adding to the account. An emergency savings account is an important tool to help you stay on track to reduce and eliminate debt.

### **Fatten Your Retirement Savings**

A modest deposit can make a substantial impact on your retirement account. For example, if you deposit \$400 from your tax refund in a Roth IRA account at age 29, earn an average return of 8 percent, and add \$100 a month to the account, it will grow to \$248,872 by age 65. Suppose you deposit only \$50 a month? The account will grow to \$127,629 by age 65. The account balance can grow even more by increasing the initial deposit, the regular monthly deposit, or the average interest rate earned.

This article was adapted from an Extension publication written by Carolyn L. Bird, Assistant Professor and Family Resource Management Specialist with NC State University.

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