



# MAKING THE MOST OF YOUR TAX RETURN

IF YOU'RE TRYING TO DECIDE WHERE TO SPEND (OR SAVE) IT, HERE ARE SOME IDEAS FOR HOW TO MAKE THE MOST OF YOUR TAX RETURN.

Tax season is ending, and many of us are looking forward to our tax returns hitting our bank accounts. While some may choose to spend their return on a special treat, others may want to use the extra funds to boost their investments. If you're trying to decide where to spend (or save) it, here are some ideas for how to make the most of your tax return.

## **Pay Down Your Debt**

Paying down your debts is one of the best ways to use extra funds when you have them. Debt can put a damper on your financial health by affecting your credit score—as well as your ability to save and invest—so keeping debt to a minimum is a smart financial decision.

Pay your highest-interest debt, like a credit card or auto loan, first. In general, it's a good practice to keep your debt lower than 30% of your total available credit—if you're carrying balances higher than this, you should consider paying them down or even refinancing to make them easier to manage. Using your tax return to pay off a portion of your debt can give you a good head start when it comes to managing your finances.

## **Build Up an Emergency Fund**

Once your debt is taken care of, the next step to financial health is to make sure you have an adequate emergency fund. In general, it's a good idea to have easily accessible money set aside for unexpected expenses like medical emergencies, home repairs or a sudden job loss. If you have an emergency fund already, take note of how many months of expenses it would cover—try to aim for three to six months' worth.

For those who don't have an emergency fund, this is a great time to start. Set a goal for how much you want to save, and start with your tax refund. Even if you begin with a small amount in savings, you can continue to contribute to your emergency fund as you're able, until you're comfortable with the amount you may need.

## **Treat Yourself**

If your debt is under control, you may choose to spend your tax return instead. It may be a great time to consider purchasing something you normally wouldn't spend money on—whether it's a wardrobe update or a house renovation. Especially after such a long and stressful year, we all deserve a little something for ourselves. Depending on the amount of your return, it may be possible for you to use it to treat yourself to something small and save or invest the rest.

## **Boost Your Investments**

Another way to make the most of your tax return is to invest your money. If you have existing investments, you may want to give them a boost by adding capital to your accounts. This may mean making an extra contribution to your IRA or buying a few more shares of stocks.

If you've never invested before, using your tax return can provide a way to get started without taking any additional funds out of your regular monthly budget. If you're considering saving your tax return over spending it, it can be beneficial to invest the funds because they have the potential to grow over time. If you're unsure where to start, talk to a financial professional to figure out the best types of investments for your specific needs.

## **Giving**

Ultimately, giving is the greatest strategy of all if you've satisfied the areas above. You can start putting money aside to fund your 529 college savings plans for loved ones. Or you can support local organizations that mean the most to you. There's no doubt that it feels great to help someone in need through charitable giving and there can also be tax benefits that come along with donations.

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