

## How to Make the Most of Your Tax Refund

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### Use a free tax site.

IRS-approved volunteer tax preparation services may be available in your community. Visit [http://michiganeic.org/index\\_html](http://michiganeic.org/index_html) to find a free tax site near you.

### Avoid rapid anticipation loans.

A rapid anticipation loan (RAL) is money a taxpayer borrows from a lender on the basis of the taxpayer's anticipated income tax refund. The result is that you pay a high interest rate for borrowing your own money. The fee for commercial tax preparation typically is \$120, but that is not the only fee. Additional fees include processing (\$30) and a loan to the lender (\$30 to over \$100 in 2004).

Low-wage earners are only 17 percent of all taxpayers, but that didn't stop RALs from siphoning an estimated \$740 million in loan fees from them in 2004. For more information on RALs, visit: [http://www.consumerlaw.org/initiatives/refund\\_anticipation/content/RALBrochure.pdf](http://www.consumerlaw.org/initiatives/refund_anticipation/content/RALBrochure.pdf).



### Plan ahead.

Evaluate all debt and determine which bills must be paid right away. One method of prioritizing bills is to consider the interest rate of the debt. Interest is money you pay to use borrowed money, calculated as a percentage of the amount borrowed and paid over a specified time. Pay off high interest debt first.

A tax refund may be used to improve your financial circumstance in many ways. You can use your refund to pay down or pay off debt, put a down payment on a home or vehicle, save for emergencies, gain additional skills through training or classes, and save for personal or family goals.

### Determine an amount to save.

The U.S. personal savings rate has declined from 10.8 percent in 1984 to zero in 2005 (Bureau of Economic Analysis, 2006). Saving money often appears to be out of reach for many Americans, especially low-wage earners and people living on fixed incomes. Saving money — “paying yourself first” — is key to preparing for emergencies, managing unexpected purchases (your refrigerator stops working) and achieving goals (buying a car or home, investing, getting out of debt). For more information and tips on how to start saving, visit <http://www.americasaves.org/>.