

## Making your tax refund work for you

By Laura Stack, Chief Financial Officer for Pioneer Services

When it comes to getting a tax refund, military families are at a distinct advantage — they often can file over the phone or online in a matter of minutes, and the Department of Defense gets paperwork done faster than many civilian companies, meaning military families can get their refunds sooner.

But what is the best thing to do with your tax refund? Here are several things you should consider doing with your refund check this year, listed in order of financial importance.

### Past-due debt

Since paying bills late ruins your credit rating and puts your military future in jeopardy, your first choice should always be to pay off bills that are late. Whether you owe a lot, or just a little, and even if it doesn't pay off the whole amount, it shows a good faith effort to pay off the debt and will help get your credit restored.

### Credit card debt

If you pay only the minimum on your credit card each month—four percent of the balance—it will take years to pay off and cost you more interest.

- » \$2,000 at 21.99 percent interest = 10+ years to pay off with \$1,567 in total interest
- » \$4,000 at 21.99 percent interest = 13+ years to pay off with \$3,258 in total interest
- » \$6,000 at 21.99 percent interest = 14+ years to pay off with \$4,949 in total interest

These numbers assume that you don't add anything else to the card, so if you keep using it, it will take even longer to pay. Add in fees, double-cycle billing, and other headaches, and paying off credit cards is a smart financial decision.

If you cannot pay your credit cards in full, then pay as much as you can as often as you can on the card with the highest interest rate. This will save you interest in the long term.

### Savings

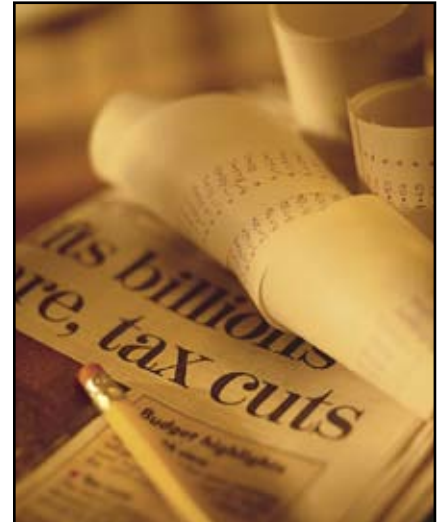
Your tax refund can help build up a financial safety net for the unexpected, and is also the easiest option: simply go to your bank or credit union and deposit the check into an interest-bearing savings account.

If you already have from three to six months of take home pay saved up, Treasury Bills and Certificates of Deposit are relatively safe and secure options. The only catch is that they take longer to access and you may not get their full benefit (i.e. full interest) if you withdraw money before they mature.

Also look into adding your refund to your Thrift Savings Plan or Individual Retirement Account. A college 529 plan for children is also a terrific place to put extra money.

### Big purchase

Putting a down payment on a more reliable car, replacing worn out furniture, or other bigger purchases are made much easier with the extra money a tax refund check provides. It may not pay the whole amount, but it can help offset the costs significantly.



Just remember that while you might be anxious to spend the money, take the time to shop around to ensure you're getting the best deal available.

### Be prudent

Taking into account your financial future is sometimes difficult when presented with money in the here and now. But something as simple as a tax refund can be a springboard to future financial success, and even eliminate additional points of stress in your life. So use it wisely, and start down the road toward a more secure future.

### About the author

Laura Stack, Chief Financial Officer for Pioneer Services, has more than 20 years experience in finance in the financial services, leasing and media sectors. A graduate of Kansas State University, Stack is a member of several professional and military organizations, including the Central Exchange and Financial Executives International, and the Association of the United States Army.

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