



Use Your Tax Refund Wisely
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It's that time of year! Tax season is quickly approaching and though some may dread having to complete their 2020 returns, many look forward to receiving a refund. This begs the question "what should I do with my refund if I get one?" Though the first instinct might be to buy that shiny item you've had your eye on or take a lavish vacation (who wouldn't want to get away for a week or two after the year we've had?), but prudence and intention should be front and center of our decision-making.

Let's take a closer look at three ways you might consider apportioning your refund.

1. **Building your emergency fund.** Paying off debt might be the first thought that comes to mind when you receive a sum of money, but the adage 'safety first' applies to finance as well. You should aim to amass six months of essential household bills in a *liquid* checking/savings/money market account that can be accessed within 24 to 48 hours should an emergency arise. So, if you don't have enough in your emergency fund, your tax return should go here first.
2. **Paying off revolving credit and debt.** If you find that you have enough saved, then perhaps you might consider paying down revolving credit debt. Many of us use credit cards and they usually come with double-digit interest rates. Pay off the credit cards with the highest interest rate first. Many people want to pay down their mortgage as quickly as possible, even if they have a low interest rate (right now they're sub-3%). As far as debt goes, I am not referring to mortgages. Focus solely on paying off high interest rate cards and any personal loans.
3. **Investing.** If you are new to investing, trying to figure out where to start can seem overwhelming. Also, you may come across information on TV, social media etc. that *seems* like a sure bet or something that will make you money *fast* – resist the urge to jump on board. Your best bet is to open an IRA, Roth IRA or Brokerage account and *diversify* (spread out) your funds

amongst different investments. This is where the help of a financial professional comes in. If you're not ready to hire someone just yet, there are apps and online brokerage firms that, while might not be the best for maximizing long term success, are a good place to get started.

Getting a sum of money can be exciting, but it also comes with responsibility – responsibility to yourself for making the right choice. When making decisions about money it's best to do so as I said before – with prudence *and* intention. All too often we make knee-jerk decisions that may not hurt us in the short term but will stifle our longer-term efforts to achieve financial freedom. Of course, you could always spend your refund, but imagine directing those funds to a more noble cause – *your* future – and one day looking back and saying “I’m so glad I did” instead of “I wish I would have.”

About the author: Perry Sutton is a Financial Advisor with over 10 years’ experience specializing in advanced financial planning and investment management strategies for high-net worth individuals. He is a 2008 graduate of Seton Hall University with a bachelor’s degree in Accounting and Finance. He can be reached via email at: psutton@wsfsinvestments.com

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