

MANAGING IN TOUGH TIMES

FAMILY FINANCIAL MANAGEMENT

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THIS MONTH'S TOPIC: Be SMART with Your Tax Refund

It's here again, TAX TIME! Although the filing deadline and due date for federal and state income tax returns is not until April 15, 2015, many of us are already thinking about how to spend our return; or thinking about writing a check for taxes owed. It is important to plan for tax time to make the most of your refund, or to minimize the amount you owe.

Making the Most of Your Refund

Remember that a tax refund is not found or free money; it is a return of money that you earned throughout the year. If you are receiving a tax refund this year, resist the temptation to splurge; instead develop a plan with your refund to help you reach your 2015 financial goals. Before you receive your refund, identify at least one or more SMART financial goals for 2015 that you could jumpstart with your tax refund. A SMART goal is Specific, Measurable, Attainable, Relevant, and Timed.

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- A specific goal states exactly what you want to accomplish, such as reducing your credit card debt by a certain amount, or saving an exact amount.
- A measurable financial goal is one that can be measured and evaluated, such as using a portion of your refund to begin an emergency fund and then adding an additional amount each month.
- An attainable goal is a realistic goal. For example, you could set the goal of winning the lottery to pay off all household debts. But, for most of us, winning the lottery is not very likely.
- A relevant goal is one that is important to you and your family, and one that drives the hard work needed to achieve it. A timed goal has specific dates and deadlines that you want to reach to achieve the goal.

Once you have identified your SMART financial goals, write them down on paper. Post your goals in a spot that you will see every day. It is important to keep your financial goals in front of you throughout the year so that you continue to work toward reaching the goal.

If you are considering putting a portion of your refund aside for savings or for building an emergency fund, consider using Form 8888 to split your refund. Form 8888 allows you to split your refund into separate accounts so a portion could go directly to savings and the rest to your checking account. Automatically splitting your refund in different accounts helps you resist the temptation to splurge when you receive a large lump sum into your checking account.

Avoid Rapid Tax Refunds

Refund anticipation loans, also known as rapid tax refunds are offered by many tax preparers, as well as car lots, payday loan services, and other retail outlets during tax time. Many people see a refund

anticipation loan as an opportunity to get their tax refund fast; however, it is really a very expensive loan. Although you will receive an instant refund, the amount will be less than you would have received by waiting for your refund from the IRS. Instead of choosing a rapid tax refund, consider filing your taxes electronically and choose to receive your refund by direct deposit, which, on average, takes about ten business days. If you do not have a bank account, you can receive your refund on a prepaid debit card. If you are considering a refund anticipation loan be certain to ask the interest rate and any additional fees being charged.

If you need help in filing your tax returns, take advantage of the Volunteer Income Tax Assistance (VITA) program. VITA programs offer free tax help to those who generally make \$53,000 or less, persons with disabilities, the elderly, and limited English speakers. Qualified individuals can receive basic income tax return preparation assistance from IRS-certified volunteers. VITA can also help you file your returns electronically, which means you'll likely get your refund faster.

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