

# Let's Talk Finances

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## 4 Smart Uses for Your Tax Refund



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Nearly eight out of 10 U.S. tax filers will receive a federal tax refund this year. As millions of Americans await reimbursement from Uncle Sam, the American Bankers Association has highlighted five tips for making the most of their tax refund.

“Smart use of your tax refund can start you on the path to long-term financial security,” said Frank Keating, ABA president and CEO. “Instead of going on a spending spree, take a moment to evaluate your financial situation and decide on where those dollars will make the most difference.”

ABA recommends the following tips for consumers looking to put their tax refund to good use:

- **Pay off debt.** Pay down existing balances either by chipping away at loans with the highest interest rates or eliminating smaller debt first.
- **Save for retirement.** Open or increase contributions to a tax-deferred savings plan like a 401(k) or an IRA. Where can you get one? Your bank can help set up an IRA, while a 401(k) is employer-sponsored.
- **Put it toward a down payment.** The biggest challenge that most first-time home buyers face is coming up with enough money for a down payment. If you intend to buy a new home in the near future, putting your tax refund toward the down payment is a smart move.
- **Invest in your current home.** Use your refund to invest in home improvements that will pay you back in the long run by increasing the value of your home. This can include small, cost-effective upgrades like energy-efficient appliances that will pay off in both the short and long term. If you have more substantial renovations in mind, your bank can help with a home equity line of credit.

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