

M&Y INTERNATIONAL FINANCIAL SERVICES NEWSLETTER



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WEALTH MANAGEMENT -- 4 THINGS TO DO WITH YOUR TAX REFUND

There I said it. I know it won't be a popular suggestion but every year, nearly eight out of 10 U.S. tax filers get a federal tax refund. The average amount paid over the past few years was roughly \$2,800, according to the most recent IRS data from 2018.

Getting a refund is not a bad thing. In fact, having had to pay the past several years I appreciate not having to worry about whether I owe more than I paid into the treasury.

Now I am going to offer you 4 suggestions of what to do with your tax refund before you go rushing out to buy a new TV, furniture for the house, or that long overdue vacation.

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- 1. Fund Your Emergency Account:** Most people don't have any money saved in a liquid account. According to Bankrate.com 24% of Americans don't have any money saved for emergency purposes. That's a scary stat. 20% have enough saved to cover 3 months of expenses. These are sobering statistics. If you fall in either of these categories I strongly encourage you to take your tax refund and place it in a savings account. Resist the urge to spend the money and know that it is there in case you have a true emergency.
- 2. Fund Your Retirement:** If you are eligible to invest in a Roth IRA or Traditional IRA it may make sense to take your tax refund and fund your retirement. For example, if you are 25 years old and can invest \$5,000 into a Roth IRA and earn a hypothetical average return of 7% when you are 65 that \$5,000 account would be worth approximately \$75,000. Compounding is a powerful tool when you have time on your side. (Please note, the hypothetical rates of return used do not reflect the deduction of fees and charges inherent to investing.)
- 3. Fund your kid's education:** If you have children you may benefit from investing in a 529 plan. Education expenses continue to rise, and student loan debt just crossed \$1.3 trillion nationally, according to the department of education. 529 plans allow for all income and growth of earnings to be accessed tax free if it is used to pay for higher education expenses. Also, as an added benefit some states allow taxpayers to deduct 529 plan contributions from their state tax returns. Consult your tax professional to see if you are eligible for the deduction.
- 4. Pay Down Debt:** According to the Federal Reserve the average US household has \$15,611 in credit card debt at the end of 2018. I know I carry a balance on my credit card and am going to use some of my tax

refund to pay down my credit card balance. Paying down your debt means you will pay less in interest and improve your monthly cash flow by reducing your payments every month. It becomes a win-win. You pay less and will be able to save more every month.

Comprehensive tax services include more than just the preparation of your tax return. At [M&Y International Financial Services](#), our integrated service model takes into account your entire financial situation to provide proactive tax solutions involving a number of different tax minimization strategies. These include:

- Quarterly tax projections and scenario modeling
- Roth conversion analysis
- Net investment income tax planning
- Executive compensation planning
- Charitable planning
- Retirement planning



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