

4 Things to Do With Your Tax Refund - Transcript

Tim Mullooly: In episode 85, we're going to talk about your tax refund.

How's it going, everybody? This is Tim Mullooly. Welcome to the Mullooly Asset Show. This is episode number 85.

Brendan, let's get right into the question. What are we going to be talking about today?

Brendan: What should I do with my tax refund?

Tim Mullooly: Great question. Very timely. As many of you know, tax day was earlier this week, so hopefully all of you out there have filed your taxes for 2017, and if you haven't, you filed an extension for later down the road when you can get your taxes in. A lot of you might be expecting a tax refund in the mail or you might have already gotten it.

We're going to lay out four options for you for things that you could do with your tax refund because you can pretty much do whatever you want with it, but there are some more responsible choices versus not as responsible choices. We're going to lay out four different options for you to kind of get the ball rolling.

First option being a very responsible choice would be to pay down some debt. A lot of people coming out of college have student loan debt building up that they need to pay off or more people than they would like to admit have credit card debt, so taking this lump sum that you get from the government in your tax refund could be a nice way to pay down a chunk of that as opposed to sending in the minimum monthly payments.

It could speed up the process of getting rid of that debt, which is always a good thing. That's the goal.

Second would be to build up or start your emergency fund. We've talked at length in different videos and podcasts and blog posts here about the importance of having an emergency fund. If you don't have one, definitely taking this money that you get from the government would be a nice way to start your emergency fund, build a nice base of savings, a good foundation to start that emergency fund with.

If you already had one, that's great. It couldn't hurt to add a little bit more to it because you never know what's going to happen down the road. Always a good thing to have more money in the bank as opposed to less.

Third option for you would be to invest the money in an investment account for the long-term over decades, over a long, long period of time, putting that money to work for you with the opportunity to grow and build and compound on itself, and eventually be worth much more than it is today is always a good idea as well.

That's something to consider, investing the money for the long-term.

The fourth option that we're going to give you is the fun option. As they say in Parks & Rec, you can treat yourself. For me, personally, I would probably say put the money in some kind of like vacation fund or plan a trip or something.

I find that experiences and trips and doing things are more valuable than the material possessions that you could buy. But that's just my own personal opinion. You treat yourself however you want to treat yourself.

But you don't have to do one or the other. If you have enough money in your tax refund to pay down some debt and also treat yourself, get a little responsible and a little fun, best of both worlds. Something to consider as well.

But if you're getting enough money back in your tax refund to be able to do a number of these different things, you might want to consider taking a look at your withholdings and maybe lowering it a little bit. You're not going to get as much back in your tax refund next year, but you're going to have more money coming in on a month-to-month basis, more money in your paycheck each time, as opposed to being withheld for taxes and getting it back in a lump sum as a tax refund.

Just something to consider. Some people prefer to have a bigger tax refund and less money in their paychecks. Some people like it the other way. Totally up to you.

But those are four options to consider with your tax refund that you should be getting in the mail in the coming weeks if you haven't already gotten it yet. Keep that in mind whenever that check does come in the mail.

Great question. Timely question. Good stuff on episode 85. Thanks for watching and we'll see you on the next one.