



Suggestions For Best Utilizing Tax Refunds

If your tax refund is substantial, consider revising your Form W-4 to have less tax withheld from your paycheck. After all, you don't want to give the government an interest-free loan that you can't collect until you file your return next year.

If your paycheck does wind up a little fatter, try to set up some type of automatic investment or savings for this "newfound" money. After all, you haven't missed it so far, and your nest egg will grow while you sit back and relax.

Ideas for reinvesting your refund

If you're one of those people who likes getting a big refund — it is a kind of forced savings plan, after all — there are a variety of ways to put that cash to good use:

Pay off debts.

Start with credit cards and other high-interest, nondeductible debts.

Establish an emergency fund.

Many experts recommend keeping three to six months of living expenses in accounts that can be tapped in an emergency.

Contribute to an Individual Retirement Account (IRA).

You can contribute up to \$5,000 to a traditional or Roth IRA for 2010. Savers age 50 and over can contribute an additional \$1,000.