

How to Spend Two Thousand Dollars

Two thousand dollars is a nice chunk of change by any measure. What you do with that tax refund can have an incredible impact on your financial future. LSS Financial Counseling Service suggests the best ways to use your tax refund.

What should the consumer do with this windfall? Spend it? Save it? Invest it? LSS Financial Counseling Service says all three are correct, and suggest the following ways to responsibly use this money?

- **Catch up on any past-due payments.** Late fees on credit cards can be close to \$40, not to mention the damage done to your credit report and score. Get current on any credit card or other bills that have fallen behind, and stay that way.
- **Pay down debt.** If you're saddled with double digit interest rates on your credit cards, this is likely doing you the most harm. Financially speaking, the money should go to pay off or pay down the balance with the highest interest rate. However, some consumers find it more psychologically rewarding to totally pay off multiple small debts including medical bills.
- **Build up an emergency savings account.** It's not a matter of "if" but "when" the unplanned emergency is going to strike, and it's usually at the worst possible time. Without any savings to pay for that trip to the emergency room or the flat tire, you are left with poor resolution choices. You either pay cash, often taking money from a higher priority such as rent or utilities, or you charge the expense, adding to your debt load. Prepare for the inevitable by having at least one month's salary in an accessible savings account.
- **Make needed repairs.** Whether it's repairs to your house or car that you've been putting off, delaying repairs only makes matters worse. Make the necessary repairs while you have the money in hand. Focus on upgrades to your house that add to its value.
- **Plan for your future.** Open or add to your IRA account. Remember that what you do with your money dictates if you will live out your retirement years in poverty or plenty. Time is money's best friend. Make it work for you.
- **Make your house more energy efficient.** Spend a little now, save a lot later. These are improvements that will pay for themselves. Weather-strip doors and windows, replace the air conditioning filters, buy energy-efficient light bulbs, and if new appliances are needed, consider those that have an energy seal.
- **Consider making an additional payment on any secured debt.** Putting \$1,000 toward the principal on your mortgage can save you triple that amount over the life of the loan.
- **Share.** Choose a non-profit or charitable organization that has a cause you feel strongly about and make a donation. Every donation, no matter the amount, is always appreciated; plus you'll feel personally rewarded for your good deed.
- **Put the money toward a specific goal.** For instance, you could earmark it for this summer's vacation, a child's orthodontic work, the holidays, a college fund, buying a home, or any number of personal wants or needs.

And finally, treat yourself! Eat dinner at that special restaurant, or buy that item you've had your eye on (within reason). Once you've aimed your refund at the goals above, you've earned a reward for a job well done.

For professional advice on how to get out of debt or make the best financial choices, set an appointment with a certified consumer credit counselor at LSS Financial Counseling Service at 888.577.2227 or visit www.lssmn.org/debt.