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## **Getting The Most Mileage From Your Income Tax Refund**

Los Angeles (March 15, 2010)— In May, many taxpayers will receive a much-welcomed income tax refund checks averaging about \$2,683 (based on the average refund in 2009).

Despite the temptation to spend the windfall on an iPhone, LED large screen TV, or a down payment on a new car, using the funds elsewhere can payoff big time. In the long run, these funds can help you reach your financial goals and give you piece of mind. Credit counselors at [ClearPoint Credit Counseling Solutions](http://www.ClearPointCCS.org) (CCCS) offer consumers the following suggestions:

### **1) Pay down your debt.**

If you carry a revolving balance on your credit cards, and pay interest on those cards, there is no better way to spend your refund. Paying down your debt could improve your credit and save you hundreds in interest and fees. For example, if you pay off \$2,500 on a credit card with an 18% interest rate, rather than making minimum payments, you'll save \$445 in interest charges in only one year. In fall 2010, credit reform laws ([the CARD Act](#)) take effect that require creditors to disclose, in a box on your monthly statements, how long it would take you to pay off your debt by making only minimum payments. If you need a little motivation, take that valuable information to heart.

### **2) Set up/or add to your emergency savings account.**

Financial experts recommend that people save enough to support themselves and their immediate family for three to six months. In tough financial times, when jobs are so difficult to come by, that emergency savings cushion becomes even more critical needs to last longer—often a year or more. According the Bureau of Labor Statistics, as of January 2010, the average length of unemployment is 31 weeks, or about 8 months, the longest on record.

Regardless if we're in a recession, everyone is susceptible to illness, a layoff, car accident or other emergency. Credit cards are not a financially wise safety net.

### **3) Deposit money into an Individual Retirement Account (IRA).**

Experts suggest that we plan for two-thirds of our retirement income to come from other sources than Social Security. If you put the money in a traditional IRA, you will receive an added benefit of being able to deduct that contribution from your taxable income next year. Plus, with compounding interest, the money you set aside now will grow exponentially over the years.

### **4) Make an additional mortgage payment.**

This option might not provide much immediate gratification. But, if your were to make as little as a \$1,000 prepayment on a \$100,000 loan, at 7% interest, you would save over \$4,000 over the life of the loan!

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**5) Establish a holiday savings account.**

Since most people spend \$1,500 to \$1,800 over the holidays (for gifts, travel, decorations, etc.), those who set the money aside now can look forward to debt-free, lower-stress holidays. Some credit unions allow members to set up holiday savings accounts aside from their regular savings so you are less likely to tap the money until December.

**6) Blow some of it.**

Let yourself spend several hundred dollars for something fun. At ClearPoint, since we see thousands of consumers drowning in debt every year. We've learned that consumers must occasionally giving themselves a treat to help financially motivate them to spend the rest of their refund in a manner that will fuel their financial future.

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***About ClearPoint***

ClearPoint Credit Counseling Solutions is a member of the National Foundation for Credit Counseling (NFCC) and a system-wide accredited business with the Council of Better Business Bureaus. To speak with a consumer credit counselor for a free financial review to help you decide how to best spend your income tax refund, please call (877) 877-1995.

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