

KSRE Southwind District  
FACS News Column  
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### **30-40-30 Tax Refund Plan**

#### *Put Your Refund to Work*

For many people, a tax refund is the largest check they will receive all year. And most of us wouldn't be at a loss for ideas on how to spend that check, the dilemma is deciding what to drop from the list.

The IRS reports that the average tax refund is close to \$3,000. This isn't a crazy, change your life forever amount of money, but definitely an improve your financial standing amount. General rules of thumb are helpful in determining how to divide and utilize your tax refund. One option is the 30-40-30 plan to pay for your past, present, and future financial needs. Designate 30% of your refund to paying off debt and catching on up bills. Earmark 40% for current use. And utilize the other 30% to jump start an emergency fund or long-term savings.

It is always important to catch up or be prepared to pay current bills and financial commitments. If possible, use part of a tax refund to eliminate service or installment payment fees, late fees, or pay down high interest (double digit) debt. Paying for car, home, or renter's insurance can be cheaper if paid in full instead of monthly installments. Some medical services provide a discount if the balance is paid in full, too. Avoiding late fees on bills or taxes and paying down debt increases future income to meet other financial needs and goals.

Another option is setting some funds aside for the expected but yet unexpected expenses such as a car repair, the air conditioner quitting, a medical bill, or loss of a job. Creating an emergency fund for these type of expenses helps reduce stress and the possibility of taking on debt.

You may also have a big 'shopping list' of wants and needs. Do you have plans for a kitchen remodel? A family vacation? College tuition? A tax refund can serve as the seed money for expenses that are two to five years away. Check with banks and financial companies for investment options that pays a return but not at the risk of losing value to help fund short term financial goals.

While it may seem far off, pay attention to your retirement savings, too. If it is thin, dedicate some of your tax refund into a retirement account such as an IRA. Time and compounding interest allow investments to grow, furthering your financial stability in the future.

Plan today on how to best use your tax refund for you and your family's financial well-being.

For more information, please contact Joy Miller, Family Resource Management Extension Agent, at joymiller@ksu.edu or by calling 620-223-3720.

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