

Pattie Lovett-Reid: 5 ways to use your tax refund

The cheque is in the mail.

Tax refunds are not to be celebrated, as it means the government has had use of your money interest-free. However, if you do get a refund in the mail, TD has a few suggestions on what to do with the money – before you decide to go on a shopping spree

1. DUEL YOUR DEBT:

When it comes to how Canadians plan to allocate or spend the tax refund, they anticipate getting before receiving it. Almost 40 per cent use the money to pay down debt, such as credit cards or lines of credit. Paying down debt can reduce interest charges and also help you build a better credit score.

2. INVEST IN YOURSELF:

Consider joining a fitness class to improve your overall health or enrolling in a workshop to expand your skills and knowledge. Or use your tax refund to check something off your bucket list. Investing in yourself is always a good return on investment.

3. STRETCH YOUR DOLLAR FURTHER:

Contribute to your RSP – the amount can be claimed as a tax deduction on next year's tax return. If you have children, contribute to an RESP – the Canada Education Savings Grant can give you 20 per cent on the first \$2,500 you save in your child's RESP each year. Add some money into your TFSA. The interest earned on the money is tax-free.

4. MAKE HOME CENTS:

Look for ways to save money within the home. For example, switch to energy-efficient appliances or add new insulation in the attic to help save money on utility bills. Start a home improvement project that can potentially increase the value of your home. Or, put money towards mortgage payments that can help save on interest, help pay down the principal, and reduce amortization.

5. S.O.S – BE PREPARED:

It's important to have an adequate emergency fund to prepare for the future in the event of a crisis, like a major illness or a job loss. Trying to sort out finances while dealing with a serious life change can distract from what's important, which is why it is essential to plan ahead and have an emergency fund.

You worked hard for your money so you want to be sure your money is working hard for you.