

To save or splurge your tax refund?

So you had an exciting moment when you received a letter advising you of your tax refund. A clatter of thoughts tumbled through your mind about how you might use the money. A fancy item for your wardrobe? A deposit on a holiday? A new electronic device?

That little devil on your shoulder shook his head wildly when you made a conscious effort to think about using it for new car tyres, putting it into a savings account or doing anything remotely sensible. However, being sensible with your tax refund is not such a bad idea. Before you let the cash burn a hole in your pocket, think about the following options:

Consider your business - Perhaps you own your own business and need to replace particular assets within your business or purchase new ones? By doing this, you can substantially improve your business' health, which in turn can lead to greater cashflow down the track.

High interest debt - Are you currently paying off credit cards, hire purchase or a personal loan? By paying a large chunk using your tax refund, you will be surprised at how quickly you can bring down the remainder of your debt.

Save it or set up an emergency fund - It always pays to have a stash of cash on hand. A healthy savings account allows you to have the freedom to enjoy the things you like to do, without having to pull out the plastic. An emergency fund provides you with the comfort of knowing that if unexpected costs arise, such as car repairs or medical bills, then you are capable of paying them.

Consider your children - If you have children, remember that they can get refunds too and your accountant can help you with this. Talk to your children about the importance of saving and look at opening a high interest savings account in their name. Monitor their access so they can learn to budget effectively.

Home improvements - If you own your own home, take a look around your house and assess whether any repairs and maintenance need taking care of. Often if left, general repairs can become expensive so it's best to deal with these early on to save additional cost.

If it's a substantial sum, you may have the option to use part of it for something nice but receiving a tax refund does not necessarily mean it's a good time to splurge. Take the time to assess all your options and put the money to good use.