



Five Money Moves to Make With Your Tax Refund

Having a plan ahead of time will help ensure you use your money smartly

If you have a refund check coming your way, consider using it to bolster your personal balance sheet. According to the IRS, the average refund will be about \$3,300, and many receive the money within three weeks of filing their returns if they file electronically and elect to have their money sent by direct deposit to their bank account. That's a nice chunk of change.

Here are five smart money moves to make with your tax refund.

#1: Boost Your Retirement Savings

You can contribute up to \$6,000 to a Roth IRA for 2022 (or \$7,000 if 50 or older) -- and withdraw the money tax-free in retirement. You can contribute the full \$6,000 as long as your income falls below \$144,000 if you're single (for tax year 2022), and \$214,000 if married filing a joint tax return.

If you work and your spouse does not, you can also contribute to a Roth IRA in his or her name if your joint income is within the prescribed limits. Even if you've retired from your main job but are working part-time, you may be able to contribute to a Roth. If you earn too much for a Roth, you can contribute to a

nondeductible traditional IRA, then convert it to a Roth.

#2: Fund a Taxable Account

Use the extra cash to buy shares in a mutual fund or stock you've been considering -- but may feel is too risky for your IRA or not available in your 401(k) plan.

#3: Build Your College Savings

It's always hard to juggle saving for college and retirement. Here's an opportunity to use your extra money to contribute to a 529 account. You'll be able to use the money tax-free for college bills, and you could get a state income-tax deduction for your contribution.

#4: Help Your Kids Save

You can use the extra money to contribute to a Roth IRA for your child. Your kid is eligible as long as he or she has earned income -- from mowing yards or babysitting, for example. Your child can contribute up to \$6,000 or the amount of his or her earned income for the year, whichever is lower, and you can give him the cash to do it.

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#5: Give to Others

If you have your financial bases covered, consider using your refund to make a charitable contribution to help others in need. You'll feel good -- and you'll be rewarded for your good deed when you file your tax return next year (charitable contributions are deductible if you itemize).

You also can use your refund to help accumulate enough money to open up a donor-advised fund. Most funds require a minimum of \$5,000 to \$10,000. You can claim a tax deduction in the year you make a contribution to the fund, but you have an almost unlimited amount of time to decide which charities to support.

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