

Spend your tax rebate responsibly

Figuring out how you want to spend your tax rebate will be easier if you already have a list of financial goals. Whenever you get a pay-out, it helps enormously in resisting those impulses if it is already 'mentally allocated'. You may be tempted, but the refund is less likely to be wasted.



Lisa Griffith, Associate Director at BDO Wealth Advisers

This is according to Lisa Griffith, Associate Director at BDO Wealth Advisers, who recommends that those who receive a tax refund must ask themselves what they are wanting to achieve in the forthcoming year? "Do you want to save for a deposit on a house? Or perhaps save for retirement? Maybe you are trying to pay off debt," she says.

Griffiths gives some guidance on key objectives that you should consider putting your tax rebate toward:

1. Save for the short to medium term

"There are so many things to save for. Whether you set the money aside for an emergency fund, or a possible irregular expense such as repairs on your home - there are an endless number of unplanned life events which need to be provided for," says Griffiths.

2. Pay off debt

Griffiths advises that if you've been battling with debt and you've been paying the minimum, throw your rebate at it. Play it forward and get into that debt-busting mode.

"Use your rebate to make a higher than usual credit card payment. Paying more than the minimum payment will enable you to finalise the debt sooner. The lump sum could decrease the amount of the future monthly payments, or better still continuing the normal repayments will accelerate the settlement date, and save you costly interest."

3. Invest long term and fund your retirement

Providing for retirement may not be on your radar, but it should be! Try and save the maximum and you will certainly reap the rewards in your later years.

"Retirement is possibly the financial keystone in your life. If you haven't already worked with a financial planner to

figure out your strategy and budget, then now is the time. In fact, you should start planning for retirement during your 20s and 30s, to ensure you are providing sufficiently during your peak earning years," says Griffiths.

4. Save for your child's education

According to Griffiths it makes good sense to set aside money now for the years that your children will be studying on a tertiary level. "If you have a savings plan for your child's education, add your tax rebate to that."

5. Invest in your career

"Getting a big promotion or shifting to a higher-paying career often requires developing new skills. Spending your tax rebate on continuing education or an online course to learn a new skill, will be investing in your education. You'll be investing in your future earning power."

6. Leave a little room for fun

"Whilst you shouldn't splurge on something crazy (unless you planned for it and have everything else under control), I do think we should allow ourselves a little joy once in a while," says Griffiths. "Setting aside a portion of your tax rebate for fun is a great idea. There is nothing wrong with treating yourself!"

Finally Griffiths concludes that you must be patient. "There's no rule that says you have to use your rebate as soon as it flows into your bank account. Let it sit in the bank for some time, preferably in a high yield account. More haste less speed, as the ancient proverb states. Then spend the time necessary to make sure you have established the best financial priorities for you and your family."

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