

Learning Series

Using your tax refund to plan ahead

If you're getting a tax refund this year, that extra money could help you plan for the changes in paycheck frequency that are coming in July.

A good way to use a tax refund is to divide it into thirds:

- Use one third to pay down outstanding bills or debt.
- Set another third aside for savings.
- Use the last third to buy something that you and/or your family has been looking forward to.

Depending on your current situation, you may want to put more of your tax refund toward one of these three options.



Putting more of your refund toward savings can help you plan for the change in paycheck frequency that's coming in July. If you're used to paying all or most of your bills around the first of the month when monthly checks get deposited, you may be looking at changing the pay dates for some bills. Do you have some bills that will be covered with the second check that you'll receive in the middle of the month? If you put some or all of your tax refund in savings, you'll have money available for big bills such as rent and mortgage during those first few months of the pay change.

When filing your taxes, be sure to claim all tax credits for which you might qualify. [This table](#) outlines several of the common credits and their eligibility requirements, so look there to see if you can take the Earned Income, Homestead, or Child Care Tax Credits.

Special note regarding the Earned Income Tax Credit (EITC): The EITC is a tax credit for workers who earn low or moderate incomes where some or all of their income tax that was withheld may be returned. An individual must file a tax return to receive the EITC even if they do not owe taxes.

If your earned income was higher in 2019 than in 2020, you can use the 2019 amount to figure your EITC for 2020. This temporary relief is provided through the Taxpayer Certainty and Disaster Tax Relief Act of 2020. Learn more about the [EITC on the IRS website](#).

There are other changes in taxes due to the pandemic that affect retirement fund withdrawals and charitable contributions. Find out more at <https://www.irs.gov/>.

Make the most of your tax refund this year by planning ahead for the [new pay dates](#).