

Using Your Tax Refund Wisely

The tax season is in full swing and now is the time to think about how you will use your tax refund. It may be tempting to splurge on a vacation or big screen television, but you might want to consider putting the money to better use.

When deciding how to use your tax refund, first consider any outstanding debt you may have and think about putting the extra money towards paying it. If there's one bill you can eliminate completely, do so or if you have several debts, think about putting the money towards the debt with the highest interest rate.

It's also a good idea to evaluate your emergency fund. A tax refund can be a nice boost to an account where you are setting aside funds for unexpected expenses. Financial experts typically recommend setting aside three months of living expenses, which usually is a significant amount of money. However, you have to start somewhere. An emergency fund will prepare you for unexpected expenses and may help you avoid using a credit card.

If you decide you want to use your tax refund to treat yourself with a special purchase, consider setting half of the money aside and using the other half as you like. Spending only half of the funds will still allow you to make a special purchase and give yourself some extra protection in case of an emergency.

Tips

Valentine's Day has the potential to be a budget buster. Between the costs of flowers, candy and meals out, it can make for an expensive day. Here are some tips on how to celebrate Valentine's Day on a budget:

- **Skip the roses** – prices for roses usually are at least double around Valentine's Day. Save the roses for the fall when they're in season and a more romantic gesture – flowers for no reason.
- **Stay home instead of having dinner out** – plan to make a home cooked meal instead of fighting the crowds and paying high restaurant prices. Keep the meal simple and make sure it's something your significant other enjoys.
- **Get creative with the gift** – it's easy, but expensive to go to the store and pick out one of the many items available for Valentine's Day. This year, think outside the box for creative gift ideas, like a memory box or a list of things you love about your partner.
- **Keep it simple** – don't forget the real reason for Valentine's Day; to remind the special people in our lives that we care for them and it certainly doesn't have to cost a lot of money to do that.



Q: I'm considering moving from my current apartment. Is it better to rent or buy a home?

A: First, are you financially able to buy a home? Is your income and credit good enough to be approved for a mortgage? Check your credit report (www.annualcreditreport.com) and see if there are any issues you need to take care of before applying for a mortgage loan. The better your credit, the better the interest rate you qualify for and that can save you thousands of dollars over the life of the loan. If your credit needs some work, it might be a good idea to consider renting and spend a couple years working to improve your credit rating.

Before buying a home, especially in today's real estate market, it's important to consider how long you will remain in the area and the home. Sometimes a quick sell for a job transfer or new opportunity isn't that easy to accomplish.

Owning a home has a tax benefit. Homeowners can claim their mortgage interest on their income taxes. Also, most mortgages are at a fixed rate, so your monthly payment is the same, allowing you to always know what your housing cost is.

Either way, it's best to be financially prepared no matter what future housing plans hold. If homeownership is your goal, work on your credit and make sure you can qualify for the best interest rate possible. If you're content to rent, make sure your budget is in order and can handle any increases in your monthly rent payment.

Contact the Agency to schedule a pre-purchase housing counseling session or a budget counseling session to help you better decide if buying or renting is right for you.

Recycling Electronics Safely

We all know the benefits of switching from traditional light bulbs to the CFL (compact fluorescent light bulbs), but did you know that when they break or burn out, they must be disposed of properly?

First, let's review. CFL bulbs are slowly taking the place of traditional light bulbs, which will be phased out (for the most part) by next year. The new CFL bulbs, while slightly more costly, are remarkably more efficient. According to ENERGY STAR, replacing one incandescent light bulb with an ENERGY STAR qualified CFL, will save enough energy in one year to light more than three million homes. However, CFL bulbs do contain mercury, which means certain guidelines should be followed when disposing of them and cleaning them up after any breaks.

To keep the level of mercury emissions low, the Environmental Protection Agency recommends recycling CFL bulbs whenever possible. In most cases, that doesn't mean throwing them in the recycling bin with other cans, glasses and plastic bottles. The website, www.earth911.org lists agencies, based on location, that offer CFL recycling. Two prominent national home improvement stores also offer free CFL bulb recycling and have bins placed in their stores to collect the bulbs.

Any CFL bulb with the ENERGY STAR approval is required to offer a two-year limited warranty (covering manufacturer defects). Keep receipts from purchasing the bulbs, so you can document date of purchase.

Extra care should also be taken if a CFL bulb breaks. Since it does contain mercury, according to ENERGY STAR, it's important

to let the room air out for 5 to 10 minutes and turn off any forced air heating or air conditioning system. Thoroughly clean up the broken glass and any visible powder. Place the clean up materials in a sealable container and place them outdoors in a trash container until they can be disposed of properly. Keep your heat or air conditioning turned off for several hours and continue to air out the room.

It's important to be mindful when disposing of anything electronic, not only for the environment, but also for your own safety. Electronic devices like computers, smart phones or even iPods can contain personal information. If the device does not work anymore and there is no chance it can be refurbished, then physically destroy the hard drive. This will ensure your personal data cannot be accessed by anyone else.

If you donate or recycle your old cell phone or smart phone, perform a factory reset before turning the phone in. This will erase all content that is stored on your phone. If you plan on recycling your old phone or computer, check with the recycling provider. In some instances they will also wipeout any data remaining on the device.

More information on how to properly dispose of electronics and CFL bulbs can be found at www.energystar.gov and www.epa.gov.

Resources

www.onlinebudgetadvisor.com

www.earth911.org

www.annualcreditreport.com

Client Feedback

Last month we asked you to share some of your New Year's Resolutions. Here's what one Debt Management Program client is planning for the New Year:

We have already set up a Christmas Club account for next year since the extra expenses at the holidays cause unnecessary stress. We also upped the percentage my husband contributes to his 401k. And I am also utilizing our bank account better by socking aside extra money in a sub account that we could access if need be, but I do not see the balance show available in my checking - out of sight, out of mind.

My husband and I are down to 1 credit card on the plan (just paid one other one off in December) and it is a huge difference to our stress levels of bills. Going through the program snapped a bad habit of unnecessary spending and credit card use.

Congratulations on your success and thanks for sharing! Email feedback to hmurray@advantageccs.org.

The Advantage Challenge

Advantage CCS challenges you to ... put your tax refund to good use. Pay off or pay down debts, set it aside in case of an emergency or maybe add it to a college or retirement savings fund. Let us know what you do. Email hmurray@advantageccs.org and tell us how you're putting your tax refund to better use.



Advantage

2403 Sidney St., Suite 400
Pittsburgh, PA 15203
(888) 511-2227
www.advantageccs.org

