

Financial Management

Use Your Tax Return Dollars to Build Wealth



Expecting a large return this spring from the IRS? Many people look forward to their spring tax return. If you received a large return last year what did you do with it?

Often times when we receive a large amount, whether it is expected or unexpected, we use it to catch up, buy large items we normally can't afford, or repay debt. All admirable choices and yet often these choices only improve our financial life for a brief period of time. Then gradually the debt returns, and we are waiting for our next tax return to catch up.

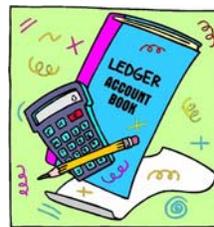
There is another way to get more for your dollars and have a longer impact on your financial health!



Write Out A Spending Plan

Take one hour and write down or prepare a spending plan for one month. (UW-Extension has forms you can download or receive by snail mail.)

Writing down your spending for one month will increase your awareness and your control over your finances. Utilize local resources, groups or UW-Extension, to draft your first spending plan. Being part of a group or having one-on-one support may be the extra incentive or motivation you need.



If you will be getting a return for 2005 make a list of all the things you want to spend your tax return on, and then put a dollar amount with each item.

1. \$100 Paint for House
2. \$150 Towards Credit Card Debt
3. \$400 Vacation
4. \$500 Car Repair
5. \$300 Work Clothes
6. \$50 Fun Money

Total The Amounts You Expect To Spend .

Add up your list and see if it matches what you expect to receive?

For Example Total \$1,500

If you have overestimated what you will be able to do with these dollars, make the necessary adjustments. You can decrease the amount per item or decrease the number of items.

Prioritize —Decide what is most important.

Prioritize your list to make sure the most important items get paid for first. This is a way to take more control over the dollars you receive.

1. \$50 Fun Money
2. \$400 Vacation
3. \$150 Credit Card Debt
4. \$500 Car Repair
5. \$300 Work Clothes
6. \$100 Paint For House

Save a Percentage of Your Return

Identify an amount of money you intend to put into savings. Take a percentage of the dollars you receive and put it towards savings. For example if you take 10% of your total amount (\$150 in the example given) and put it into savings you will extend the benefits of the money you received. For instance if an unexpected expense occurs (life happens) you will have money to cover this expense and not increase debt. This usually makes people feel good and decreases stress.

When talking about saving money for short or long term needs, we often say to ourselves, "I can't spare any money to put into saving right now." Yet starting "now" is a critical strategy to build wealth not debt. Use a percentage of your tax return to get started then make a commitment to add a small amount to your savings each month.

Redo Your List, Including the Prioritizing and the Amount for Savings.

1.	\$45	Fun Money
2.	\$360	Vacation
3.	\$175	Credit Card Debt
4.	\$450	Car repair
5.	\$270	Work Clothes
6.	\$90	Paint for house
7.	\$150	Savings
	<u>\$1,500</u>	<u>Total</u>

- **Enjoy the rewards of taking charge of your money.**
- **Get more for your dollars.**
- **Make choices that have a longer impact on your financial health.**
- **Build Wealth not Debt!**

Author: Gayle Rose Martinez, AFC, Family Living Agent, University of Wisconsin-Extension

Reviewer: Michael Gutter, Asst. Professor UW-Madison, Family Financial Management Specialist, Family Living Program UWEX; Rita Straub, Family Living Agent Marathon Co. UWEX; Brenda Janke, Family Living Agent Lincoln Co. UWEX, Family Finance Management Specialist

Where to find money to continue building your savings.

When your "saving" a little is a lot over time.



Take the change from your pocket each day
and save it in a jar
25¢ a day = \$91.25 a year

Buy generic or larger quantities
\$5.00 every two weeks = \$130.00 a year

Pay bills on time—avoid late charges
\$10.00 a month = \$120.00 a year

Substitute one glass of water a day
for a can of soda
75¢ a day = \$273.75 a year

Bring your lunch to work two times a week
\$6.00 a week = \$312.00 a year

Resources: Free calculators on choosetosave.org
Free spending plans at <http://www.uwex.edu/ces/flp/toolbox/>

For more information contact: Gayle Rose Martinez, Clark County Family Living Agent, University Wisconsin-Extension, 517 Court St., Courthouse Room 104, Neillsville WI 54456 or call 715-743-5121, FAX 715-743-5129
Email: gaylerose.martinez@ces.uwex.edu

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