



# Finances

## Five Things You Can Do with Your Tax Rebate From the Economic Stimulus Package

By Michelle Goldstein [www.goldsteinfinancialfuture.com](http://www.goldsteinfinancialfuture.com)

Last week, President Bush signed the federal economic stimulus package. Most Americans, except those at the uppermost end of the economic scale, will be receiving “tax rebates” this summer that will be about \$600 per person and up to \$1,800 for a family with dependent children.

How should you use this money? The government wants you to spend it—and spend it as soon as possible—so that it will stimulate the economy. When money is spent, it goes into someone else’s bank account, and thus makes them wealthier and more able to spend. Then, if they spend their money, it goes to someone else, and the cycle continues. Multiplied several times, your spending and the spending of your friends and neighbors could positively affect U.S. economic growth.

But while spending the money might be the best outcome for the U.S. overall, does it make sense for you individually? Financial advisors frame the question from the perspective of whether an individual’s finances are in balance, and whether the person is on a path to achieve long-term goals.

If you’re not saving sufficiently, you might

consider the rebate as “found” money, not money you use in your weekly or monthly budget. Here are five ways to use that money to strengthen your long-term financial security and that of your family:

- 1. Make a contribution to retirement.** Sock it away into your IRA or Roth IRA if you are eligible.
- 2. Pay off short-term debt.** Make an extra payment on your highest-interest credit card first.
- 3. Save for college.** Put it into a 529 Plan or a Coverdell IRA (if eligible) for your kids or grandkids.
- 4. Build a Rainy Day fund** Use your rebate to create or add to your emergency fund. Having a savings account with three-to-six months of living expenses is ideal.
- 5. Pay off long-term debt.** Make an extra payment on your school loan or your home so that you can pay it off faster and save some interest expense.

