

Defeat Debt

Credit Advisors Foundation

Volume 51, Issue 12

When Tax Refunds Cost Big Dollars

Why is it that just about the time you figure out you'll be receiving a tax refund the microwave goes crazy or the TV goes on the fritz?

More than seventy percent of filers will receive a tax refund this year and most of us know how we'll spend the money before the ink dries from our signatures on our returns. So how can we gain access to our money more quickly?

The IRS has a few helpful recommendations:

First and foremost – making use of e-filing. You can make use of this technology if you prepare your return yourself or if like more than half of us, you have a professional tax preparer. (You can even e-file if you are not receiving a refund – and at the same time schedule how you are

going to pay your tax bill – maybe through your CAF debt management plan?) All e-filers receive electronic receipt confirmation for their returns from the IRS, so you don't need to worry about your return getting lost.

Secondly, if you have a checking or savings account, you can include information to have your refund directly deposited into your account. The IRS says using these two tools will cut your wait time in half from the usual six weeks to about three weeks.

(However, in our informal poll of those that made use of e-file and direct deposit here at CAF found that most received their funds in slightly less time- approximately 12 days from filing.) If you don't have an account, check with a local credit union as some are willing to help you set up an account for this purpose to use now and in the future.

Are there faster ways to get your money? Actually, there are!

If you are receiving a sizable return, you may want to consider adjusting

your payroll withholding. The reduced withholding would shift the money otherwise received through a refund once a year to an increase in monthly take-home pay to use now.

This may allow you more flexibility in a tight budget or allow you to place the funds in savings (remember you emergency account?) or investments as soon as it is earned rather than waiting for Uncle Sam to return it to you a year later with no earned interest.

And of course, if you're willing to essentially forfeit part of the money coming to you by paying to receive a "rapid refund" loan, you can receive your money in as little as one day up to a week.

But, don't be fooled – these "rapid refund" offers from companies are in actuality loans that are "theoretically" repaid by your refund. Why doesn't everyone use the quick refund loans? The most commonly mentioned reason is cost.

Fees for most of these loans, calculated on a 'sliding scale', can run from \$25 to \$200, and are deducted directly from your refund.

(Continued on page 2)

Inside this issue:

<i>When Tax Refunds Cost Big Dollars</i>	1
<i>Free Tax Prep Help Available</i>	2
<i>Word Search</i>	3
<i>The Kitchen on a Dime</i>	4

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You can make use of e-file even if you are not receiving a refund.

Tax Refunds

(Continued from page 1)

Even in an emergency situation these fees (including any other charges from your tax preparer) are an extremely expensive way to avoid waiting two to three weeks for your funds.

There are, unfortunately, other risks involved with fast refund loans, rarely mentioned by the companies that offer them.

What happens if your refund is misdirected? You would be obligated to pay back the loan (including penalties and interest) yourself.

If you are in default with child support, student loans or any previous year's tax obligations your refund may be seized to pay down these debts.

What would cause a refund to be redirected? If you are in default with child support, student loans or any previous year's tax obligations your refund may be seized to pay down these debts.

Even if you have entered into a repayment plan for a prior year tax debt (including through your CAF debt management plan), according to your agreement with the IRS any refund owed you, will be applied to the balance on your account. (And don't forget, if a balance remains after the refund is applied, you must continue making your installment payments according to the agreement for the prior year debt.)

So, be a smart citizen, a smart consumer and save money, using e-file with direct deposit and savor the anticipation of waiting for your refund this year. And remember, if you send even part of your refund to CAF, it will go a long



way to paying down your DMP debt, save you money on interest charges and potentially shorten the length of time until you can proclaim yourself "Debt Free".

Free Tax Prep Help Available

Free tax preparation help is again available this year through the IRS Volunteer Income Tax Assistance (VITA) Program for those who qualify. The VITA program offers free tax help to low- to moderate-income (generally, \$42,000 and below) people who cannot prepare their own tax returns. Certified volunteers sponsored by various community organizations receive training to help prepare basic tax returns in communities across the country. Volunteers are available in convenient locations such as community or neighborhood centers, libraries, schools or shopping malls.

In addition, there is free tax counseling for the elderly available as well. To find the location nearest you call toll-free 1-800-829-1040. (The AARP also assists

seniors in tax preparation – for their locations call toll-free 1-888-227-7669.)

Once you've located the center nearest you, you'll want to make sure you bring the following to have your tax return prepared:

- Proof of identification
- Social security cards for you, your spouse and dependents
- Birth dates for primary and secondary filers, as well as any dependents
- Current year's tax package if you received one
- Wage and earning statement (s) such as W-2, W-2G, 1099-R, from all employers

- Interest and dividend statements from banks (Forms 1099)
- A copy of last year's Federal and State returns, if available
- Bank routing number and account numbers for direct deposit (the same information CAF requested to set up your EFT payments)
- Other relevant information about income and expenses (total paid for day care and day care providers identifying number, for example)

Finally, to file taxes electronically on a married filing joint tax return, both spouses must be present to sign the required forms.

* Word Search * Word Search * Word Search * Word Search * Word Search *

The Word Search Challenge—the words listed below, pulled from the articles in this edition of Defeat Debt, are hidden in our puzzle. Test your skill and find all twenty-one hidden words. Good Luck!!

- CITIZEN
- DEBTS
- DEPOSIT
- ELDERLY
- FEEES
- FILE
- INCOME
- INK
- INTEREST
- LOAN
- TIME
- MALL
- MONEY
- PAY
- REFUND
- RISKS
- SAVINGS
- SEIZED
- SPOUSE
- STATE
- TAX

C	F	I	N	T	E	R	E	S	T
R	I	S	K	S	A	I	L	A	J
E	L	T	I	M	E	N	D	V	Y
F	E	B	I	W	F	K	E	I	E
U	S	E	I	Z	E	D	R	N	N
N	P	D	M	L	E	P	L	G	O
D	O	X	V	O	S	N	Y	S	M
F	U	A	Y	R	C	X	B	E	A
M	S	T	A	T	E	N	A	O	L
D	E	P	O	S	I	T	I	S	L



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We're on the Web!!

www.creditadvisors.org

Get Out of Debt with No Regret !!



The Kitchen on a Dime

No Fail Fudge

Super easy, quick and yummy for your tummy—No Fail Fudge is just that—no fail. Make this recipe uniquely your own by substituting your favorite nuts for the pecans.

Ingredients:

- 3 cups of milk chocolate chips
- 14 ounces sweetened condensed milk
- 1 teaspoon vanilla flavoring
- 1 to 2 cups chopped pecans

Directions:

Mix chocolate chips, condensed milk and vanilla.

Melt over low heat.

Stir in pecans and then pour into a 13x9 baking dish.

Spread out and refrigerate until it becomes cool and firm.

Cut into small squares.

35 cents per treat size serving.

